

NEW ISSUE – BOOK-ENTRY ONLY

INSURED RATING: Standard & Poor's: "AA"
UNDERLYING RATING: Standard & Poor's: "A+"
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agencies, interest on the Installment Sale Payments paid by each Local Agency under the applicable 2020 Installment Sale Agreement and received by the owners of the Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special 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, Special Counsel is of the opinion that the interest on the Installment Sale Payments paid by each Local Agency under the applicable 2020 Installment Sale Agreement and received by the owners of the Certificates is exempt from State of California personal income taxes. Special 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 Installment Sale Payments. See "TAX MATTERS."

\$44,165,000

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
TRANSPORTATION REVENUE (INSTALLMENT SALE)
CERTIFICATES OF PARTICIPATION, SERIES 2020
(FEDERALLY TAXABLE) (T.R.I.P. – TOTAL ROAD IMPROVEMENT PROGRAM)

Dated: Date of Delivery

Due: June 1, as shown on inside cover

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

The California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (the "Certificates"), are being executed and delivered in the aggregate principal amount of \$44,165,000 by Wilmington Trust, National Association, as trustee (the "Certificate Trustee"), pursuant to the provisions of a Trust Agreement, dated as of October 1, 2020 (the "Program Trust Agreement"), by and among the California Statewide Communities Development Authority (the "Authority"), the Certificate Trustee, the City of Desert Hot Springs, the City of Menifee and the City of Moreno Valley (each, a "Local Agency" and, collectively, the "Local Agencies"). Capitalized terms used on this cover page and not otherwise defined shall have the meanings ascribed to them elsewhere in this Official Statement. See in particular "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

A portion of the proceeds of the Certificates will be used to purchase the respective California Statewide Communities Development Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (individually, a "Local Agency Certificate" and collectively, the "Local Agency Certificates"), which will be executed and delivered simultaneously with the execution and delivery of the Certificates. The remaining proceeds of the Certificates will be used to pay the costs of executing and delivering the Certificates, including to purchase debt service reserve policies to be issued by Assured Guaranty Municipal Corp. (the "Insurer" or "AGM") that constitute Qualified Reserve Instruments in lieu of the required deposit to the applicable reserve subaccounts within the reserve fund for the respective Local Agency Certificates. Under the Program Trust Agreement, the Certificates are payable and secured by a first pledge and charge and lien on "Pooled Revenues" consisting of interest and principal payments becoming due and payable on the Local Agency Certificates. See "ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Local Agency Certificates Reserve Funds."

The Local Agency Certificates evidence and represent proportionate and undivided interests in the respective 2020 Installment Sale Payments required to be made by the Local Agencies to the Authority under their respective Installment Sale Agreements. The proceeds from the sale of the Local Agency Certificates to the Authority will be used to (i) refinance the design, acquisition, and construction of certain local roadway and street improvement projects within the jurisdiction of each Local Agency, as applicable (each, a "Project" and, collectively, the "Project"). The Authority will sell each Project to the applicable Local Agency pursuant to their respective Installment Sale Agreements. See "ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS," and "THE LOCAL AGENCIES."

Under the Installment Sale Agreements, the 2020 Installment Sale Payments required to be made by each Local Agency are payable from a first lien on all Measure A Receipts (as defined herein), generally consisting of certain amounts received by the respective Local Agency from a 0.5% sales tax that will be collected in the County of Riverside, California, for a thirty-year period ending on June 30, 2039, to the extent the applicable Project constitutes a Measure A Project (as defined herein). The 2020 Installment Sale Payments required to be paid by the City of Desert Hot Springs and the City of Menifee, each a Local Agency, to the Authority are also payable from a first lien on all Gas Tax Revenues (as defined herein), generally consisting of certain amounts received by each such Local Agency from taxes imposed on the sale of motor vehicle fuels. The 2020 Installment Sale Payments are scheduled in an amount sufficient to pay, when due, the annual principal and interest with respect to the Local Agency Certificates and, in turn, the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES," "MEASURE A REVENUES; MEASURE A RECEIPTS," and "RISK FACTORS." The Measure A Receipts are the sole source of payment of the 2020 Installment Sale Payments required to be made by the City of Moreno Valley. The Measure A Receipts and Gas Tax Revenues are the sole source of payment of the 2020 Installment Sale Payments required to be made by the City of Desert Hot Springs and the City of Menifee. Neither the general fund of any Local Agency nor any other moneys of any Local Agency are available to pay or secure the 2020 Installment Sale Payments, the Local Agency Certificates or the Certificates. **The obligation of each Local Agency to pay its 2020 Installment Sale Payments is not subject to abatement.**

The Certificates will be executed and delivered in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Individual purchases of Certificates may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Certificates purchased. See "THE CERTIFICATES – Book-Entry Only System."

Payments of principal and interest with respect to the Certificates will be made by the Certificate Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Certificates as described herein. Interest with respect to the Certificates is payable semiannually each June 1 and December 1, commencing December 1, 2020, until the maturity or the earlier prepayment thereof. Principal with respect to the Certificates will be paid on each June 1, commencing June 1, 2021, upon surrender of such Certificate at the principal corporate office of the Certificate Trustee upon maturity or the earlier prepayment thereof.

The Certificates are subject to optional, mandatory, and mandatory sinking fund prepayment prior to their stated principal payment dates as described herein.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by AGM. See "BOND INSURANCE."



THE OBLIGATION OF EACH LOCAL AGENCY TO MAKE 2020 INSTALLMENT SALE PAYMENTS UNDER ITS INSTALLMENT SALE AGREEMENT IS A SPECIAL OBLIGATION OF SUCH LOCAL AGENCY PAYABLE SOLELY FROM MEASURE A RECEIPTS AND, IN THE CASE OF THE CITY OF DESERT HOT SPRINGS AND THE CITY OF MENIFEE, ALSO GAS TAX REVENUES, AND DOES NOT CONSTITUTE A DEBT OF SUCH LOCAL AGENCY, ANY OTHER LOCAL AGENCY, THE AUTHORITY, THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE LOCAL AGENCY, ANY OTHER LOCAL AGENCY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE LOCAL AGENCY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

[See Maturity Schedule on Inside Cover]

The Certificates are offered when, as, and if executed and delivered to and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the Local Agencies. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, for the City of Desert Hot Springs by Stream Kim Hicks Wragge & Alfaro, P.C., Riverside, California, its City Attorney, for the City of Menifee by its City Attorney, for the City of Moreno Valley by its City Attorney, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Certificates in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about October 8, 2020.

STIFEL

Dated: September 22, 2020

MATURITY SCHEDULE

\$44,165,000

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
TRANSPORTATION REVENUE (INSTALLMENT SALE)
CERTIFICATES OF PARTICIPATION, SERIES 2020
(FEDERALLY TAXABLE) (T.R.I.P. – TOTAL ROAD IMPROVEMENT PROGRAM)**

<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP ⁽¹⁾No.</u>
2021	\$2,305,000	0.435%	0.435%	100.000	13079XBP0
2022	1,835,000	0.585	0.585	100.000	13079XBQ8
2023	1,840,000	0.701	0.701	100.000	13079XBR6
2024	1,850,000	0.961	0.961	100.000	13079XBS4
2025	1,875,000	1.061	1.061	100.000	13079XBT2
2026	1,900,000	1.402	1.402	100.000	13079XBU9
2027	1,925,000	1.602	1.602	100.000	13079XBV7
2028	1,945,000	1.919	1.919	100.000	13079XBW5
2029	1,990,000	2.019	2.019	100.000	13079XBX3
2030	2,025,000	2.119	2.119	100.000	13079XBY1
2031	2,075,000	2.269	2.269	100.000	13079XBZ8
2032	2,120,000	2.419	2.419	100.000	13079XCA2
2033	2,170,000	2.569	2.569	100.000	13079XCB0
2034	2,220,000	2.669	2.669	100.000	13079XCC8
2035	2,285,000	2.769	2.769	100.000	13079XCD6

\$13,805,000 3.238% Term Certificates due June 1, 2042; Yield: 3.238%; Price: 100.00; CUSIP ⁽¹⁾No. 13079XCE4

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. None of the Authority, the Local Agencies, or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Local Agencies, or the Underwriter and are included solely for the convenience of the registered owners of the Certificates. None of the Authority, the Local Agencies, or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness with respect to the Certificates or as included herein. The CUSIP number for a specific maturity of Certificate is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

PARTICIPATING LOCAL AGENCIES

City of Desert Hot Springs, California

Scott Matas, *Mayor*
Robert Griffith, *Mayor Pro-Tem*
Russell Betts, *Council Member*
Gary Gardner, *Council Member*
Jan Pye, *Council Member*

Chuck Maynard, *City Manager*
Geoffrey Buchheim, *Finance Director*
Jerryl Soriano, *City Clerk*

City of Menifee, California

Bill Zimmerman, *Mayor*
Matt Leisemeyer, *Mayor Pro-Tem*
Greg August, *Council Member*
Dean Deines, *Council Member*
Lisa Sobek, *Council Member*

Armando G. Villa, *City Manager*
Rochelle Clayton, *Deputy City Manager*
Wendy Preece, *Deputy Finance Director*
Sarah Manwaring, *City Clerk*

City of Moreno Valley, California

Dr. Yxstian Gutierrez, *Mayor*
Victoria Baca, *Mayor Pro-Tem*
Ulises Cabrera, *Council Member*
David Marquez, *Council Member*
Dr. Carla J. Thornton, *Council Member*

Mike Lee, *City Manager*
Marshall Eyerman, *Assistant City Manager/Chief
Financial Officer/City Treasurer*
Pat Jacquez-Nares, *City Clerk*

PROFESSIONAL SERVICES

Special Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Underwriter's Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

Wilmington Trust, N.A.
Costa Mesa, California

Municipal Advisor

Urban Futures, Inc.
Tustin, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

No dealer, broker, salesperson, or other person has been authorized by any Local Agency, the Authority, or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Certificates, nor shall there be any sale of the Certificates, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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

The information set forth in this Official Statement has been obtained from each Local Agency, the Authority, and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by any such Local Agency or the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of any Local Agency or the Authority since the date of this Official Statement.

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 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 is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES 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 CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Assured Guaranty Municipal Corp. (the “Insurer” or “AGM”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. 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 heading “BOND INSURANCE,” and “APPENDIX E – Specimen Municipal Bond Insurance Policy.”

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Description of the Certificates	1
Authorization for Certificates and Local Agency Certificates	1
Judicial Validations	2
Purpose	2
Payment of Principal and Interest.....	3
Prepayment of Certificates	3
Security and Sources of Payment for the Certificates	4
Security and Sources of Payment for the Local Agency Certificates.....	4
Special, Limited Obligation of the Authority and Local Agencies	6
Continuing Disclosure	7
Forward-Looking Statements	7
COVID-19 Pandemic	7
Risk Factors Associated with Purchasing the Certificates	7
References Qualified	8
REFUNDING PLAN	8
Refunding of Desert Hot Springs 2012 Certificates.....	8
Refunding of Menifee 2012 Certificates	8
Refunding of Moreno Valley 2013 Certificates	8
Verification of Mathematical Accuracy	9
ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS	10
THE CERTIFICATES	11
Authorization and Registration of Certificates.....	11
Payment of Certificates	11
Prepayment of Certificates	11
Purchase of Certificates in Lieu of Prepayment	12
Selection of Certificates for Prepayment.....	12
Notice of Prepayment	12
Partial Prepayment or Purchase of Certificates	13
Effect of Prepayment.....	13
Book-Entry Only System	14
Debt Service	17
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.....	19
Pledge of Pooled Revenues	19
Receipts and Deposits in the Certificate Payment Fund	20
Use of Money in the Certificate Payment Fund	20
No Reserve Fund for Certificates; Local Agency Certificate Reserve Funds	21
Bond Insurance Policy.....	21
SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES.....	22
2020 Installment Sale Payments.....	22
Pledge of Gas Tax Revenues	22
Pledge of Measure A Receipts	23
Pledged Tax Fund.....	24
Deposit of Other Available Revenues	26
Additional Contracts.....	26
Local Agency Certificates Reserve Funds	27

BOND INSURANCE	28
Bond Insurance Policy.....	28
Assured Guaranty Municipal Corp.....	28
THE LOCAL AGENCIES.....	30
GAS TAX REVENUES.....	31
Statewide Gas Tax Apportionments.....	31
City of Desert Hot Springs Gas Tax Revenues	33
City of Menifee Gas Tax Revenues.....	36
MEASURE A REVENUES; MEASURE A RECEIPTS	38
Pledge of Measure A Receipts	38
The Measure A Sales Tax.....	38
Riverside County Transportation Commission	39
Senior Lien Measure A Obligations	39
Collection and Allocation of Measure A Revenues	40
PROJECTED DEBT SERVICE COVERAGE.....	47
RISK FACTORS.....	52
Public Health Emergencies.....	52
Installment Sale Payments Constitute Limited Obligations	53
Passive Revenue Source	53
Projections	54
Allocation of Measure A Revenues to the Local Agencies is Subordinate to Payment of Senior Lien Measure A Obligations	54
Limitations on Use of Measure A Revenues	55
Senior Lien Measure A Obligations	55
Additional Contracts.....	55
Limitations on Remedies; Bankruptcy	55
Constitutional Limitations on Appropriations.....	56
Previous Diversion of Gas Tax Revenues	56
Gasoline Sales Subject to Fluctuation	57
California State Legislature or Electorate May Change Items Subject to Measure A Sales Tax.....	58
Increases in Sales Tax Rate May Cause Declines in Measure A Revenues.....	58
No Liability of Authority to Owners	58
Economic, Political, Social, and Environmental Conditions	58
Natural Disasters	59
Secondary Market.....	59
Risks Associated with Insurance Policy.....	59
Cyber Security	60
CONSTITUTIONAL PROVISIONS AFFECTING LOCAL AGENCY REVENUES AND APPROPRIATIONS	60
Article XIII B of the California Constitution – Limitations on Appropriations.....	60
Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes.....	61
Future Initiatives.....	62
THE AUTHORITY.....	63
TAX MATTERS.....	63
RATINGS	67
CONTINUING DISCLOSURE.....	67
MUNICIPAL ADVISOR.....	67

UNDERWRITING.....	68
NO LITIGATION	68
The Authority	68
The Local Agencies	68
CERTAIN LEGAL MATTERS.....	69
MISCELLANEOUS	69
APPENDIX A	SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.....A-1
APPENDIX B	GENERAL INFORMATION REGARDING PARTICIPATING LOCAL AGENCIES.B-1
APPENDIX C	PROPOSED FORM OF SPECIAL COUNSEL OPINIONC-1
APPENDIX D	FORM OF LOCAL AGENCY CONTINUING DISCLOSURE AGREEMENTD-1
APPENDIX E	SPECIMEN MUNICIPAL BOND INSURANCE POLICYE-1
APPENDIX F	CITY OF DESERT HOT SPRINGS BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019F-1
APPENDIX G	CITY OF MENIFEE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019G-1
APPENDIX H	CITY OF MORENO VALLEY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019.....H-1

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OFFICIAL STATEMENT

\$44,165,000

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
TRANSPORTATION REVENUE (INSTALLMENT SALE)
CERTIFICATES OF PARTICIPATION, SERIES 2020
(FEDERALLY TAXABLE) (T.R.I.P. – TOTAL ROAD IMPROVEMENT PROGRAM)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, Table of Contents, and Appendices (the “Official Statement”), provides certain information concerning the execution and delivery of the California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (the “Certificates”), in an aggregate principal amount of \$44,165,000. Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Certificates to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions.”

Description of the Certificates

The Certificates will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Certificates.

Authorization for Certificates and Local Agency Certificates

The Certificates are being executed and delivered by Wilmington Trust, National Association, as trustee (the “Certificate Trustee”), pursuant to (i) a Trust Agreement, dated as of October 1, 2020 (the “Program Trust Agreement”), by and among the Authority, the Certificate Trustee, the City of Desert Hot Springs, the City of Menifee, and the City of Moreno Valley (each a “Local Agency” and, collectively, the “Local Agencies”), and (ii) a resolution adopted by the Authority on September 3, 2020, a resolution adopted by the City of Desert Hot Springs on July 7, 2020, supplemented on September 1, 2020 and to be supplemented on October 6, 2020, a resolution adopted by the City of Menifee on August 19, 2020, and a resolution adopted by the City of Moreno Valley on September 1, 2020 (such resolutions as supplemented prior to the Closing Date, the “Resolutions”).

A portion of the proceeds of the Certificates will be used to purchase from the Authority, as agent for and on behalf of each Local Agency, the certificates of participation described below (individually, a “Local Agency Certificate” and collectively, the “Local Agency Certificates”). The Local Agency Certificates are being executed and delivered simultaneously with the execution and delivery of the Certificates pursuant to the Resolutions and the following trust agreements, as supplemented to date (collectively, the “Local Agency Trust Agreements” and each a “Local Agency Trust Agreement”):

(i) Trust Agreement, dated as of February 1, 2012, as supplemented by a First Supplement to Trust Agreement, dated as of October 1, 2020, each by and among the Authority, the City of Desert Hot Springs, and Wilmington Trust, National Association, as successor trustee (the “Local Agency Certificates Trustee”), pursuant to which the \$5,310,000 original principal of California Statewide Communities Development Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (the “DHS Local Agency Certificates”) will be executed and delivered by the Local Agency Certificates Trustee;

(ii) Trust Agreement, dated as of May 1, 2012, as supplemented by a First Supplement to Trust Agreement, dated as of October 1, 2020, each by and among the Authority, the City of Menifee, and the Local Agency Certificates Trustee, pursuant to which the \$17,885,000 original principal of California Statewide Communities Development Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (the “Menifee Local Agency Certificates”) will be executed and delivered by the Local Agency Certificates Trustee; and

(iii) Trust Agreement, dated as of August 1, 2013, as supplemented by a First Supplement to Trust Agreement, dated as of October 1, 2020, each by and among the Authority, the City of Moreno Valley, and the Local Agency Certificates Trustee, pursuant to which the \$20,970,000 original principal amount of California Statewide Communities Development Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (the “Moreno Valley Local Agency Certificates”) will be executed and delivered by the Local Agency Certificates Trustee.

The Local Agency Certificates evidence and represent proportionate and undivided interests in installment sale payments (collectively, the “2020 Installment Sale Payments”) required to be made by the Local Agencies under the respective installment sale agreements as described in this Official Statement (collectively, the “Installment Sale Agreements”). Each Local Agency recognizes the rights of the Owners of the Certificates, acting directly or through the Certificate Trustee, to enforce the obligations and covenants contained in the Installment Sale Agreements and the respective Local Agency Trust Agreement; provided that in no event shall a Local Agency be liable for any obligations, covenants or damages except those which arise out of its Installment Sale Agreement, and, in particular, no Local Agency shall be liable for any obligations, liabilities, acts or omissions of any other Local Agency.

Judicial Validations

Each of the Local Agencies previously obtained judgments in their favor in the Superior Court of the State of California for the County of Riverside (the “Riverside County Superior Court”) pursuant to California Government Code Section 53510 *et seq.* and California Code of Civil Procedure Section 860 *et seq.* (collectively, the “Validation Law”) seeking to validate certain issues raised by the proposed execution and delivery of the Prior Certificates (as hereinafter defined) and additional contracts such as the Installment Sale Agreements, Local Agency Trust Agreements, and Local Agency Certificates. Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel, in issuing its final approving opinion on the Certificates, will rely, among other things, on such judgments. See “The LOCAL AGENCY CERTIFICATES – Judicial Validations.”

Purpose

A portion of the proceeds of the Certificates will be used to purchase from the Authority, as agent for and on behalf of each Local Agency, the respective California Statewide Communities Development

Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) (individually, a “Local Agency Certificate” and collectively, the “Local Agency Certificates”). The remaining proceeds of the Certificates will be used to pay the costs incurred in connection with the execution, sale, and delivery of the Certificates and Local Agency Certificates, including, but not limited to, the cost of the Insurance Policy for the Certificates and the Reserve Policies (as such terms are defined herein).

The proceeds from the sale of the respective Local Agency Certificates to the Authority will be used by the Local Agencies to refinance the design, acquisition, and construction of their respective Projects by prepaying in full the following respective certificates of participation (collectively, the “Prior Certificates”) by the deposit to the related Escrow Funds (as defined herein):

(i) California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) (the “Desert Hot Springs 2012 Certificates”);

(ii) California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012B (T.R.I.P. – Total Road Improvement Program) (the “Meniffee 2012 Certificates”); and

(iii) California Communities Local Measure A Sale Tax Revenues (Installment Sale) Certificates of Participation, Series 2013A (T.R.I.P. – Total Road Improvement Program) (the “Moreno Valley 2013 Certificates”).

In addition, certain funds on hand relating to the Prior Certificates will be released and deposited into the related Escrow Fund. See “REFUNDING PLAN,” “ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS,” “THE LOCAL AGENCIES” and “SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Local Agency Certificates Reserve Funds.”

Payment of Principal and Interest

Interest with respect to the Certificates is payable semiannually on June 1 and December 1, commencing December 1, 2020 (each, an “Interest Payment Date”), and is payable by check mailed by first class mail on the date such interest is due to the Owner at his address as it appears on the registration books maintained by the Certificate Trustee; provided, however, that an Owner of \$1,000,000 or more in aggregate principal amount evidenced by the Certificates may request in writing that the Certificate Trustee pay the interest evidenced by such Certificates by wire transfer and the Certificate Trustee shall comply with such request for all Interest Payment Dates following the 15th day after receipt of such request until such request is rescinded. Principal with respect to the Certificates will be payable on June 1 of each year, commencing June 1, 2021 (each, a “Certificate Payment Date”), upon surrender of such Certificate at the principal corporate trust office of the Certificate Trustee in Los Angeles, California, upon the maturity or earlier prepayment thereof. See “THE CERTIFICATES.”

Prepayment of Certificates

The Certificates are subject to optional, mandatory, and mandatory sinking fund prepayment under certain circumstances as described herein. See “THE CERTIFICATES – Prepayment of Certificates.”

Security and Sources of Payment for the Certificates

Pledge of Pooled Revenues. Under the Program Trust Agreement, the Certificates are payable and secured by a first pledge and charge and lien on “Pooled Revenues” consisting of interest and principal payments becoming due and payable on the Local Agency Certificates. Under the Program Trust Agreement, the Authority will assign to the Certificate Trustee all of the Authority’s rights and remedies under the Certificates, the Local Agency Trust Agreements and the Installment Sale Agreements (as hereinafter defined), including, but not limited to, the Authority’s security interest in the Certificate Payment Fund and the Pooled Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

Bond Insurance Policy. Concurrently with the execution and delivery of the Certificates, Assured Guaranty Municipal Corp. (the “Insurer” or “AGM”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Insurance Policy”). The Insurance Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Insurance Policy included as Appendix E to this Official Statement. The Insurance Policy does not guarantee the scheduled payment of principal and interest with respect to any of Local Agency Certificates. See “BOND INSURANCE” and “APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Security and Sources of Payment for the Local Agency Certificates

2020 Installment Sale Payments. The Local Agency Certificates evidence and represent proportionate and undivided interests in installment sale payments (collectively, the “2020 Installment Sale Payments”) required to be made by the Local Agencies under the following respective installment sale agreements (collectively, the “Installment Sale Agreements”):

- (i) 2012 Installment Sale Agreement, dated as of February 1, 2012, as amended and supplemented by a First Supplement to 2012 Installment Sale Agreement, dated as of October 1, 2020, each by and between the Authority and the City of Desert Hot Springs;
- (ii) 2012 Installment Sale Agreement, dated as of May 1, 2012, as amended and supplemented by a First Supplement to 2012 Installment Sale Agreement, dated as of October 1, 2020, each by and between the Authority and the City of Menifee; and
- (iii) 2013 Installment Sale Agreement, dated as of August 1, 2013, as amended and supplemented by a First Supplement to 2013 Installment Sale Agreement, dated as of October 1, 2020, each by and between the Authority and the City of Moreno Valley.

The 2020 Installment Sale Payments required to be paid by each of the Local Agencies under their respective Installment Sale Agreement are payable from and secured by a first lien on their respective Measure A Receipts (as defined below). In addition, the 2020 Installment Sale Payments required to be paid by the City of Desert Hot Springs and the City of Menifee are also payable from and secured by a first lien on their respective Gas Tax Revenues (as defined below). As to each Local Agency, its 2020 Installment Sale Payments are designed to be sufficient, in both time and amount, to pay, when due, the principal and interest evidenced and represented by its Local Agency Certificates. Payments of principal and interest on the Local Agency Certificates in the aggregate are designed to be sufficient, in both time and amount, to pay, when due, the principal and interest evidenced and represented by the Certificates. Each Local Agency is solely responsible for the payment of the 2020 Installment Sale Payments required to be paid pursuant to its Installment Sale Agreement, and no Local Agency is responsible for the payment of any 2020 Installment Sale Payments of any other Local Agency.

The term “Measure A Receipts” is defined in the Installment Sale Agreements to mean Measure A Revenues (as defined below) allocated by the Riverside County Transportation Commission (the “Commission”) to the applicable Local Agency pursuant to the Measure A Ordinance, to the extent the applicable Project constitutes a Measure A Project (as defined below).

The term “Measure A Revenues” is defined in each Installment Sale Agreement to mean revenues of the Commission derived from a retail transactions and use tax (the “Measure A Sales Tax”) imposed in the County of Riverside, California (the “County”) pursuant to the Riverside County Transportation Sales Tax Act, Division 25 (Section 240000 *et seq.*) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented (the “Measure A Sales Tax Act”), and the Measure A Ordinance.

The term “Measure A Ordinance” is defined in each Installment Sale Agreement to mean Ordinance No. 02-001, the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Commission on May 8, 2002, and approved by at least two-thirds of electors voting on such proposition in the November 5, 2002 election, as supplemented and amended.

The term “Measure A Project” is defined in each Installment Sale Agreement to mean a capital project for which Measure A Receipts may be expended. The respective Projects of each Local Agency each constitute a Measure A Project and all such Projects have either been completed or substantially completed.

A portion of Measure A Revenues are allocated by the Commission to the Local Agencies for the Local Agency’s local streets and roads program on a basis that is subordinate to the Commission’s payment of its Senior Lien Measure A Obligations, as described herein. See “MEASURE A REVENUES; MEASURE A RECEIPTS – Senior Lien Measure A Obligations” and “ – Collection and Allocation of Measure A Revenues” and “RISK FACTORS – Senior Lien Measure A Obligations.” In addition, only the portion of Measure A Revenues allocated by the Commission to the Local Agencies constituting Measure A Receipts may be applied by the Local Agencies to pay their respective 2020 Installment Sale Payments. In addition, while Measure A Revenues will be collected in the County for a thirty-year period ending on June 30, 2039, 2020 Installment Sale Payments will be payable by the Local Agencies through and including June 1, 2042. Investors should be aware that no Measure A Revenues will be allocated by the Commission to each Local Agency or be available to make Installment Sale Payments in fiscal years 2040, 2041, and 2042. See “RISK FACTORS – Limitations on Use of Measure A Revenues.”

The County will not have any obligation, express or implied, with respect to the payment of the principal, premium, if any, or interest with respect to the Certificates or Local Agency Certificates and has not participated in the preparation of the Official Statement.

The term “Gas Tax Revenues” is defined in the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee to mean all amounts received by the applicable Local Agency from the State in accordance with Streets and Highways Code Sections 2103, 2104(d), (e) and (f), 2105, 2106 and 2107, as such provisions may be amended, and all other revenues (except revenues received by the applicable Local Agency in accordance with Streets and Highways Code Section 2107.5), if any, received by the applicable Local Agency from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions or reimbursements received by the applicable Local Agency from the State in lieu of such revenues.

Pursuant to the Local Agency Trust Agreements, the Authority will assign to the Certificate Trustee all of the Authority’s rights and remedies under the Installment Sale Agreements, including, but not limited to, the Authority’s security interest in and lien upon the Gas Tax Revenues received by the

City of Desert Hot Springs and the City of Menifee and Measure A Receipts received by all three of the Local Agencies. See “SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES,” “MEASURE A REVENUES; MEASURE A RECEIPTS,” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Local Agency Certificates Reserve Funds and Reserve Subaccounts. Under each Local Agency Trust Agreement, a Reserve Fund and a Reserve Subaccount therein will be established for the applicable Local Agency Certificates. AGM has committed to issue, concurrently with the execution and delivery of the Local Agency Certificates, the following debt service reserve policies (collectively, the “**Reserve Policies**” and each a “**Reserve Policy**”):

(i) a debt service reserve policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the DHS Local Agency Certificates in the initial stated amount of \$348,645.30, which satisfies the Reserve Fund Requirement (as defined herein) for, and secures the payment of principal and interest only with respect to, the DHS Local Agency Certificates;

(ii) a debt service reserve policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the Menifee Local Agency Certificates in the initial stated amount of \$1,160,099.54, which satisfies the Reserve Fund Requirement for, and secures the payment of principal and interest only with respect to, the Menifee Local Agency Certificates; and

(iii) a debt service reserve policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the Moreno Valley Local Agency Certificates in the initial stated amount of \$1,425,913.24, which satisfies the Reserve Fund Requirement for, and secures the payment of principal and interest only with respect to, the Moreno Valley Local Agency Certificates.

See “SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Local Agency Certificates Reserve Funds” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Special, Limited Obligation of the Authority and Local Agencies

THE CERTIFICATES ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE POOLED REVENUES AS SPECIFIED THEREIN AND IN PROGRAM TRUST AGREEMENT.

THE OBLIGATION OF EACH LOCAL AGENCY TO MAKE 2020 INSTALLMENT SALE PAYMENTS UNDER ITS INSTALLMENT SALE AGREEMENT IS A SPECIAL OBLIGATION OF SUCH LOCAL AGENCY PAYABLE SOLELY FROM MEASURE A RECEIPTS AND, IN THE CASE OF THE CITY OF DESERT HOT SPRINGS AND THE CITY OF MENIFEE, ALSO GAS TAX REVENUES, AND DOES NOT CONSTITUTE A DEBT OF SUCH LOCAL AGENCY, ANY OTHER LOCAL AGENCY, THE AUTHORITY, THE STATE OF CALIFORNIA (THE “STATE”), OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH SUCH LOCAL AGENCY, ANY OTHER LOCAL AGENCY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH SUCH LOCAL AGENCY, ANY OTHER LOCAL AGENCY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE

HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Continuing Disclosure

In connection with the execution and delivery of the Certificates, each Local Agency will covenant in a separate continuing disclosure agreement (each, a “Continuing Disclosure Agreement” and, collectively, the “Continuing Disclosure Agreements”), executed for the benefit of Owners, to provide certain financial information and operating data and notices of certain events. See “CONTINUING DISCLOSURE” and “APPENDIX D – FORM OF LOCAL AGENCY CONTINUING DISCLOSURE AGREEMENT.”

Forward-Looking Statements

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,” “intend,” “expect,” “propose,” “estimate,” “project,” “budget,” “anticipate,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the 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. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. **READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.**

COVID-19 Pandemic

The information regarding the Local Agencies, including without limitation, Gas Tax Revenues, and Measure A Receipts, as applicable, and information regarding the County contained in this Official Statement is the latest available, but unless otherwise indicated are as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the Local Agencies, the County and the region. See, in particular, “RISK FACTORS – Public Health Emergencies.”

The County will not have any obligation, express or implied, with respect to payment of the principal, premium, if any, or interest with respect to the Certificates or the Local Agency Certificates and has not participated in the preparation of the Official Statement.

Risk Factors Associated with Purchasing the Certificates

Investment in the Certificates involves risks that may not be appropriate for some investors. See “RISK FACTORS” for a discussion of certain risk factors which should be considered, including the potential impact of the COVID-19 pandemic, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates.

References Qualified

The summaries of and references to all documents, statutes, reports, and other instruments referred to in this Official Statement do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

REFUNDING PLAN

Refunding of Desert Hot Springs 2012 Certificates

The Desert Hot Springs 2012 Certificates were executed and delivered in the original principal amount of \$5,925,000 for the purpose of financing the City of Desert Hot Springs' Project. The Desert Hot Springs 2012 Certificates are currently outstanding in the principal amount of \$4,955,000.

A portion of the proceeds of the DHS Local Agency Certificates, together with certain funds on hand (including amounts on deposit in the reserve subaccount for the Desert Hot Springs 2012 Certificates), will be deposited in an escrow fund (the "DHS Escrow Fund") held by Wilmington Trust, National Association, as escrow agent (the "Escrow Agent"). A portion of the amounts so deposited will be invested by the Escrow Agent in federal securities, and the remainder will be held in cash, uninvested. From the proceeds on deposit in the DHS Escrow Fund, the Escrow Agent will pay when due (i) the interest and principal coming due with respect to the Desert Hot Springs 2012 Certificates on and prior to June 1, 2022 and (ii) to prepay on June 1, 2022, the Desert Hot Springs 2012 Certificates maturing after June 1, 2022 at the principal evidenced and represented by the Desert Hot Springs 2012 Certificates plus accrued interest to June 1, 2022, without premium.

Refunding of Menifee 2012 Certificates

The Menifee 2012 Certificates were executed and delivered in the original principal amount of \$20,000,000 for the purpose of financing the City of Menifee's Project. The Menifee 2012 Certificates are currently outstanding in the principal amount of \$17,025,000.

A portion of the proceeds of the Menifee Local Agency Certificates, together with certain funds on hand (including amounts on deposit in the reserve subaccount for the Menifee 2012 Certificates), will be deposited in an escrow fund (the "Menifee Escrow Fund") held by the Escrow Agent. A portion of the amounts so deposited will be invested by the Escrow Agent in federal securities, and the remainder will be held in cash, uninvested. From the proceeds on deposit in the Menifee Escrow Fund, the Escrow Agent will pay when due (i) the interest and principal coming due with respect to the Menifee 2012 Certificates on and prior to June 1, 2022 and (ii) to prepay on June 1, 2022 the Menifee 2012 Certificates maturing after June 1, 2022 at the principal evidenced and represented by the Menifee 2012 Certificates plus accrued interest to June 1, 2022, without premium.

Refunding of Moreno Valley 2013 Certificates

The Moreno Valley 2013 Certificates were executed and delivered in the original principal amount of \$20,000,000 for the purpose of financing the City of Moreno Valley's Project. The Moreno Valley 2013 Certificates are currently outstanding in the principal amount of \$17,885,000.

A portion of the proceeds of the Certificates, together with certain funds on hand, will be deposited in an escrow fund (the "Moreno Valley Escrow Fund" and together with the DHS Escrow Fund and the Menifee Escrow Fund, the "Escrow Funds") held by the Escrow Agent. A portion of the amounts

so deposited will be invested by the Escrow Agent in federal securities, and the remainder will be held in cash, uninvested. From the proceeds on deposit in the Moreno Valley Escrow Fund, the Escrow Agent will pay when due (i) the interest and principal coming due with respect to the Moreno Valley 2013 Certificates on and prior to June 1, 2023 and (ii) to prepay on June 1, 2023 the Moreno Valley 2013 Certificates maturing after June 1, 2023 at the principal evidenced and represented by the Moreno Valley 2013 Certificates plus accrued interest to June 1, 2023, without premium.

Verification of Mathematical Accuracy

The sufficiency of the deposits in the Escrow Funds for the purposes described above will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as described above in the Escrow Funds, the respective installment sale payment obligations of the Local Agencies relating to the Prior Certificates will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS

The following table details the estimated sources and uses of Certificate proceeds.

<u>Estimated Sources:</u>	<u>Certificates</u>
Principal Amount	\$44,165,000.00
Less: Underwriter's Discount	(419,567.50)
Total Sources	\$43,745,432.50
<u>Estimated Uses:</u>	
Deposit into the Costs of Issuance Fund ⁽¹⁾	\$928,666.84
Deposit into the Proceeds Fund ⁽²⁾	42,816,765.66
Total Uses	\$43,745,432.50

⁽¹⁾ Moneys in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of Special Counsel, Underwriter's Counsel, the Certificate Trustee, the Local Agency Certificates Trustee, Escrow Agent, the Municipal Advisor, premiums on the Insurance Policy and the Reserve Policies, and the rating agency, as well as printing and other miscellaneous costs.

⁽²⁾ Moneys in the Proceeds Fund will be remitted to the Local Agency Trustee to purchase the Local Agency Certificates, and thereafter will be transferred to the respective Escrow Funds. See "REFUNDING PLAN" above.

The following table details the estimated sources and uses of proceeds each of the Local Agency Certificates.

<u>Estimated Sources:</u>	<u>DHS</u> <u>Local Agency</u> <u>Certificates</u>	<u>Menifee</u> <u>Local Agency</u> <u>Certificates</u>	<u>Moreno Valley</u> <u>Local Agency</u> <u>Certificates</u>
Principal Amount	\$5,310,000.00	\$17,885,000.00	\$20,970,000.00
Plus: Funds Relating to the Prior Certificates	403,354.97	1,311,716.09	89.19
Less: Allocated Underwriter's Discount ⁽¹⁾	(50,445.00)	(169,907.50)	(199,215.00)
Total Sources	\$5,662,909.97	\$19,026,808.59	\$20,770,874.19
<u>Estimated Uses:</u>			
Allocated Costs of Issuance ⁽²⁾	\$197,262.79	\$343,085.20	\$388,318.85
Deposit into DHS Escrow Fund ⁽³⁾	5,465,647.18	--	--
Deposit into Menifee Escrow Fund ⁽³⁾	--	18,683,723.39	--
Deposit into Moreno Valley Escrow Fund ⁽³⁾	--	--	20,382,555.34
Total Uses	\$5,662,909.97	\$19,026,808.59	\$20,770,874.19

⁽¹⁾ Represents allocable share of Underwriter's discount with respect to the Certificates.

⁽²⁾ Represents portion of costs of executing and delivering the applicable Local Agency Certificates and an allocable share of costs of executing and delivering the Certificates. Such costs are anticipated to be paid from the Costs of Issuance Fund held under the Program Trust Agreement.

⁽³⁾ See "REFUNDING PLAN" above.

THE CERTIFICATES

Authorization and Registration of Certificates

The Certificates are being executed and delivered by the Certificate Trustee pursuant to the Program Trust Agreement and the Resolutions. The Certificates will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Certificates. See “THE CERTIFICATES – Book-Entry Only System” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – PROGRAM TRUST AGREEMENT.”

Payment of Certificates

The Certificates will be executed and delivered in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Individual purchases of Certificates may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Certificates purchased. Payments of principal and interest with respect to the Certificates will be made by the Certificate Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Certificates as described herein. Interest with respect to the Certificates is payable semiannually on each Interest Payment Date, commencing December 1, 2020, until the maturity or the earlier prepayment thereof. Principal and any prepayment premiums with respect to each Certificate will be paid on each Certificate Payment Date upon surrender of such Certificate at the principal corporate office of the Certificate Trustee upon maturity or the earlier prepayment thereof. See “THE CERTIFICATES – Book-Entry Only System.”

Prepayment of Certificates

Optional Prepayment of Certificates. The Certificates maturing on or before June 1, 2030, are not subject to optional prepayment prior the respective stated maturities. The Certificates maturing on or after June 1, 2031, will be subject to optional prepayment prior to maturity, at the option of the Authority resulting from the optional prepayment of Local Agency Certificates, on or after June 1, 2030, in whole or in part (by lot within any maturity), on any date, at a prepayment price equal to the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment, without premium. Each respective Local Agency is required to provide written notice to the Authority and the Certificate Trustee at least 45 days prior to the prepayment date (or such lesser period of time acceptable to the Certificate Trustee in its sole discretion) specifying the principal amount evidenced by and maturities of the 2020 Installment Sale Payments to be prepaid.

Mandatory Prepayment of Certificates Upon Acceleration. The Certificates are subject to mandatory prepayment prior to maturity, in whole or in part (by lot among Certificates with the same maturity in any manner which the Certificate Trustee in its sole discretion shall deem appropriate), on any date, from amounts received upon the acceleration of payments on any of the Local Agency Certificates upon the occurrence of an event of default under a Local Agency Trust Agreement and related Installment Sale Agreement, at a prepayment price equal to the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates maturing on June 1, 2042, are subject to mandatory prepayment on June 1 of each year commencing June 1, 2036, in part, from mandatory sinking

fund payments, on each June 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Mandatory Prepayment Date (June 1)	<u>Principal Amount</u>
2036	\$2,345,000
2037	2,430,000
2038	2,505,000
2039	2,585,000
2040	1,275,000
2041	1,310,000
2042 (Maturity)	1,355,000

The amount of each such prepayment shall be reduced in the event and to the extent that Local Agency Certificates payable on the corresponding Certificate Payment Date are optionally prepaid pursuant to the respective Local Agency Trust Agreement and applied to the prepayment of Certificates maturing on June 1, 2042.

Purchase of Certificates in Lieu of Prepayment

In lieu of prepayment of any Certificates, amounts on deposit in the Certificate Payment Fund or in any sinking account therein, may also be used and withdrawn by the Certificate Trustee at any time, upon the written request of the Authority, upon the direction of the respective Local Agency, for the purchase of such Certificates at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest that is payable from the Interest Fund) as the Authority, upon direction of the respective Local Agency, may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date. The principal amount represented by any Certificates so purchased by the Certificate Trustee in any twelve-month period ending 60 days prior to any Certificate Payment Date in any year will be credited towards and shall reduce the principal amount of such Term Certificates, if any, required to be prepaid on such Certificate Payment Date in such year.

Selection of Certificates for Prepayment

Whenever provision is made in the Program Trust Agreement for the prepayment or purchase of less than all of the Certificates or any given portion thereof, the Certificate Trustee will, subject to the following sentence, select the Certificates to be prepaid or purchased, from all Certificates subject to prepayment or purchase or such given portion thereof equal to a multiple of \$5,000 or any integral multiple thereof not previously called for prepayment or purchase. Upon notice of any optional prepayment pursuant to the Program Trust Agreement, or receipt of moneys resulting in a mandatory prepayment pursuant to the Program Trust Agreement, the Certificate Trustee will request the Cash Flow Consultant to prepare a Cash Flow Report identifying the principal amount and maturities of the Certificates to be prepaid. The Certificate Trustee will promptly notify the Authority in writing of any prepayment or purchase of Certificates and of the Certificates or portions thereof so selected for prepayment or purchase.

Notice of Prepayment

So long as DTC is acting as securities depository for the Certificates, notice of redemption, containing the information required by the Program Trust Agreement, will be mailed by first class mail,

postage prepaid, by the Certificate Trustee, upon direction of the respective Local Agency attributable to the optional prepayment of Local Agency Certificates, to DTC (not to the Beneficial Owners of any Certificates designated for redemption) not less than thirty (30) nor more than sixty (60) days prior to the prepayment or purchase date, or, if the Certificates are no longer held by the Depository, to the Securities Depositories and the Municipal Securities Rulemaking Board through its Electronic Municipal Marketplace Access (“EMMA”) System. Each notice of prepayment or purchase shall state the date of such notice, the date of initial execution and delivery of the Certificates, the prepayment or purchase date, the Prepayment Price or Purchase Price, the place or places of prepayment or purchase (including the name and appropriate address or addresses of the Certificate Trustee), the CUSIP number (if any) of the Certificates of each Certificate Payment Date or Dates, and, if less than all of the Certificates of any such Certificate Payment Date, the distinctive certificate numbers of the Certificates with such Certificate Payment Date, to be prepaid or purchased and, in the case of Certificates to be prepaid or purchased in part only, the respective portions of the principal amount thereof to be prepaid or purchased. Each such notice shall also state that on said date there will become due and payable on each of said Certificates the Prepayment Price or Purchase Price represented thereby or of said specified portion of the principal amount thereof in the case of a Certificate to be prepaid or purchased in part only, together with interest accrued with respect thereto to the prepayment or purchase date, and that from and after such prepayment or purchase date, interest thereon shall cease to accrue, and shall require that such Certificates be then surrendered at the address or addresses of the Certificate Trustee specified in the prepayment or purchase notice.

Conditional notice of optional prepayment may be given at the direction of the Authority and shall be given if funds sufficient to prepay the Certificates are not then on deposit with the Certificate Trustee. If at the time of mailing of notice, funds are not then on deposit with the Certificate Trustee, such notice shall state that it is conditional upon the deposit of the funds not later than the opening of business on the date of prepayment of the Certificates, and such notice shall be of no effect unless such moneys are so deposited.

Failure by the Certificate Trustee to give notice of optional redemption to EMMA or the Securities Depositories, or failure by the Certificate Trustee to mail notice of prepayment or purchase to any one or more of the respective Owners of any Certificates designated for prepayment or purchase, shall not affect the sufficiency of the proceedings for prepayment or purchase.

Partial Prepayment or Purchase of Certificates

Upon surrender of any Certificate to be prepaid or purchased in part only, the Certificate Trustee will execute and deliver to the registered owner thereof, at the expense of the Authority, a new Certificate or Certificates of authorized denominations, and having the same Certificate Payment Date, equal in aggregate principal amount to the unpaid or unpurchased portion of the Certificate surrendered.

Effect of Prepayment

Notice of prepayment having been duly given as described above, and moneys for payment of the principal and prepayment premium, if any, represented by the Certificates (or portions thereof) so called for prepayment (the “Prepayment Price”), together with interest accrued to the prepayment date with respect to such Certificates (or portions thereof) so called for prepayment, being held by the Certificate Trustee, on the prepayment date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and interest accrued with respect thereto to the prepayment date, interest with respect to the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) will cease to be entitled

to any benefit or security under the Program Trust Agreement, and the Owners of said Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest.

Book-Entry Only System

The following information regarding DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the Authority or any Local Agency, and neither the Authority nor any Local Agency shall have any liability with respect thereto. Neither the Authority nor any Local Agency shall have any responsibility or liability for any aspects of the records maintained by DTC relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Certificates.

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such 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 SEC. More information about DTC can be found at www.dtcc.com. *The foregoing reference to an internet website is made for reference and convenience only; the information contained within the website has not been reviewed by the Authority or any Local Agency and is not incorporated in this Official Statement by reference.*

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Certificates 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 Certificate Trustee, on the 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 nor its nominee, the Certificate Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Certificate 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.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Authority or the Certificate Trustee. Under

such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered in accordance with the terms of the Program Trust Agreement.

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, Certificates will be printed and delivered to DTC in accordance with the terms of the Program Trust Agreement.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE AUTHORITY GIVES NO ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE CERTIFICATES RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY PREPAYMENT NOTICES, OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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Debt Service

The table below presents the annual debt service with respect to the Certificates (including sinking account prepayments), assuming that there are no optional prepayments, for the year ending on June 1 in the years shown.

Debt Service Schedule Certificates

Date (June 1)	Certificates Principal	Certificates Interest	Certificates Total Debt Service
2021	\$2,305,000.00	\$629,658.08	\$2,934,658.08
2022	1,835,000.00	962,835.52	2,797,835.52
2023	1,840,000.00	952,100.78	2,792,100.78
2024	1,850,000.00	939,202.36	2,789,202.36
2025	1,875,000.00	921,423.86	2,796,423.86
2026	1,900,000.00	901,530.10	2,801,530.10
2027	1,925,000.00	874,892.10	2,799,892.10
2028	1,945,000.00	844,053.60	2,789,053.60
2029	1,990,000.00	806,729.06	2,796,729.06
2030	2,025,000.00	766,550.96	2,791,550.96
2031	2,075,000.00	723,641.22	2,798,641.22
2032	2,120,000.00	676,559.46	2,796,559.46
2033	2,170,000.00	625,276.66	2,795,276.66
2034	2,220,000.00	569,529.36	2,789,529.36
2035	2,285,000.00	510,277.56	2,795,277.56
2036	2,345,000.00	447,005.90	2,792,005.90
2037	2,430,000.00	371,074.80	2,801,074.80
2038	2,505,000.00	292,391.40	2,797,391.40
2039	2,585,000.00	211,279.50	2,796,279.50
2040	1,275,000.00	127,577.20	1,402,577.20
2041	1,310,000.00	86,292.70	1,396,292.70
2042	1,355,000.00	43,874.90	1,398,874.90
Total	\$44,165,000.00	\$13,283,757.08	\$57,448,757.08

Source: Underwriter.

The table below presents the respective 2020 Installment Sale Payments to be made by each of the Local Agencies to pay debt service on their respective Local Agency Certificates, assuming that there are no optional prepayments, for the year ending on June 1 in the years shown. While Measure A Revenues will be collected in the County for a thirty-year period ending on June 30, 2039, Installment Sale Payments will be payable by the Local Agencies through and including June 1, 2042. Investors should be aware that no Measure A Revenues will be allocated by the Commission to the Local Agencies and be available to make Installment Sale Payments in fiscal years 2040, 2041, and 2042. See “RISK FACTORS – Limitations on Use of Measure A Revenues.” Accordingly, commencing in fiscal year 2040 through 2042, the sole source of the 2020 Installment Payments of the City of Desert Hot Springs and the City of Menifee will be their respective Gas Tax Revenues.

Date (June 1)	City of Desert Hot Springs Total 2020 Installment Sale Payments⁽¹⁾	City of Menifee Total 2020 Installment Sale Payments⁽¹⁾	City of Moreno Valley Total 2020 Installment Sale Payments⁽¹⁾	Total 2020 Installment Sale Payments for All Local Agencies
2021	\$348,645.30	\$1,160,099.54	\$1,425,913.24	\$2,934,658.08
2022	320,337.56	1,080,702.60	1,396,795.36	2,797,835.52
2023	319,167.56	1,076,753.86	1,396,179.36	2,792,100.78
2024	317,765.56	1,077,022.10	1,394,414.70	2,789,202.36
2025	320,843.56	1,080,487.30	1,395,093.00	2,796,423.86
2026	323,668.50	1,083,166.40	1,394,695.20	2,801,530.10
2027	320,724.30	1,083,352.40	1,395,815.40	2,799,892.10
2028	317,360.10	1,081,978.20	1,389,715.30	2,789,053.60
2029	323,330.20	1,078,161.40	1,395,237.46	2,796,729.06
2030	318,888.40	1,078,422.70	1,394,239.86	2,791,550.96
2031	324,226.60	1,082,636.16	1,391,778.46	2,798,641.22
2032	319,007.90	1,080,278.30	1,397,273.26	2,796,559.46
2033	323,444.20	1,076,410.10	1,395,422.36	2,795,276.66
2034	317,278.60	1,075,986.56	1,396,264.20	2,789,529.36
2035	320,873.00	1,079,234.20	1,395,170.36	2,795,277.56
2036	318,950.50	1,080,974.60	1,392,080.80	2,792,005.90
2037	320,693.60	1,082,965.90	1,397,415.30	2,801,074.80
2038	322,112.90	1,078,985.80	1,396,292.70	2,797,391.40
2039	318,208.40	1,079,196.20	1,398,874.90	2,796,279.50
2040	319,142.00	1,083,435.20	--	1,402,577.20
2041	319,751.80	1,076,540.90	--	1,396,292.70
2042	320,037.80	1,078,837.10	--	1,398,874.90
Total	\$7,074,458.34	\$23,835,627.52	\$26,538,671.22	\$57,448,757.08

(1) Due on or before 15 days prior to each Interest Payment Date.
Source: Underwriter.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Pledge of Pooled Revenues

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

Pledge of Pooled Revenues and Other Amounts. Under the Program Trust Agreement, the Local Agency Certificates, as evidenced and represented by the Certificates, are irrevocably deposited with and pledged and transferred to the Certificate Trustee, who is the registered owner of each Local Agency Certificate for the benefit of the Owners of the Certificates and the payments on the Local Agency Certificates shall be used for the punctual payment of the interest and principal evidenced and represented by the Certificates, and the Local Agency Certificates shall not be used for any other purpose while any of the Certificates remain Outstanding. Such deposit, transfer and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Local Agency Certificates for the foregoing purpose in accordance with the terms of the Program Trust Agreement.

All principal and interest payments on the Local Agency Certificates shall be paid directly by Local Agency Certificates Trustee to the Certificate Trustee. All principal and interest payments on the Local Agency Certificates received by the Certificate Trustee shall be held in trust by the Certificate Trustee under the terms of the Program Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Certificate Payment Fund, which fund the Certificate Trustee agrees to maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Certificate Trustee for the benefit of the Local Agency submitting such money until deposited in the funds specified in the Program Trust Agreement, whereupon such money shall be held in trust in such funds by the Certificate Trustee for the benefit and security of the Owners to the extent provided in the Program Trust Agreement, and invested by the Certificate Trustee in accordance with written instruction to invest delivered in accordance with the Program Trust Agreement.

In the event of any failure to make the required deposits, the Certificate Trustee shall as soon as practical (but in any event within five Business Days) notify the respective Local Agency or Local Agencies and the Rating Agency of such failure. If the Certificate Trustee receives Certificate payments in excess of the amounts required to pay the principal and interest due on such Local Agency's Certificate on a respective Interest Payment Date and/or Certificate Payment Date, such excess amounts shall remain in the appropriate Local Agency's Payment Account in the Certificate Payment Fund and shall be transferred to such Local Agency following payment of the amount of Certificates evidencing and representing such Local Agency's Certificate. Under the Program Trust Agreement, the Local Agencies, to the extent they have any interest in such fund, pledge, transfer, assign and grant a lien on and a security interest in the Certificate Payment Fund to the Certificate Trustee for the benefit of the Owners.

Definition of Pooled Revenues. "Pooled Revenues" is defined in the Program Trust Agreement to mean all interest and principal payments becoming due and payable on the Local Agency Certificates

and other payments paid by the Local Agencies and received by the Authority pursuant to the Local Agency Trust Agreements and all interest or other income from any investment of any money in any fund or account pursuant to the Program Trust Agreement.

Assignment to Certificate Trustee. The Authority also assigns to the Certificate Trustee all of the Authority's rights and remedies under the Certificates, the Local Agency Trust Agreements and the Installment Sale Agreements, including, but not limited to, the Authority's security interest in and lien upon the Pooled Revenues.

Receipts and Deposits in the Certificate Payment Fund

In order to carry out and effectuate the pledge, charge and lien contained in the Program Trust Agreement, the Authority agrees and covenants that all Pooled Revenues when and as received shall be received by the Authority in trust under the Program Trust Agreement for the benefit of the Owners of the Certificates and shall be deposited when and as received by the Authority in the Certificate Payment Fund which fund the Authority agrees and covenants in the Program Trust Agreement to maintain with the Certificate Trustee so long as any Certificates shall be Outstanding under the Program Trust Agreement. Under the Program Trust Agreement, all Pooled Revenues shall be accounted for separately for each Local Agency and held in trust in the Certificate Payment Fund. All Pooled Revenues, whether received by the Authority in trust or deposited with the Certificate Trustee as provided in the Program Trust Agreement, shall nevertheless be allocated, applied and disbursed solely for the purposes and uses set forth in the Program Trust Agreement as described below, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, and the Authority shall have no beneficial right or interest in any of the Pooled Revenues except only as provided in the Program Trust Agreement.

Use of Money in the Certificate Payment Fund

Under the Program Trust Agreement, all money in the Certificate Payment Fund shall be set aside by the Certificate Trustee in the following respective special funds and accounts within the Certificate Payment Fund in the following order of priority:

- (1) Interest Fund, and within the Interest Fund, an Interest Payment Account for each Local Agency;
- (2) Principal Fund, and within the Principal Fund, a Principal Payment Account for each Local Agency;
- (3) Administration Fund, and within the Administration Fund, an Administration Subaccount for each Local Agency; and
- (4) Surplus Account.

All money in each of such accounts shall be held in trust by the Certificate Trustee and shall be applied, used and withdrawn only for the purposes authorized in Program Trust Agreement, as described below. Notwithstanding the foregoing, the Certificate Trustee need not create separate accounts within the Interest Fund, the Principal Fund and the Administration Fund, but shall keep sufficient records to account separately for the deposits attributable to each Local Agency.

(a) Interest Fund. On or before the Business Day immediately preceding each Interest Payment Date, the Certificate Trustee shall set aside that amount of money representing the interest becoming due and payable on the Certificates on such Interest Payment Date. All money in the Interest

Fund shall be used and withdrawn by the Certificate Trustee solely for the purpose of paying the interest evidenced and represented by the Certificates as it shall become due and payable (including accrued interest evidenced and represented by any Certificates purchased or prepaid prior to the payment dates thereof).

(b) Principal Fund. On or before the Business Day immediately preceding each Certificate Payment Date the Certificate Trustee shall set aside that amount of money representing the principal becoming due and payable on the Certificates on such Certificate Payment Date. All money in the Principal Fund shall be used and withdrawn by the Certificate Trustee solely for the purpose of paying the principal evidenced and represented by the Certificates as it shall become due and payable, whether on their respective Certificate Payment Dates or prepayment, except that any money in any sinking fund account shall be used and withdrawn by the Certificate Trustee only to purchase or to prepay or to pay Term Certificates for which such sinking fund account was created.

(c) Surplus Account. On the Business Day immediately following each Interest Payment Date the Certificate Trustee shall deposit in the Surplus Account all money remaining in the Certificate Payment Fund after the deposits required by paragraphs (a), (b), and (c) of this section have been made. On June 30 of each year, beginning on June 30, 2021, the Certificate Trustee shall disburse the money in the Surplus Account to each Local Agency to the extent each such Local Agency's deposit of moneys, together with investment earnings thereon, if any, exceeded the deposits required by paragraphs (1), (2), and (3) of this section.

No Reserve Fund for Certificates; Local Agency Certificate Reserve Funds

Neither the Authority nor the Local Agencies will establish debt service reserve fund for the Certificates.

Under each Local Agency Trust Agreement, each Local Agency will establish a Reserve Fund and a Reserve Subaccount in an amount equal to their respective Reserve Fund Requirement. The respective Reserve Fund Requirements under the Local Agency Trust Agreements, will be satisfied by the delivery of the Reserve Policies on the Closing Date by AGM. See "SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Local Agency Certificates Reserve Funds" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Bond Insurance Policy

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under the Insurance Policy to be issued concurrently with the delivery of the Certificates by AGM. For a more detailed description of the Insurance Policy and AGM, see "BOND INSURANCE" and "APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES

2020 Installment Sale Payments

The Local Agency Certificates evidence proportionate and undivided interests of the Owners thereof in the respective 2020 Installment Sale Payments required to be made by the Local Agencies to the Authority under their respective Installment Sale Agreements. The 2020 Installment Sale Payments required to be paid by each of the Local Agencies under their respective Installment Sale Agreement are payable from and secured by a first lien on their respective Measure A Receipts. In addition, the 2020 Installment Sale Payments required to be paid by the City of Desert Hot Springs and the City of Menifee are also payable from and secured by a first lien on their respective Gas Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Pledge of Gas Tax Revenues” and “– Pledge of Measure A Receipts.”

The aggregate of the 2020 Installment Sale Payments of the Local Agencies are designed to be sufficient, in both time and amount, to pay, when due, the principal and interest evidenced and represented by the Local Agency Certificates. Each Local Agency is solely responsible for the payment of the 2020 Installment Sale Payments required to be paid pursuant to its Installment Sale Agreement, and no Local Agency is responsible for the payment of any 2020 Installment Sale Payments of any other Local Agency.

Pursuant to the Local Agency Trust Agreements, the Authority will assign to the Local Agency Certificates Trustee, for the benefit of the Owners, its rights under the Installment Sale Agreements, including, but not limited to, the Authority’s security interest in and lien upon the Gas Tax Revenues (under the Installment Sale Agreements of the City of Desert Hot Springs and the City of Menifee) and Measure A Receipts (under the Installment Sale Agreement with all three Local Agencies). See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Pledge of Gas Tax Revenues

Under each of the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee, all of the respective Gas Tax Revenues received by the applicable Local Agency and any other amounts (including proceeds of the sale of the Certificates) held by the Local Agency Certificates Trustee in any fund or account established under the respective Local Agency Trust Agreement will be irrevocably pledged to the payment of the principal, interest, and prepayment premium, if any, evidenced and represented by the respective Local Agency Certificates as provided in the respective Local Agency Trust Agreements, and the respective Gas Tax Revenues of such Local Agencies will not be used for any other purpose while any of the applicable 2020 Installment Sale Payments remain outstanding; provided, however, that out of the Gas Tax Revenues and other moneys there may be applied such sums for such purposes as are permitted under such Local Agency Trust Agreements and the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee. Such pledge will constitute a first pledge of and charge and lien upon the Gas Tax Revenues of the applicable Local Agency and all other moneys on deposit in the funds and accounts established under the applicable Local Agency Trust Agreement for the payment of the interest and principal with respect to the applicable Local Agency Certificates in accordance with the terms of the applicable Local Agency Trust Agreement. Pursuant to the Local Agency Trust Agreements relating to the DHS Local Agency Certificates and the Menifee Local Agency Certificates, the Authority will assign to the Local Agency Trustee all of the Authority’s rights and remedies under the respective Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee, including, but not limited to, the Authority’s security interest in and lien upon the respective Gas Tax Revenues of the City of Desert Hot Springs and the City of Menifee. The Gas Tax

Revenues of the City of Desert Hot Springs will not be pledged to secure, nor will they be available for, the payment of 2020 Installment Sale Payments of any other Local Agency. Likewise, the Gas Tax Revenues of the City of Menifee will be pledged to secure, nor will they be available for, the payment of the 2020 Installment Sale Payments of any of the Local Agency.

The term “Gas Tax Revenues” is defined in the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee to mean all amounts received by the applicable Local Agency from the State in accordance with Streets and Highways Code Sections 2103, 2104(d), (e) and (f), 2105, 2106 and 2107, as such provisions may be amended, and all other revenues (except revenues received by the applicable Local Agency in accordance with Streets and Highways Code Section 2107.5), if any, received by the applicable Local Agency from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions or reimbursements received by the applicable Local Agency from the State in lieu of such revenues. For more information regarding the Gas Tax Funds and the historical Gas Tax Revenues, see “GAS TAX REVENUES.” See also “RISK FACTORS.”

Pledge of Measure A Receipts

Under each of the Installment Sale Agreements, all of the respective Measure A Receipts of the applicable Local Agency held by the Local Agency Certificates Trustee in any fund or account established under the Local Agency Trust Agreements will be irrevocably pledged to the payment of the principal, interest, and prepayment premium, if any, evidenced and represented by the Local Agency Certificates as provided in the respective Local Agency Trust Agreements, and the respective Measure A Receipts of each Local Agency will not be used for any other purpose while any of their respective Local Agency Certificates remain outstanding; provided, however, that out of the Measure A Receipts there may be applied such sums for such purposes as are permitted under the Local Agency Trust Agreements and the Installment Sale Agreements. Such pledge will constitute a first pledge of and charge and lien upon the Measure A Receipts of the applicable Local Agency on deposit in the funds and accounts established under the applicable Local Agency Trust Agreement for the payment of the interest and principal with respect to the applicable Local Agency Certificates in accordance with the terms of the applicable Local Agency Trust Agreement. Pursuant to the Local Agency Trust Agreements, the Authority will assign to the Local Agency Trustee all of the Authority’s rights and remedies under the respective Installment Sale Agreements, including, but not limited to, the Authority’s security interest in and lien upon the respective Measure A Receipts of each of the Local Agencies. The respective Measure A Receipts of a Local Agency will not be pledged to secure, nor will they be available for, the payment of Installment Sale Payments of any other Local Agency.

The term “Measure A Receipts” is defined in the Installment Sale Agreements to mean Measure A Revenues allocated by the Commission to the applicable Local Agency pursuant to the Measure A Ordinance, to the extent the applicable Project constitutes a Measure A Project.

The term “Measure A Revenues” is defined in each Installment Sale Agreement to mean revenues of the Commission derived from the Measure A Sales Tax imposed in the County pursuant to the Measure A Sales Tax Act, and the Measure A Ordinance. Measure A Revenues are allocated by the Commission to the Local Agencies on a basis that is subordinate to the Commission’s payment with respect to its Senior Lien Measure A Obligations, as described herein. See “MEASURE A REVENUES; MEASURE A RECEIPTS – Senior Lien Measure A Obligations” and “ – Collection and Allocation of Measure A Revenues” and “RISK FACTORS – Senior Lien Measure A Obligations.” Only the portion of Measure A Revenues allocated by the Commission to each Local Agency constituting Measure A Receipts may be applied to pay the applicable 2020 Installment Sale Payments. See “RISK FACTORS – Limitations on Use of Measure A Revenues.”

For more information regarding the portion of Measure A Revenues historically allocated by the Commission to each Local Agency, see “MEASURE A REVENUES; MEASURE A RECEIPTS.” See also “RISK FACTORS.”

Pledged Tax Fund

Under each of Local Agency Trust Agreement, in order to carry out and effectuate the pledge, charge, and lien contained therein, the Authority will covenant that all Measure A Receipts when and as received shall be received by the Authority in trust for the benefit of the Owners and shall be deposited when and as received by the Authority in the respective Revenue Fund created and maintained by the Local Agency Certificates Trustee under each Local Agency Trust Agreement. In addition, under each of the Local Agency Trust Agreements relating to the DHS Local Agency Certificates and the Menifee Local Agency Certificates, in order to carry out and effectuate the pledge, charge, and lien contained therein, the Authority will also covenant that all Gas Tax Revenues when and as received shall be received by the Authority in trust for the benefit of the Owners and shall be deposited when and as received by the Authority in the applicable Revenue Fund. All Gas Tax Revenues and Measure A Receipts shall be accounted separately for each Local Agency and held in trust in the applicable Revenue Fund.

Under each Local Agency Trust Agreement, the following funds and accounts will be or has been established within each Revenue Fund: (i) Interest Fund and, within the Interest Fund, an Interest Payment Account for each Local Agency; (ii) Principal Fund and, within the Principal Fund, a Principal Payment Account for each Local Agency; (iii) Reserve Fund and, within the Reserve Fund, a Reserve Subaccount for each Local Agency; (iv) Administration Fund and, within the Administration Fund, an Administration Subaccount for each Local Agency; and (v) Surplus Account.

In order to carry out and effectuate the obligation of each Local Agency contained in its Installment Sale Agreement to pay the 2020 Installment Sale Payments and the Administration Fee (as defined below), each Local Agency will agree and covenant in its Installment Sale Agreement that it has established a Pledged Tax Fund (each, a “Pledged Tax Fund”) and within each Pledged Tax Fund, a “Measure A Receipts Account.” In addition, the City of Desert Hot Springs and the City of Menifee will agree and covenant in their respective Installment Sale Agreement to maintain within their respective Pledged Tax Fund, a Gas Tax Fund (each, a “Gas Tax Fund”). Each Local Agency will agree and covenant to maintain such fund and accounts, as applicable, so long as any 2020 Installment Sale Payments remain unpaid, and all money on deposit therein shall be applied and used only as provided in the applicable Installment Sale Agreement.

Each Local Agency will agree and covenant that all Measure A Receipts received by it shall be deposited when and as received in the Local Agency’s Measure A Receipts Account. Additionally, the City of Desert Hot Springs and the City of Menifee will agree and covenant that all Gas Tax Revenues received by it shall be deposited when and as received in the Local Agency’s Gas Tax Account. All of the Measure A Receipts, and, if applicable, Gas Tax Revenues and all money in their respective Pledged Tax Fund and in the funds or accounts so specified and provided for the respective Installment Sale Agreements will be irrevocably pledged to the punctual payment of the respective 2020 Installment Sale Payments of the Local Agencies and the respective Administration Fee, and the Measure A Receipts, and, if applicable, Gas Tax Revenues and such other money shall not be used for any other purpose while any of the 2020 Installment Sale Payments remain outstanding; subject to the provisions of the Installment Sale Agreements permitting application thereof for the purposes and on the terms and conditions set forth therein. Such pledge shall constitute a first lien on the Measure A Receipts, and, if applicable, Gas Tax Revenues and such other money for the payment of the respective 2020 Installment Sale Payments and the respective Administration Fee in accordance with the terms of the Installment Sale Agreements.

Notwithstanding the foregoing, each Local Agency may satisfy its respective obligation to deposit 2020 Installment Sale Payments with the Local Agency Certificates Trustee by depositing Other Available Revenues with the Local Agency Certificates Trustee, and, if and when so deposited, such Other Available Revenues shall be irrevocably pledged to the payment of their respective 2020 Installment Sale Payments. The term “Other Available Revenues” is defined in the Installment Sale Agreements as revenues, other than Gas Tax Revenues and/or Measure A Receipts, as applicable, legally available to the applicable Local Agency to make their respective 2020 Installment Sale Payments.

Under each Installment Sale Agreement, all Revenues on deposit in the applicable Pledged Tax Fund shall be set aside and deposited by the applicable Local Agency in the various funds and accounts within the applicable Revenue Fund at the following times in the following order of priority:

Interest Fund and Principal Fund Deposits. On or before the 15th day preceding each Interest Payment Date, the applicable Local Agency shall, from the money in the applicable Pledged Tax Fund, transfer to the Local Agency Certificates Trustee for deposit in such Local Agency’s Interest Payment Account in the Interest Fund within the Revenue Fund, a sum equal to the interest becoming due and payable on the next succeeding Interest Payment Date, except that no such deposit need be made if the Local Agency Certificates Trustee then holds money in such Interest Payment Account equal to the amount of interest becoming due and payable with respect to such Local Agency on the next succeeding Interest Payment Date; and on or before the 15th day preceding each Certificate Payment Date, such Local Agency shall, from the money in the applicable Pledged Tax Fund, transfer to the Local Agency Certificates Trustee for deposit in such Local Agency’s Principal Payment Account in the Principal Fund within the Revenue Fund, a sum equal to the principal becoming due and payable on the next succeeding 2020 Installment Sale Payment Date, except that no such deposit need be made if the Local Agency Certificates Trustee then holds money in such Principal Payment Account equal to the amount of Principal becoming due and payable with respect to under the applicable Local Agency Trust Agreement on the next succeeding 2020 Installment Sale Payment Date.

Reserve Fund Deposit. On or before the 15th day of each month, each Local Agency shall, from the moneys in the applicable Pledged Tax Fund, transfer to the Local Agency Certificates Trustee for deposit in such Local Agency’s Reserve Subaccount in the Reserve Fund within the applicable Revenue Fund that sum, if any, necessary to restore such Reserve Subaccount to an amount equal to the applicable Reserve Fund Requirement, all in accordance with and subject to the terms and conditions of the applicable Local Agency Trust Agreement. All money in each Reserve Subaccount shall be used and withdrawn by the Local Agency Certificates Trustee for the purposes specified in the applicable Local Agency Trust Agreement. Each Local Agency has determined to deposit the Reserve Policy relating to its Local Agency Certificates in such Local Agency's Reserve Subaccount, representing an amount equal to the Reserve Fund Requirement for the Local Agency and to assume the reimbursement and payment obligations provided in its respective Installment Sale Agreement.

Administration Fund Deposit. On or before the 15th day preceding each Certificate Payment Date, each Local Agency shall, from the remaining moneys on deposit in the applicable Pledged Tax Fund, transfer to the Local Agency Certificates Trustee for deposit in such Local Agency’s Administration Subaccount in the applicable Administration Fund within the applicable Revenue Fund, a sum equal to the applicable Administration Fee becoming due and payable under the applicable Local Agency Trust Agreement on the next Certificate Payment Date, and all money on deposit in the Administration Subaccount shall be used to pay the Administration Fee due on such Certificate Payment Date, in accordance with the terms of the Local Agency Trust Agreement. “Administration Fee” means, for each Local Agency, an amount equal to the

sum of the respective annual administration fees charged by the Authority, the Local Agency Certificates Trustee, and the Rebate Analyst, payable on the 15th day of the month preceding each Certificate Payment Date.

Notwithstanding the foregoing, provided all transfers described above under the subheadings “Reserve Fund Deposit” and “Administrative Fund Deposit” have been made, on any Business Day moneys on deposit in the applicable Pledged Tax Fund in excess of the sum of (i) interest becoming due and payable under a Local Agency’s Installment Sale Agreement on the next succeeding Interest Payment Date (less amounts then held by the Local Agency Certificates Trustee in the Interest Payment Account) and (ii) the Pro Rata Share of Principal (less amounts then held by the Local Agency Certificates Trustee in the Principal Payment Account) may be expended by such Local Agency at any time for any purpose permitted by law. “Pro Rata Share of Principal” is defined in each Installment Sale Agreement to mean, during any month, an amount of principal becoming due and payable thereunder on the next succeeding Certificate Payment Date that would have accrued if such principal were deemed to accrue monthly in equal amounts from the preceding Certificate Payment Date.

Deposit of Other Available Revenues

Notwithstanding the pledge of Gas Tax Revenues by the City of Desert Hot Springs and City of Menifee and the pledge of Measure A Receipts by all three Local Agencies as described above, each Local Agency may satisfy its obligation to deposit 2020 Installment Sale Payments with the Local Agency Certificates Trustee by depositing Other Available Revenues with the Local Agency Certificates Trustee and, if and when so deposited, such Other Available Revenues shall be irrevocably pledged to the payment of their respective 2020 Installment Sale Payments. Unless and until deposited with the Local Agency Certificates Trustee, such Other Available Revenues are not pledged to the payment of each Local Agency’s respective Installment Sale Payments. The term “Other Available Revenues” is defined in each Installment Sale Agreement as revenues, other than Measure A Receipts, legally available to such Local Agency to make Installment Sale Payments. In addition, “Other Available Revenues” is defined in the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee to exclude their respective Gas Tax Revenues.

Additional Contracts

None of the Local Agencies has any current plans to incur additional indebtedness payable from its Measure A Receipts or, in the case of the City of Desert Hot Springs and the City of Menifee, its Gas Tax Revenues. However, as provided in each Installment Sale Agreement, so long as the Local Agency is not in default under its Installment Sale Agreement, such Local Agency may at any time execute any installment sale contracts, capital leases, or similar obligations of such Local Agency (each, a “Contract”), authorized and executed by such Local Agency under and pursuant to applicable law, that constitute additional charges against its Measure A Receipts and, in the case of the City of Desert Hot Springs and the City of Menifee, also its Gas Tax Revenues, without the consent of Owners of the Certificates or the respective Local Agency Certificates; provided, that the audited Revenues (as defined in each Installment Sale Agreement) plus the Measure A Receipts Coverage Amount for the Fiscal Year next preceding the date of the adoption by the governing body of the applicable Local Agency of the resolution authorizing the execution of such Contract, as evidenced by both a calculation prepared by the applicable Local Agency and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the applicable Local Agency shall have produced a sum equal to at least 150% of the Maximum Annual Debt Service on all Contracts outstanding after the execution of such amendment or Contract. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FORM OF INSTALLMENT SALE AGREEMENT – INSTALLMENT SALE PAYMENTS; ADMINISTRATION

FEE – Additional Contracts.” To the extent that other Contracts are executed by a Local Agency, the funds available to pay such Local Agency’s 2020 Installment Sale Payments may be decreased. In addition, there is no limitation on the ability of a Local Agency to execute any Contract at any time to refund any outstanding Contract.

Local Agency Certificates Reserve Funds

Definition of Reserve Fund Requirement. “Reserve Fund Requirement” is defined in each Local Agency Trust Agreement to mean, as of any date of calculation, an amount equal to the least of (i) 10% of the initial stated principal amount (within the meaning of Section 148 of the Code) of the 2020 Installment Sale Payments under the Installment Sale Agreement; (ii) 125% of the average annual 2020 Installment Sale Payments under the Installment Sale Agreement; or (iii) the Maximum Annual Debt Service. The respective Reserve Fund Requirements under the Local Agency Trust Agreements, will be satisfied by the delivery of the Reserve Policies on the Closing Date by AGM in the following stated amounts:

(i) a Reserve Policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the DHS Local Agency Certificates in the initial stated amount of \$348,645.30, which satisfies the Reserve Fund Requirement for, and up to its stated amount will secure the payment of principal and interest only with respect to, the DHS Local Agency Certificates;

(ii) a Reserve Policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the Menifee Local Agency Certificates in the initial stated amount of 1,160,099.54, which satisfies the Reserve Fund Requirement for, and up to its stated amount will secure the payment of principal and interest only with respect to, the Menifee Local Agency Certificates; and

(iii) a Reserve Policy for deposit in the 2020 Reserve Subaccount established under the Local Agency Trust Agreement for the Moreno Valley Local Agency Certificates in the initial stated amount of \$1,425,913.24, which satisfies the Reserve Fund Requirement for, and up to its stated amount will secure the payment of principal and interest only with respect to, the Moreno Valley Local Agency Certificates.

Use of Money in the Reserve Funds. Under each Local Agency Trust Agreement, a 2020 Reserve Subaccount will be established to be satisfied with the deposit of the respective Reserve Policies on the Closing Date by AGM. Under the terms of each applicable Local Agency Trust Agreement, the Local Agency Certificates Trustee will set aside from amounts deposited by each Local Agency in the Revenue Fund under the applicable Local Agency Trust Agreement and deposit in each Local Agency’s 2020 Reserve Subaccount that amount of money (or other authorized deposit of security) that shall be required to maintain such Local Agency’s 2020 Reserve Subaccount in the full amount of such Local Agency’s Reserve Fund Requirement. No deposit need be made in any 2020 Reserve Subaccount so long as there shall be on deposit therein a sum equal to the applicable Reserve Fund Requirement. All money in each 2020 Reserve Subaccount (including all amounts which may be obtained from any insurance policy on deposit in such 2020 Reserve Subaccount) shall be used and withdrawn by the Local Agency Certificates Trustee solely for the purpose of replenishing such Local Agency’s Interest Payment Account or the Principal Payment Account under the applicable Local Agency Trust Agreement, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest, principal, or prepayment premiums, if any, payable in connection with the related Installment Sale Agreement, except that any cash amounts in the 2020 Reserve Subaccount of a Local Agency in excess of the amount required to be on deposit therein shall be withdrawn from such 2020 Reserve

Subaccount on each Interest Payment Date and deposited in such Local Agency's Interest Payment Account.

See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FORM OF LOCAL AGENCY TRUST AGREEMENT – REVENUES – Establishment and Maintenance of Accounts for Use of Moneys in the Revenue Fund."

BOND INSURANCE

The following information has been furnished by Assured Guaranty Municipal Corp. (referred to herein as the "Insurer" or "AGM") for use in this Official Statement. Reference is made to Appendix E for a specimen of the Insurance Policy for the Certificates.

Bond Insurance Policy

Concurrently with the execution and delivery of the Certificates, Assured Guaranty Municipal Corp. (the "Insurer" or "AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Insurance Policy"). The Insurance Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Insurance Policy included as Appendix E to this Official Statement.

The Insurance 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 international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. 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 S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("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 July 16, 2020, S&P announced it had 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 December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). 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, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

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, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All 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 Certificates 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.: 1633 Broadway, 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 Certificates or the advisability of investing in the Certificates. 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 heading “BOND INSURANCE.”

THE LOCAL AGENCIES

The following Local Agencies will execute the Program Trust Agreement and the respective Local Agency Trust Agreements: (1) the City of Desert Hot Springs, (2) the City of Menifee, and (3) the City of Moreno Valley. Certain economic and demographic information regarding each participating Local Agency is included in Appendix B. See “GAS TAX REVENUES” for a discussion of the historical and prospective Gas Tax Revenues allocable to the City of Desert Hot Springs and the City of Menifee. Only the portion of Gas Tax Revenues allocated to the City of Desert Hot Springs may be applied to pay its 2020 Installment Sale Payments, and only the portion of Gas Tax Revenues allocated to the City of Menifee may be applied to pay its 2020 Installment Sale Payments. No Gas Tax Revenues are pledged as security or otherwise required to be applied to pay the City of Moreno Valley’s 2020 Installment Sale Payments. See “MEASURE A REVENUES; MEASURE A RECEIPTS” for a discussion of the portion of Measure A Revenues that has historically been allocated by the Commission to each Local Agency. Only the portion of Measure A Revenues allocated to a Local Agency are pledged and available to pay such Local Agency’s 2020 Installment Sale Payments.

GAS TAX REVENUES

Pursuant to the Installment Sale Agreements, the City of Desert Hot Springs and the City of Menifee will pledge their Gas Tax Revenues for the payment of Installment Sale Payments. The term “Gas Tax Revenues” is defined in the Installment Sale Agreements with the City of Desert Hot Springs and the City of Menifee to mean all amounts received by the applicable Local Agency from the State in accordance with Streets and Highways Code Sections 2103, 2104(d), (e) and (f), 2105, 2106 and 2107, as such provisions may be amended, and all other revenues (except revenues received by the applicable Local Agency in accordance with Streets and Highways Code Section 2107.5), if any, received by the applicable Local Agency from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions or reimbursements received by the applicable Local Agency from the State in lieu of such revenues.

Gas Tax Revenues are received by the City of Desert Hot Springs and the City of Menifee and held and maintained in the Gas Tax Fund of such Local Agencies. See “GAS TAX REVENUES – Statewide Gas Tax Apportionments” below. The historical Gas Tax Revenues of the City of Desert Hot Springs and the City of Menifee, as apportioned under the California Streets and Highway Code to such Local Agencies, and their respective Balance Sheet and Schedule of Revenues, Expenditures, and Changes in Fund Balance in this Official Statement are the latest available, but are as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. See “BOND OWNERS’ RISK – Public Health Emergencies.” Further declines in the economy or other market factors may depress Gas Tax Revenues that are available to be apportioned to the City of Desert Hot Springs and the City of Menifee in the future.

Statewide Gas Tax Apportionments

Apportionment to the City of Desert Hot Springs and the City of Menifee of per gallon taxes that comprise their Gas Tax Revenues is made monthly by the Controller of the State pursuant to Sections 2103, 2105, 2106, and 2107 of the California Streets and Highways Code (respectively, “Section 2103,” “Section 2105,” “Section 2106,” and “Section 2107”). Apportionments under Sections 2104(d), (e), and (f) of the California Streets and Highways Code apply to counties only; neither the City of Desert Hot Springs nor the City of Menifee receive any Gas Tax Revenues under such Sections.

For purposes of the following statutory apportionment of per gallon taxes, the population of each city is determined for that city by the last federal decennial or special census, or by a subsequent census validated by the population research unit of the State Department of Finance, or (if applicable) by the method described in Section 11105.3 of the California Revenue and Taxation Code or Sections 2107.1 or 2107.2 of the California Streets and Highways Code.

Gas Tax Revenues received by the City of Desert Hot Springs and the City of Menifee pursuant to Section 2107.5 of the California Streets and Highways Code are not included in the definition of Gas Tax Revenues for the City of Desert Hot Springs and the City of Menifee.

Section 2103. Section 2103 was substantially amended by the passage of Assembly Bill No. 9 (ABX8 9), adopted into law along with its companion Assembly Bill No. 6 (ABX8 6) on March 22, 2010, and further amended by Assembly Bill 105 (AB 105), adopted into law on March 24, 2011. Pursuant to Section 2103, as amended, commencing in fiscal year 2010-11, a portion of the revenues from the increased the excise tax on gasoline that became effective on July 1, 2010, will be allocated each month to cities, among other purposes, as set forth in Section 2103. See “– 2010 Gasoline Sales Tax – Gasoline Excise Tax Swap” below.

Section 2105. Pursuant to Section 2105, cities are apportioned a sum equal to 5.8% of the per gallon tax under Section 7360 of the Revenue and Taxation Code, 11.5% of any per gallon tax in excess of \$0.09 per gallon under Section 8651, 8651.5, and 8651.6 of the California Revenue and Taxation Code, and 6.5% of the per gallon tax under Sections 60050 and 60115 of the Revenue and Taxation Code, in the proportion that the total population of the city bears to the total population of all cities in the State.

Section 2106. Pursuant to Section 2106, a sum equal to the net revenue derived from a \$0.0104 per gallon tax under the Motor Vehicle Fuel License Tax Law (Section 7301 et seq. of the California Revenue and Taxation Code) (the “Motor Vehicle Fuel License Tax Law”) is apportioned monthly from the Highway Users Tax Account in the State’s Transportation Tax Fund (the “Highway Users Tax Account”) to cities as follows: (a) \$400 per month is apportioned to each city and city and county, and \$800 per month is apportioned to each county and city and county, (b) \$600,000 per month is transferred to the Bicycle Transportation Account in the State Transportation Fund, and (c) the balance is apportioned as follows: (1) a base sum will be computed for each county by using the same proportions of fee-paid and exempt vehicles as are established for purposes of apportionment of funds under Section 2104(d), (2) within a county, the percentage of the total assessed valuation of tangible property subject to local tax levies within the county which is represented by the assessed valuation of tangible property outside the incorporated cities of the county shall be applied to its base sum, and the resulting amount shall be apportioned to the county, and (3) the difference between the base sum for each county and the amount apportioned to the county will be apportioned to the cities of that county in the proportion that the population of each city bears to the total population of all the cities in the county.

Section 2107. Pursuant to Section 2107, a sum equal to the net revenues derived from 7.3% of the per gallon tax under the Motor Vehicle Fuel License Tax Law, \$0.0259 under the Use Fuel Tax Law (Section 8601 et seq. of the California Revenue and Taxation Code), and 11.5% under the Diesel Fuel Tax Law (Section 60001 et seq. of the California Revenue and Taxation Code), is apportioned monthly to cities from the Highway Users Tax Account as follows: the State Controller allocates annually to each city that has filed a report containing the information prescribed by subdivision (c) of Section 2152 of the California Streets and Highways Code, and that had expenditures in excess of \$5,000 during the preceding fiscal year for snow removal, an amount equal to one-half the amount of its expenditures for snow removal in excess of \$5,000 during such fiscal year. The balance of such sum is allocated to each city in the proportion that the total population of the city bears to the total population of all cities in the State.

2010 Gasoline Sales Tax – Gasoline Excise Tax Swap. In March 2010, as a part of a special budget session called by the Governor, the Legislature passed, and the Governor signed into law, ABX8 6 and ABX8 9, which contain the provisions for a swap of State sales taxes on gasoline in exchange for a gasoline excise tax. Such legislation: (i) effective July 1, 2010, repealed the State sales tax on gasoline; (ii) effective July 1, 2010, increased the excise tax on gasoline by \$0.173 per gallon and added an annual index that is intended to ensure that the new excise tax keeps pace with the revenues expected from the sales tax on gas; (iii) effective July 1, 2011, imposed an additional 1.75% tax on the sale, storage, use, and consumption of diesel fuel; and (iv) effective July 1, 2011, reduced the excise tax on diesel fuel from \$0.18 to \$0.136 per gallon, subject to annual adjustment. The legislation includes expressed legislative intent to fully replace the local streets and road funds cities and counties would have received under the State sales tax on gasoline with allocations from the increased gasoline excise tax rate.

On November 2, 2010, the California electorate approved Proposition 26, the Supermajority Vote to Pass New Taxes and Fees Act (“Proposition 26”), an initiative amendment to the California Constitution. Proposition 26 requires a two-thirds supermajority vote in the California State Legislature to pass many fees, levies, charges, and tax revenue allocations that under the State’s previous rules could be enacted by a simple majority vote. By its terms, Proposition 26 requires that any State law adopted

between January 1, 2010, and November 2, 2010 (the date Proposition 26 was approved), that conflicts with Proposition 26 would be repealed one year after Proposition 26’s approval date. This repeal would not take place, however, if two-thirds of each house of the Legislature passed the law again. Because the State Legislature approved the 2010 gasoline sales tax – gasoline excise tax swap with only a majority vote in March 2010, that legislation would have been repealed in November 2011 unless the State Legislature approved such legislation again with a two-thirds vote in each house. Pursuant to AB 105, however, such legislation was amended and approved with a two-thirds vote in each house in March 2011 and is not subject to repeal under Proposition 26.

Commencing in fiscal year 2011-12 and continuing in fiscal years thereafter, under Section 2103, the revenues from the increased the excise tax on gasoline will be allocated each month as follows, in the following order of priority: (a) first, to the Transportation Debt Service Fund of the State, to reimburse the State’s General Fund for debt service paid with respect to specified State bonding programs; and second, the remainder shall be allocated as follows: (i) 44% to the State Transportation Improvement Program, (ii) 12% to the State Highway Operation and Protection Program, the State’s highway safety improvement program, and (iii) and 44% evenly split between cities and counties using current Highway Users Tax Account formulas. Section 2103 funds are allocated to cities on a per capita basis and to counties 75 percent based on the proportion of registered vehicles and 25 percent based on the proportion of maintained county road miles.

Neither the Authority, the City of Desert Hot Springs nor the City of Menifee have any control over the methodology, formulas, or rates used by the State to distribute Gas Tax Revenues to cities and counties, including the City of Desert Hot Springs and the City of Menifee, and such methodology or formulas may be changed by the Legislature or as a result of the State initiative process at any time. See “RISK FACTORS – Passive Revenue Sources.”

City of Desert Hot Springs Gas Tax Revenues

Historical Gas Tax Revenues – City of Desert Hot Springs. The following table details the historical Gas Tax Revenues received by the City of Desert Hot Springs, as apportioned under the California Streets and Highway Code to the City of Desert Hot Springs for fiscal years June 30, 2015 through June 30, 2020.

HISTORICAL GAS TAX REVENUES CITY OF DESERT HOT SPRINGS Fiscal Years Ended June 30, 2015 through June 30, 2020

<u>Fiscal Year</u>	<u>Section 2103</u>	<u>Section 2105</u>	<u>Section 2106</u>	<u>Section 2107</u>	<u>Totals⁽¹⁾</u>	<u>Percent Change from Prior Fiscal Year</u>
2015	\$288,281	\$165,467	\$106,997	\$212,774	\$773,519	--
2016	129,203	158,149	100,236	192,781	580,369	(24.97)%
2017	73,272	163,559	104,652	215,834	557,317	(3.97)
2018	114,102	155,280	101,725	206,307	577,414	3.61
2019	99,938	162,275	106,909	203,933	573,055	(0.75)
2020 ⁽²⁾	209,495	150,769	94,464	191,173	645,901	12.71

(1) Does not include California Streets and Highways Code Section 2107.5 revenues.

(2) Unaudited.

Source: City of Desert Hot Springs.

Gas Tax Fund Financial Statements. The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures, and Changes in Fund Balance relating to the City of Desert Hot Springs's Gas Tax Fund for the fiscal years ended June 30, 2015 through June 30, 2019.

**BALANCE SHEET
CITY OF DESERT HOT SPRINGS GAS TAX FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
ASSETS					
Cash and investments	\$286,583	\$348,911	\$193,230	\$13,664	\$ --
Accounts	829	399	1,587	3,304	49,404
Interest	12	23	45	1	--
Due from other governments	76,407	48,612	54,215	51,277	--
Prepaid items	--	--	--	--	2,947
Total Assets	\$363,831	\$397,945	\$249,077	\$68,246	\$52,351
LIABILITIES					
Accounts payable	\$21,736	\$19,314	\$49,418	\$28,280	\$59,478
Accrued liabilities	3,373	--	--	--	--
Due to other funds	--	--	--	--	19,248
Total Liabilities	\$25,109	\$19,314	\$49,418	\$28,280	\$78,726
FUND BALANCE					
Restricted	\$338,722	\$378,631	\$199,659	\$ --	\$ --
Nonspendable	--	--	--	39,966	2,947
Unassigned (deficit)	--	--	--	--	\$(29,322) ⁽¹⁾
Total fund balance (deficit)	\$338,711	\$378,631	\$199,659	\$39,966	\$(26,375)
Total Liabilities and Fund Balance	\$363,831	\$397,945	\$249,077	\$68,246	\$52,351

(1) Deficit is due to a project overrun.

Source: City of Desert Hot Springs Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

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**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY OF DESERT HOT SPRINGS GAS TAX FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
REVENUES					
Taxes	\$ --	\$ --	\$ --	\$33,096	\$ --
Intergovernmental	785,519	586,369	563,318	583,414	612,594
Interest	41	92	146	179	4
Total Revenues⁽¹⁾	\$785,560	\$586,461	\$563,464	\$616,689	\$612,598
EXPENDITURES					
General government	\$180,443	\$141,859	\$224,834	\$ --	\$ --
Public Works	182,079	203,299	212,145	537,828	478,495
Capital outlay	--	--	107,662	39,360	--
Total Expenditures	\$362,522	\$345,158	\$544,641	\$577,188	\$478,495
OTHER FINANCING SOURCES (USES)					
Transfers out	\$(199,346)	\$(201,394)	\$(197,794)	\$(199,194)	\$(200,444)
Total other financing sources (uses)	\$(199,346)	\$(201,394)	\$(197,794)	\$(199,194)	\$(200,444)
NET CHANGES IN FUND BALANCE	\$223,692	\$39,909	\$(178,971)	\$(159,693)	\$(66,341)
FUND BALANCE					
Beginning of year	\$115,030	\$338,722	\$378,631	\$199,659	\$39,966
End of year	\$338,722	\$378,631	\$199,660	\$39,966	\$(26,375)

(1) Includes revenues that do not constitute Gas Tax Revenues.

Source: City of Desert Hot Springs Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

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City of Menifee Gas Tax Revenues

Historical Gas Tax Revenues – City of Menifee. The following table details the historical Gas Tax Revenues received by the City of Menifee, as apportioned under the California Streets and Highway Code to the City of Menifee for fiscal years ended June 30, 2015 through June 30, 2020.

HISTORICAL GAS TAX REVENUES CITY OF MENIFEE Fiscal Years Ended June 30, 2015 through June 30, 2020

<u>Fiscal Year</u>	<u>Section 2103</u>	<u>Section 2105</u>	<u>Section 2106</u>	<u>Section 2107</u>	<u>Totals⁽¹⁾</u>	<u>Percent Change from Prior Fiscal</u>
2015	\$774,976	\$453,458	\$284,599	\$580,342	\$2,093,375	--
2016	438,619	479,394	294,187	624,237	1,836,437	(12.27)%
2017	237,556	500,106	308,382	634,054	1,680,098	(8.51)
2018	353,052	491,982	311,914	640,284	1,797,232	6.97
2019	307,021	504,232	321,100	634,127	1,766,480	(1.71)
2020 ⁽²⁾	644,386	476,707	290,634	601,933	2,013,660	13.99

(1) Does not include California Streets and Highways Code Section 2107.5 revenues.

(2) Unaudited.

Source: City of Menifee.

Gas Tax Fund Financial Statements. The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures, and Changes in Fund Balance relating to the City of Menifee's Gas Tax Fund for the fiscal years ended June 30, 2015 through June 30, 2019.

BALANCE SHEET CITY OF MENIFEE GAS TAX FUND For the Fiscal Years Ended June 30, 2015 through June 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSETS					
Cash and investments	\$174,798	\$537,853	\$599,885	\$1,519,568	\$1,224,295
Accounts	51,293	45,331	42,646	144,748	68,040
Interest	1,512	264	1,367	4,474	4,973
Cash investments with fiscal agents	516,823	224,382	322,897	177,482	--
Total Assets	\$744,428	\$807,830	\$966,795	\$1,846,252	\$1,297,308
LIABILITIES					
Accounts payable	\$164,011	\$211,853	\$154,869	\$589,644	\$197,348
Accrued liabilities	70,970	7,475	7,735	9,936	13,509
Total Liabilities	\$234,981	\$219,328	\$162,604	\$599,580	\$210,857
FUND BALANCE					
Restricted	\$509,445	\$588,502	\$804,191	\$1,246,672	\$1,086,451
Total fund balance	\$509,445	\$588,502	\$804,191	\$1,246,672	\$1,086,451
Total liabilities and fund balance	\$744,426	\$807,830	\$966,795	\$1,846,252	\$1,297,308

Source: City of Menifee Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY OF MENIFEE GAS TAX FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
REVENUES					
Intergovernmental	\$2,168,276	\$1,843,937	\$1,687,598	\$2,465,778	\$1,980,682
Use of money and property	12,562	6,132	2,165	9,831	31,798
Total Revenues⁽¹⁾	\$2,180,838	\$1,850,069	\$1,689,763	\$2,475,609	\$2,012,480
EXPENDITURES					
Public Works	\$1,487,251	\$1,190,685	\$1,316,366	\$1,916,170	\$1,826,574
Capital outlay	213,872	578,907	157,708	116,958	104,862
Total expenditures	\$1,701,123	\$1,769,592	\$1,474,074	\$2,033,128	\$1,931,436
OTHER FINANCING SOURCES (USES)					
Transfers out	\$(903,000)	\$(1,420)	\$ --	\$ --	\$ --
Total other financing sources (uses)	\$(903,000)	\$(1,420)	\$ --	\$ --	\$ --
NET CHANGES IN FUND BALANCE	\$(423,285)	\$79,057	\$215,689	\$442,481	\$81,044
FUND BALANCE					
Beginning of year	\$932,730	\$509,445	\$588,502	\$804,191	\$1,005,407
End of year	\$509,445	\$588,502	\$804,191	\$1,246,672	\$1,086,451

(1) Includes revenues that do not constitute Gas Tax Revenues.

Source: City of Menifee Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

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MEASURE A REVENUES; MEASURE A RECEIPTS

Pledge of Measure A Receipts

Pursuant to the Installment Sale Agreements, each Local Agency will pledge its Measure A Receipts for the payment of its 2020 Installment Sale Payments. The term “Measure A Receipts” is defined in the Installment Sale Agreements to mean Measure A Revenues allocated by the Commission to the applicable Local Agency pursuant to the Measure A Ordinance, to the extent the applicable Project constitutes a Measure A Project. See “THE LOCAL AGENCIES.”

The term “Measure A Revenues” is defined in each Installment Sale Agreement to mean revenues of the Commission derived from the Measure A Sales Tax imposed in the County pursuant to the Measure A Sales Tax Act, and the Measure A Ordinance. In accordance with the Measure A Sales Tax Act, on November 5, 2002, more than two-thirds of the voters of the County voting on the measure approved the Measure A Ordinance, which authorized the imposition of the Measure A Sales Tax, a one-half of one percent (0.5%) retail transaction and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below. The Measure A Sales Tax commenced on July 1, 2009, is administered by the Commission, and will be collected for a thirty-year period ending on June 30, 2039.

For more information regarding the portion of Measure A Revenues historically allocated by the Commission to the Local Agencies, see “ – Measure A Revenues – Historical Measure A Revenues.” See also “RISK FACTORS.”

The Measure A Revenues historically allocated by the Commission to each of the Local Agencies, and their respective Balance Sheet and Schedule of Revenues, Expenditures, and Changes in Fund Balance relating to the respective Measure A Funds of the Local Agencies in this Official Statement are the latest available, but are as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. See “BOND OWNERS’ RISK – Public Health Emergencies.” Further declines in the economy or other market factors may depress Measure A Revenues that are allocated to the Local Agencies.

The Measure A Sales Tax

The Measure A Sales Tax imposed in the County for transportation purposes and administered by the Commission is in addition to a seven and one-quarter percent sales or use tax levied statewide by the State. In general, the State Sales Tax applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use, or other consumption in the State of property purchased from a retailer for such storage, use, or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State.

The Measure A Sales Tax is generally imposed upon the same transactions and items subject to the sales and use tax levied by the State (hereinafter collectively referred to as the “State Sales Tax”), with generally the same exceptions. Many categories of transactions are exempt from the State Sales Tax and the Measure A Sales Tax. The most important of these exemptions are: sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity, and water when delivered to consumers through mains, lines, and pipes. In addition, “Occasional Sales” (i.e., sales of property not held or used by a seller

in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Measure A Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County that are shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt from the Measure A Sales Tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure A Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure A Revenues. Neither the Authority nor the Local Agencies are currently aware of any proposed legislative change which would have a material adverse effect on Measure A Revenues.

Riverside County Transportation Commission

The State Legislature created the Commission in 1976 as one of four transportation commissions designed to provide more local participation in and control of transportation matters in the southern California area. The Commission is charged with a number of responsibilities in serving the residents of the County, the most prominent of which is administering the sales tax program created by the Measure A Sales Tax Act. The Commission's other responsibilities include: (1) serving as the congestion management agency for the County and (2) serving as the Service Authority for Freeway Emergencies, which operates the freeway service patrol for the County.

Senior Lien Measure A Obligations

The Measure A Ordinance provides that not more than \$975,000,000 in aggregate principal amount of bonds or other evidence of indebtedness issued by the Commission and secured by Measure A Revenues may be outstanding at any one time. The following bonds previously issued by the Commission are outstanding (collectively, the "Senior Lien Bonds"):

- \$112,370,000 original principal amount of Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (Taxable Build America Bonds);
- \$462,200,000 original principal amount of Sales Tax Revenue Bonds (Limited Tax Bonds), 2013 Series A (the "2013 Bonds");
- \$76,140,000 original principal amount of Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), 2016 Series A;
- \$158,760,000 original principal amount of Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), 2017 Series A;
- \$392,730,000 original principal amount of Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), 2017 Series B; and
- \$64,285,000 original principal amount of Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), 2018 Series A.

The Senior Lien Bonds are outstanding in the aggregate principal amount of approximately \$805,810,000. All Senior Lien Bonds are secured by a first lien pledge of Measure A Revenues. The Senior Lien Bonds were issued pursuant to an Indenture dated as of June 1, 2008, as supplemented and

amended from time to time (collectively, the “Measure A Revenues Indenture”), by and between the Commission and U.S. Bank National Association, as trustee (“the Measure A Revenues Trustee”).

Pursuant to the Measure A Revenues Indenture, the Commission may issue from time to time additional bonds or other obligations on a parity with the Senior Lien Bonds (collectively, “Parity Obligations”). The Commission may also issue from time to time obligations payable out of Measure A Revenues on a basis subordinate to the payment of the principal, premium, interest, and reserve fund requirements for the Senior Lien Bonds and all Parity Obligations (collectively, “Subordinate Obligations”). For example, according to the Commission’s adopted budget for Fiscal Year 2020-21, the Commission has instituted a program pursuant to which it may issue commercial paper notes as Subordinate Obligations in an aggregate principal amount of up to \$60,000,000. According to Commission’s adopted budget for Fiscal Year 2020-21, no such Subordinate Obligations are presently outstanding.

The Commission may in the future enter into swap agreements with respect to sales tax revenue bonds issued by it in the future (collectively, the “Swap Agreements”). The Commission’s obligation to make early termination payments under the Swap Agreements may be secured by a pledge of the Measure A Revenues that is subordinate to the pledge in favor of the Senior Lien Bonds, any Parity Obligations, and any Subordinate Obligations. The Commission may also obtain liquidity facilities or credit enhancement (“Liquidity Facilities/Credit Enhancement”) for its Senior Lien Bonds and all Parity Obligations.

All payments with respect to the Senior Lien Bonds, Parity Obligations, Subordinate Obligations, the Swap Agreements, and the Liquidity Facilities/Credit Enhancement (collectively, the “Senior Lien Measure A Obligations”) will be made from Measure A Revenues before any remaining Measure A Revenues will be transferred to the Commission for allocation by the Commission to the Local Agencies. See “– Collection and Allocation of Measure A Revenues” below. See also “RISK FACTORS.”

Collection and Allocation of Measure A Revenues

Collection of the Measure A Sales Tax is administered by the California Department of Tax and Fee Administration (the “CDTFA”), as statutorily created and authorized successor to the former California State Board of Equalization, in connection with the collection and disbursement of Measure A Revenues. The Commission and the CDTFA have entered into an agreement for state administration of district transactions and use taxes to authorize payment of Measure A Revenues directly to the Measure A Revenues Trustee, as trustee under the Measure A Revenues Indenture. The CDTFA, after deducting amounts payable to itself, is required to remit the balance of amounts received from the Measure A Sales Tax directly to the Measure A Revenues Trustee. The Measure A Revenues Trustee is required to apply the Measure A Revenues to make deposits to the funds and accounts established under the Measure A Revenues Indenture to pay the Senior Lien Bonds and any Parity Obligations and to transfer the remaining amounts to make payments with respect to any Subordinate Obligations and Swap Agreements. After payments have been made with respect to the Senior Lien Measure A Obligations, the remaining unapplied Measure A Revenues, if any, are transferred to the Commission for use for any purpose contemplated by the Ordinance.

Pursuant to the Measure A Ordinance, the Commission, after making a deduction for administration which amounts are determined and deducted by the Commission on a quarterly basis, first allocates such remaining unapplied Measure A Revenues to be applied for transportation purposes to the Western County, Coachella Valley, and Palo Verde Valley areas within the County in proportion to the Measure A Revenues generated within those areas. Currently, the Commission allocates such remaining unapplied Measure A Revenues as follows: (i) approximately 78.1% to the Western County area; (ii)

approximately 21.5% to the Coachella Valley; and (iii) approximately 0.4% to the Palo Verde Valley area.

The City of Desert Hot Springs is within the Coachella Valley area of the County. Thirty-Five percent (35%) of the portion of the Measure A Revenues allocated by the Commission to the Coachella Valley area is applied to the local streets and roads program within such area. To the extent any portion of the Project constructed by the City of Desert Hot Springs is designated by the Commission as a qualified project for purposes of the local streets and roads program established under the Measure A Ordinance, such portion will constitute a Measure A Project. The entire City of Desert Hot Springs Project constitutes a Measure A Project. The funds made available in the Coachella Valley area for purposes of the local streets and roads program are distributed to the cities in the Coachella Valley area and the County by a formula based 50% on proportionate dwelling units and 50% on proportionate revenues generated by Measure “A” within each jurisdiction. In order to be eligible for these funds, the City of Desert Hot Springs is required to (i) file a Five-Year Capital Improvement Plan for the use of these funds, updated annually, with the Commission, (ii) participate in a Transportation Uniform Mitigation Fee (“TUMF”) Program developed and administered by the Coachella Valley Association of Governments, and (iii) comply with a maintenance of effort requirement. See “– Measure A Receipts – Historical Measure A Receipts – City of Desert Hot Springs” below for a table setting forth the Measure A Revenues historically allocated by the Commission to the City of Desert Hot Springs for fiscal years 2015 through 2020. The portion of such Measure A Revenues allocated by the Commission to the City of Desert Hot Springs, to the extent the Project constitutes a Measure A Project, constitutes Measure A Receipts. Measure A Receipts of the City of Desert Hot Springs are pledged to make its Installment Sale Payments.

The City of Menifee and the City of Moreno Valley are within the Western County area of the County. Approximately 29% of the portion of the Measure A Revenues allocated by the Commission to the Western County area is applied to the local streets and roads program within such area. To the extent any portion of the respective Projects to be constructed by the City of Menifee and the City of Moreno Valley are designated by the Commission as a qualified project for purposes of the local streets and roads program established under the Measure A Ordinance, such portion will constitute a Measure A Project. The entire City of Menifee Project constitutes a Measure A Project, and the entire City of Moreno Valley Project constitutes a Measure A Project. The funds made available in the Western County area for purposes of the local streets and roads program are distributed to the cities in the Western County area and the County by a formula based 75% on proportionate population and 25% on proportionate revenues generated by the Measure A Ordinance within each jurisdiction. In order to be eligible for these funds, the City of Menifee and the City of Moreno Valley are each required to: (i) file a Five-Year Capital Improvement Plan for the use of these, updated annually, with the Commission, (ii) participate in a TUMF Program developed and administered by the Western Riverside Council of Governments, (iii) participate in the Multi-Species Habitat Conservation Plan developed and administered by the Western Riverside County Regional Conservation Authority, and (iv) comply with a maintenance of effort requirement. See “– Measure A Receipts – Historical Measure A Receipts – City of Menifee” and “– Measure A Receipts – Historical Measure A Receipts – City of Moreno Valley” below for a table setting forth the respective portions of the Measure A Revenues historically allocated by the Commission to the City of Menifee and the City of Moreno Valley for fiscal years 2015 through 2020. The respective portions of such Measure A Revenues allocated by the Commission to the City of Menifee and the City of Moreno Valley, to the extent their respective Project constitutes a Measure A Project, constitutes Measure A Receipts. Measure A Receipts of the City of Menifee and the City of Moreno Valley are pledged to make their respective Installment Sale Payments.

While Measure A Revenues will be collected in the County for a thirty-year period ending on June 30, 2039, Installment Sale Payments will be payable by the Local Agencies through and including June 1, 2042. Investors should be aware that no Measure A Revenues will be allocated by the

Commission to the Local Agencies and be available to make Installment Sale Payments in fiscal years 2040, 2041, and 2042. See “RISK FACTORS – Limitations on Use of Measure A Revenues.”

Measure A Receipts

Historical Measure A Receipts – City of Desert Hot Springs. The following table sets forth the Measure A Revenues historically allocated by the Commission to the City of Desert Hot Springs (i.e. Measure A Receipts) for fiscal years ended June 30, 2015 through June 30, 2020.

**HISTORICAL MEASURE A RECEIPTS
CITY OF DESERT HOT SPRINGS
Fiscal Years Ended June 30, 2015 through June 30, 2020**

<u>Fiscal Year</u>	<u>Measure A Receipts</u>	<u>Percent Change from Prior Fiscal Year</u>
2015	\$477,282	--
2016	457,775	(4.09)%
2017	464,468	1.46
2018	454,537	(2.14)
2019	522,385	14.93
2020 ⁽¹⁾	504,781	(3.37)

(1) Unaudited.

Source: City of Desert Hot Springs Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019; City of Desert Hot Springs.

The City of Desert Hot Springs is unable to predict if and when its annual Measure A Receipts will increase or decrease. For summary of historical taxable retail sales within the City of Desert Hot Springs, see “APPENDIX B – General Information Regarding Participating Local Agencies – Commercial Activity.”

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Measure A Fund Financial Statements – City of Desert Hot Springs. The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures, and Fund Balances relating to the City of Desert Hot Spring’s Measure A Fund for the fiscal years ended June 30, 2015 through June 30, 2019.

**BALANCE SHEET
CITY OF DESERT HOT SPRINGS MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
ASSETS					
Cash and investments	\$ --	\$104,331	\$ --	\$ --	\$205,056
Accounts	--	--	--	--	84,946
Interest	6	7	--	--	265
Due from other governments	134,181	86,712	90,449	112,681	--
Total Assets	\$134,187	\$191,050	\$90,449	\$112,681	\$290,267
LIABILITIES					
Accounts payable	\$1,318	\$185,856	\$44,566	\$ --	\$175,000
Due to other funds	4,397	--	311	34,294	--
Total Liabilities	\$5,715	\$185,856	\$44,877	\$34,294	\$175,000
FUND BALANCE					
Restricted	\$128,472	\$5,194	\$45,572	\$78,387	\$115,267
Total Fund Balance	\$128,472	\$5,194	\$45,572	\$78,387	\$115,267
Total Liabilities and Fund Balance	\$134,187	\$191,050	\$90,449	\$112,681	\$290,267

Source: City of Desert Hot Springs Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY OF DESERT HOT SPRINGS MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
REVENUES					
Intergovernmental	\$477,282	\$457,775	\$464,468	\$454,537	\$522,385
Interest	14	38	15	--	497
Miscellaneous	--	25,000	--	--	--
Total Revenues⁽¹⁾	\$477,296	\$482,813	\$464,483	\$454,537	\$522,882
EXPENDITURES					
Public Works	\$202,994	\$32,035	\$ --	\$ --	\$ --
Capital outlay	--	374,056	224,105	221,722	286,002
Total Expenditures	\$202,994	\$406,091	\$224,105	\$221,722	\$286,002
OTHER FINANCING SOURCES (USES)					
Transfers out	\$(200,000)	\$(200,000)	\$(200,000)	\$(200,000)	\$(200,000)
Total Oher Financing Sources (Uses)	\$(200,000)	\$(200,000)	\$(200,000)	\$(200,000)	\$(200,000)
NET CHANGES IN FUND BALANCES	\$74,302	\$(123,278)	\$40,378	\$32,815	\$36,880
FUND BALANCES					
Beginning of year	\$54,170	\$128,472	\$5,194	\$45,572	\$78,387
End of year	\$128,472	\$5,194	\$45,572	\$78,387	\$115,267

(1) Includes revenues that do not constitute Measure A Receipts.

Source: City of Desert Hot Springs Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

Historical Measure A Receipts – City of Menifee. The following table sets forth the Measure A Revenues historically allocated by the Commission to the City of Menifee (i.e. Measure A Receipts) for fiscal years ended June 30, 2015 through June 30, 2020.

**HISTORICAL MEASURE A RECEIPTS
CITY OF MENIFEE
Fiscal Years Ended June 30, 2015 through June 30, 2020**

<u>Fiscal Year</u>	<u>Measure A Receipts</u>	<u>Percent Change from Prior Fiscal Year</u>
2015	\$1,415,536	--
2016	1,518,623	7.28%
2017	1,619,512	6.64
2018	1,664,930	2.80
2019	1,918,407	15.22
2020 ⁽¹⁾	1,883,734	(1.81)

(1) Unaudited.

Source: *City of Menifee Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019; City of Menifee.*

The City of Menifee is unable to predict if and when its annual Measure A Receipts will increase or decrease. For summary of historical taxable retail sales within the City of Menifee, see “APPENDIX B – General Information Regarding Participating Local Agencies – Commercial Activity.”

Measure A Fund Financial Statements – City of Menifee. The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures, and Fund Balances relating to the City of Menifee’s Measure A Fund for the fiscal years ended June 30, 2015 through June 30, 2019.

**BALANCE SHEET
CITY OF MENIFEE MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSETS					
Cash and investments	\$3,273,504	\$2,732,119	\$401,131	\$335,660	\$964,603
Accounts	361,207	280,698	315,379	687,023	314,085
Interest	2,075	2,993	784	1,117	1,751
Cash and investments with fiscal agents	387,404	--	--	--	--
Total Assets	\$4,024,190	\$3,015,810	\$717,294	\$1,023,800	\$1,280,439
LIABILITIES					
Accounts payable	\$29,382	\$224,098	\$30,565	\$14,617	\$67,669
Total Liabilities	\$29,382	\$224,098	\$30,565	\$14,617	\$67,669
FUND BALANCE					
Restricted	\$3,994,808	\$2,791,712	\$686,729	\$1,009,183	\$1,212,770
Total Fund Balance	\$3,994,808	\$2,791,712	\$686,729	\$1,009,183	\$1,212,770
Total Liabilities and Fund Balance	\$4,024,190	\$3,015,810	\$717,294	\$1,023,800	\$1,280,439

Source: *City of Menifee Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.*

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
CITY OF MENIFEE MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
REVENUES					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	1,415,536	1,518,623	1,619,512	1,940,209	1,918,407
Use of money and property	12,754	14,347	7,132	3,720	7,542
Total Revenues⁽¹⁾	\$1,428,290	\$1,532,970	\$1,626,644	\$1,943,929	\$1,925,949
EXPENDITURES					
Public Works	\$177,396	\$1,276,478	\$ --	\$306,033	\$415,466
Capital outlay	--	--	2,429,139	14,354	1,408
Total expenditures	\$177,396	\$1,276,478	\$2,429,139	\$320,387	\$416,874
OTHER FINANCING SOURCES (USES)					
Transfers out	\$(516,428)	\$(1,459,588)	\$(1,302,488)	\$(1,301,088)	\$(1,305,488)
Total other financing sources (uses)	\$(516,428)	\$(1,459,588)	\$(1,302,488)	\$(1,301,088)	\$(1,305,488)
NET CHANGES IN FUND BALANCES	\$734,466	\$(1,203,096)	\$(2,104,983)	\$322,454	\$203,587
FUND BALANCES					
Beginning of year	\$3,260,342	\$3,994,808	\$2,791,712	\$686,729	\$1,009,183
End of year	\$3,994,808	\$2,791,712	\$686,729	\$1,009,183	\$1,212,770

(1) Includes revenues that do not constitute Measure A Receipts.

Source: City of Menifee Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

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Historical Measure A Receipts – City of Moreno Valley. The following table sets forth the Measure A Revenues historically allocated by the Commission (i.e. Measure A Receipts) to the City of Moreno Valley for fiscal years ended June 30, 2015 through June 30, 2020.

**HISTORICAL MEASURE A RECEIPTS
CITY OF MORENO VALLEY
Fiscal Years Ended June 30, 2015 through June 30, 2020**

<u>Fiscal Year</u>	<u>Measure A Receipts</u>	<u>Percent Change from Prior Fiscal Year</u>
2015	\$3,212,285	--
2016	3,817,548	18.84%
2017	4,106,484	7.57
2018	3,707,442	(9.72)
2019	4,720,198	27.32
2020 ⁽¹⁾	4,245,773	(10.45)

(1) Unaudited.

Source: City of Moreno Valley Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019; City of Moreno Valley.

The City of Moreno Valley is unable to predict if and when its annual Measure A Receipts will increase or decrease. For summary of historical taxable retail sales within the City of Moreno Valley, see “APPENDIX B – General Information Regarding Participating Local Agencies – Commercial Activity.”

Measure A Fund Financial Statements – City of Moreno Valley. The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures, and Fund Balances relating to the City of Moreno Valley’s Measure A Fund for the fiscal years ended June 30, 2015 through June 30, 2019.

**BALANCE SHEET
CITY OF MORENO VALLEY MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSETS					
Cash and investments	\$6,830,059	\$6,794,068	\$4,517,406	\$3,214,347	\$3,255,498
Notes and loans	--	9,220	--	--	--
Due from other governments	2,174,140	1,100,532	677,216	1,014,318	328,001
Total Assets	\$9,004,199	\$7,903,820	\$5,194,622	\$4,228,665	\$3,583,499
LIABILITIES					
Accounts payable	\$616,464	\$187,454	\$59,283	\$207,029	\$14,279
Accrued liabilities	--	--	--	47,274	--
Total Liabilities	\$616,464	\$187,454	\$59,283	\$254,303	\$14,279
FUND BALANCE					
Restricted	\$8,387,735	\$7,716,366	\$5,135,339	\$3,974,362	\$3,569,220
Total Fund Balances	\$8,387,735	\$7,716,366	\$5,135,339	\$3,974,362	\$3,569,220
Total Liabilities and Fund Balance	\$9,004,199	\$7,903,820	\$5,194,622	\$4,228,665	\$3,583,499

Source: City of Moreno Valley Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CITY OF MORENO VALLEY MEASURE A FUND
For the Fiscal Years Ended June 30, 2015 through June 30, 2019**

	2015	2016	2017	2018	2019
REVENUES					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	6,147,866	5,051,521	4,332,638	4,475,450	4,744,560
Fees and charges for services	--	9,220	--	132,921	--
Use of money and property	66,080	80,681	76,966	60,680	58,950
Miscellaneous	419	35,710	74,631	12,400	--
Total Revenues⁽¹⁾	\$6,214,365	\$5,177,132	\$4,484,235	\$4,681,451	\$4,803,510
EXPENDITURES					
Public Works	\$547,808	\$1,581,072	\$1,725,753	\$1,964,659	\$1,991,910
Capital outlay	4,479,561	2,177,126	2,788,087	1,287,073	673,837
Total Expenditures	\$5,027,369	\$3,758,198	\$4,513,840	\$3,251,732	\$2,665,747
OTHER FINANCING SOURCES (USES)					
Transfers in	\$409,664	\$ --	\$ --	\$ --	\$ --
Transfers out	(2,493,566)	(2,090,303)	(2,551,422)	(2,590,697)	(2,542,905)
Total Other Financing Sources (Uses)	(2,083,902)	(2,090,303)	(2,551,422)	(2,590,697)	(2,542,905)
NET CHANGES IN FUND BALANCES	\$(896,906)	\$(671,369)	\$(2,581,027)	\$(1,160,977)	\$(405,142)
FUND BALANCES					
Beginning of year	\$9,284,641	\$8,387,735	\$7,716,366	\$5,135,339	\$3,974,362
End of year	\$8,387,735	\$7,716,366	\$5,135,339	\$3,974,362	\$3,569,220

(1) Includes revenues that do not constitute Measure A Receipts.

Source: City of Moreno Valley Comprehensive Annual Financial Reports for Fiscal Years 2015 through 2019.

PROJECTED DEBT SERVICE COVERAGE

The following tables present the projected debt service coverage for the respective 2020 Installment Sale Payments of each Local Agency and the Certificates, assuming that the respective Measure A Receipts and respective Gas Tax Revenues, if any, of the Local Agencies remain unchanged from the amounts thereof for the fiscal year ended on June 30, 2020, as presented in this Official Statement on an unaudited basis. As previously described, while Measure A Revenues will be collected in the County and allocated to the Local Agencies for a thirty-year period ending on June 30, 2039, the City of Desert Hot Springs and the City of Menifee will be required to make their respective 2020 Installment Sale Payments through and including June 1, 2042. Investors should be aware that no Measure A Revenues will be allocated by the Commission to any of the Local Agencies after June 30, 2039, nor will any such revenues be available for the payment of 2020 Installment Sale Payments thereafter. Accordingly, commencing in fiscal year 2040 through 2042, the sole source of the 2020 Installment Sale Payments of the City of Desert Hot Springs and the City of Menifee will be their respective Gas Tax Revenues. Each Local Agency is solely responsible for the payment of the 2020 Installment Sale Payments required to be paid pursuant to its Installment Sale Agreement, and no Local Agency is responsible for the payment of any Installment Sale Payments attributable to any other Local Agency. The projections of Measure A Receipts and Gas Tax Revenues in this Official Statement are not necessarily indicative of future performance. See “RISK FACTORS – Projections.”

**CITY OF DESERT HOT SPRINGS
PROJECTED DEBT SERVICE COVERAGE
2020 INSTALLMENT SALE PAYMENTS**

Fiscal Year	Projected Gas Tax Revenues⁽¹⁾	Projected Measure A Receipts⁽²⁾	Total⁽³⁾	2020 Installment Sale Payments⁽⁴⁾	Debt Service Coverage
2021	\$645,901	\$504,781	\$1,150,682	\$348,645	3.30x
2022	645,901	504,781	1,150,682	320,338	3.59x
2023	645,901	504,781	1,150,682	319,168	3.61x
2024	645,901	504,781	1,150,682	317,766	3.62x
2025	645,901	504,781	1,150,682	320,844	3.59x
2026	645,901	504,781	1,150,682	323,669	3.56x
2027	645,901	504,781	1,150,682	320,724	3.59x
2028	645,901	504,781	1,150,682	317,360	3.63x
2029	645,901	504,781	1,150,682	323,330	3.56x
2030	645,901	504,781	1,150,682	318,888	3.61x
2031	645,901	504,781	1,150,682	324,227	3.55x
2032	645,901	504,781	1,150,682	319,008	3.61x
2033	645,901	504,781	1,150,682	323,444	3.56x
2034	645,901	504,781	1,150,682	317,279	3.63x
2035	645,901	504,781	1,150,682	320,873	3.59x
2036	645,901	504,781	1,150,682	318,951	3.61x
2037	645,901	504,781	1,150,682	320,694	3.59x
2038	645,901	504,781	1,150,682	322,113	3.57x
2039	645,901	504,781	1,150,682	318,208	3.62x
2040	645,901	--	645,901	319,142	2.02x
2041	645,901	--	645,901	319,752	2.02x
2042	645,901	--	645,901	<u>320,038</u>	2.02x
Totals	\$14,209,822	\$9,590,839	\$23,800,661	\$7,074,458	

(1) Unaudited Gas Tax Revenues of the City of Desert Hot Springs for the fiscal year ended June 30, 2020 held constant for the life of the 2020 Installment Sale Payments.

(2) Unaudited Measure A Receipts of the City of Desert Hot Springs for the fiscal year ended June 30, 2020 held constant until the June 30, 2039 sunset date of the Measure A Revenues.

(3) Total unaudited Gas Tax Revenues and Measure A Receipts.

(4) Rounded to nearest whole dollar.

Source: City of Desert Hot Springs; Underwriter.

**CITY OF MENIFEE
PROJECTED DEBT SERVICE COVERAGE
2020 INSTALLMENT SALE PAYMENTS**

Fiscal Year	Projected Gas Tax Revenues⁽¹⁾	Projected Measure A Receipts⁽²⁾	Total⁽³⁾	2020 Installment Sale Payments⁽⁴⁾	Debt Service Coverage
2021	\$2,013,660	\$1,883,734	\$3,897,394	\$1,160,100	3.36x
2022	2,013,660	1,883,734	3,897,394	1,080,703	3.61x
2023	2,013,660	1,883,734	3,897,394	1,076,754	3.62x
2024	2,013,660	1,883,734	3,897,394	1,077,022	3.62x
2025	2,013,660	1,883,734	3,897,394	1,080,487	3.61x
2026	2,013,660	1,883,734	3,897,394	1,083,166	3.60x
2027	2,013,660	1,883,734	3,897,394	1,083,352	3.60x
2028	2,013,660	1,883,734	3,897,394	1,081,978	3.60x
2029	2,013,660	1,883,734	3,897,394	1,078,161	3.61x
2030	2,013,660	1,883,734	3,897,394	1,078,423	3.61x
2031	2,013,660	1,883,734	3,897,394	1,082,636	3.60x
2032	2,013,660	1,883,734	3,897,394	1,080,278	3.61x
2033	2,013,660	1,883,734	3,897,394	1,076,410	3.62x
2034	2,013,660	1,883,734	3,897,394	1,075,987	3.62x
2035	2,013,660	1,883,734	3,897,394	1,079,234	3.61x
2036	2,013,660	1,883,734	3,897,394	1,080,975	3.61x
2037	2,013,660	1,883,734	3,897,394	1,082,966	3.60x
2038	2,013,660	1,883,734	3,897,394	1,078,986	3.61x
2039	2,013,660	1,883,734	3,897,394	1,079,196	3.61x
2040	2,013,660	--	2,013,660	1,083,435	1.86x
2041	2,013,660	--	2,013,660	1,076,541	1.87x
2042	2,013,660	--	2,013,660	1,078,837	1.87x
Totals	\$44,300,520	\$35,790,946	\$80,091,466	\$23,835,628	

(1) Unaudited Gas Tax Revenues of the City of Menifee for the fiscal year ended June 30, 2020 held constant for the life of the 2020 Installment Sale Payments.

(2) Unaudited Measure A Receipts of the City of Menifee for the fiscal year ended June 30, 2020 held constant until the June 30, 2030 sunset date of the Measure A Revenues.

(3) Total unaudited Gas Tax Revenues and Measure A Receipts.

(4) Rounded to nearest whole dollar.

Source: City of Menifee; Underwriter.

**CITY OF MORENO VALLEY
PROJECTED DEBT SERVICE COVERAGE
2020 INSTALLMENT SALE PAYMENTS**

Fiscal Year	Projected Measure A Receipts⁽¹⁾	2020 Installment Sale Payments⁽²⁾	Debt Service Coverage
2021	\$4,245,773	\$1,425,913	2.98x
2022	4,245,773	1,396,795	3.04x
2023	4,245,773	1,396,179	3.04x
2024	4,245,773	1,394,415	3.04x
2025	4,245,773	1,395,093	3.04x
2026	4,245,773	1,394,695	3.04x
2027	4,245,773	1,395,815	3.04x
2028	4,245,773	1,389,715	3.06x
2029	4,245,773	1,395,237	3.04x
2030	4,245,773	1,394,240	3.05x
2031	4,245,773	1,391,778	3.05x
2032	4,245,773	1,397,273	3.04x
2033	4,245,773	1,395,422	3.04x
2034	4,245,773	1,396,264	3.04x
2035	4,245,773	1,395,170	3.04x
2036	4,245,773	1,392,081	3.05x
2037	4,245,773	1,397,415	3.04x
2038	4,245,773	1,396,293	3.04x
2039	4,245,773	1,398,875	3.04x
Totals	\$80,669,687	\$26,538,671	

(1) Unaudited Measure A Receipts of the City of Moreno Valley for the fiscal year ended June 30, 2020 held constant.

(2) Rounded to nearest whole dollar.

Source: City of Moreno Valley; Underwriter.

**PROJECTED DEBT SERVICE COVERAGE
CERTIFICATES**

Fiscal Year	City of Desert Hot Springs 2020 Installment Sale Payments⁽¹⁾	City of Menifee 2020 Installment Sale Payments⁽¹⁾	City of Moreno Valley 2020 Installment Sale Payments⁽¹⁾	Total Debt Service on Local Agency Certificates⁽¹⁾	Total Debt Service on Certificates⁽¹⁾	Debt Service Coverage
2021	\$348,645	\$1,160,100	\$1,425,913	\$2,934,658	\$2,934,658	1.0x
2022	320,338	1,080,703	1,396,795	2,797,836	2,797,836	1.0x
2023	319,168	1,076,754	1,396,179	2,792,101	2,792,101	1.0x
2024	317,766	1,077,022	1,394,415	2,789,202	2,789,202	1.0x
2025	320,844	1,080,487	1,395,093	2,796,424	2,796,424	1.0x
2026	323,669	1,083,166	1,394,695	2,801,530	2,801,530	1.0x
2027	320,724	1,083,352	1,395,815	2,799,892	2,799,892	1.0x
2028	317,360	1,081,978	1,389,715	2,789,054	2,789,054	1.0x
2029	323,330	1,078,161	1,395,237	2,796,729	2,796,729	1.0x
2030	318,888	1,078,423	1,394,240	2,791,551	2,791,551	1.0x
2031	324,227	1,082,636	1,391,778	2,798,641	2,798,641	1.0x
2032	319,008	1,080,278	1,397,273	2,796,559	2,796,559	1.0x
2033	323,444	1,076,410	1,395,422	2,795,277	2,795,277	1.0x
2034	317,279	1,075,987	1,396,264	2,789,529	2,789,529	1.0x
2035	320,873	1,079,234	1,395,170	2,795,278	2,795,278	1.0x
2036	318,951	1,080,975	1,392,081	2,792,006	2,792,006	1.0x
2037	320,694	1,082,966	1,397,415	2,801,075	2,801,075	1.0x
2038	322,113	1,078,986	1,396,293	2,797,391	2,797,391	1.0x
2039	318,208	1,079,196	1,398,875	2,796,280	2,796,280	1.0x
2040	319,142	1,083,435	--	1,402,577	1,402,577	1.0x
2041	319,752	1,076,541	--	1,396,293	1,396,293	1.0x
2042	320,038	1,078,837	--	1,398,875	1,398,875	1.0x
Totals	\$7,074,458	\$23,835,628	\$26,538,671	\$57,448,757	\$57,448,757	

(1) Rounded to nearest whole dollar.
Source: Underwriter.

RISK FACTORS

Investment in the Certificates involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Certificates for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. The spread of the novel strain of coronavirus called COVID-19 (“COVID-19”) is having significant negative impacts throughout the world, including within the Local Agencies. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by County, the State and the United States. The purpose of these declarations is to coordinate and formalize emergency actions across federal, State and local governmental agencies and to proactively prepare for a wider spread of COVID-19.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools within the Local Agencies). The United States is also restricting certain non-citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to COVID-19 concerns.

On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within such county. Based on the initial assessment from the State, the County is in the “Widespread” tier as of September 1, 2020. For counties in the “Widespread” tier, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

Potential impacts to the Local Agencies associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the respective boundaries of the Local Agencies, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the revenues of the Local Agencies, including Gas Tax Revenues and Measure A Receipts, as applicable, and potential declines in property values which may affect the ability or willingness of homeowners to pay property taxes.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the finances of the Local Agencies is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the respective operations and finances of the Local Agencies.

The impact of the COVID-19 outbreak on local and regional vehicular travel, the related consumption of gasoline in the State, on sales and use taxes, and business and commerce in general

cannot yet be stated or predicted with any certainty. The spread of COVID-19 has altered the behavior of business and people in a manner that has had a negative effect on global and local economies. The activities that generate, in particular, sales and use taxes, property taxes, and transient occupancy taxes, actually received by the Local Agencies may be adversely affected by the spread of COVID-19. There can be no guarantee that sales and use taxes, gas tax, property taxes, and transient occupancy taxes resulting from changes in consumer activity and collected in the future will be consistent with historical collection trends.

None of the Authority, the Local Agencies, the County nor the Underwriter can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will not have material adverse effect on the Authority's ability to pay debt service on the Certificates.

Installment Sale Payments Constitute Limited Obligations

The obligation of each Local Agency to make 2020 Installment Sale Payments under the applicable Installment Sale Agreement is a special obligation of such Local Agency and does not constitute a debt of such Local Agency, any other Local Agency, the Authority, the State, or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which such Local Agency, any other Local Agency, the State, or any political subdivision of the State is obligated to levy or pledge any form of taxation or for which such Local Agency, any other Local Agency, the State, or any political subdivision of the State has levied or pledged any form of taxation. The Authority has no taxing power.

Passive Revenue Source

The payment of principal and interest with respect to the Certificates is secured solely by a pledge of "Pooled Revenues" consisting of interest and principal payments becoming due and payable on the Local Agency Certificates, and certain funds under the Program Trust Agreement. The payment of principal and interest with respect to the Local Agency Certificates is secured solely by (i) a pledge by the City Desert Hot Springs and the City of Menifee of their respective Gas Tax Revenues, (ii) a pledge by each Local Agency of such Local Agency's Measure A Receipts, and (iii) certain funds under the Local Agency Trust Agreements and the Installment Sale Agreements including the Reserve Policies. As described herein, each Local Agency is solely responsible for the payment of the 2020 Installment Sale Payments required to be pursuant to its Installment Sale Agreement, and no Local Agency is responsible for the payment of any 2020 Installment Sale Payments or other obligations of any other Local Agency.

The City Desert Hot Springs and the City of Menifee do not have any control over the amount of Gas Tax Revenues because (1) the amount of Gas Tax Revenues received by the City Desert Hot Springs and the City of Menifee is based on Statewide fuel consumption, (2) such Local Agencies do not have any ability to control such consumption or to increase the rate at which such fuel is taxed within the State, and (3) such Local Agencies do not have any control over the collection or distribution procedures related to any State taxes, including taxes levied in connection with fuel consumption.

Neither the Authority nor the City Desert Hot Springs or the City of Menifee has any control over the methodology, formulas, or rates used by the State to distribute Gas Tax Revenues to cities and counties, including the City Desert Hot Springs and the City of Menifee, and such methodology or formulas may be changed by the Legislature or as a result of the State initiative process at any time. In addition, there can be no assurance that Gas Tax Revenues will be available in the amounts estimated in this Official Statement. A decrease in fuel consumption in the State, which would adversely affect the amount and/or availability of Gas Tax Revenues, could result from a variety of circumstances, including,

without limitation, oil shortages or embargos, increased use of alternative fuel sources, or natural disasters. See also “RISK FACTORS – Gasoline Sales Subject to Fluctuation” below.

The Local Agencies do not have any control over the amount of Measure A Receipts to be received by any such Local Agency because (1) Measure A Revenues constitute revenues of the Commission derived from a retail transactions and use tax imposed in the County pursuant to the Measure A Sales Tax Act and the Measure A Ordinance, the number of transactions and revenues generated under which tax a Local Agency has no ability to control, and Measure A Receipts are allocated by the Commission to such Local Agency only after the payment of all Senior Lien Measure A Obligations, and (2) the Local Agencies do not have any control over the collection or distribution procedures related to any State taxes or local retail transactions and use taxes.

There can be no assurance that Measure A Receipts will be available in the amounts estimated in this Official Statement. A decrease in Measure A Revenues would adversely affect the amount and/or availability of Measure A Receipts. In addition, each Local Agency must continuously meet certain requirements set forth in the Measure A Ordinance in order to be eligible to receive Measure A Revenues from the Commission and apply Measure A Receipts to pay the applicable Installment Sale Payments. See “MEASURE A REVENUES; MEASURE A RECEIPTS.”

Projections

The projections of Measure A Receipts and Gas Tax Revenues in this Official Statement are not necessarily indicative of future performance. In May 2020, the Commission revised its projections of Measure A Revenues as of March 30, 2020, for the fiscal years ended June 30, 2020 and June 30, 2021 downward by approximately 12% and 22%, respectively, as a result of the COVID-19 pandemic. However, the projections of debt service coverage on the 2020 Installment Sale Payments assume that Measure A Receipts and Gas Tax Revenues, if applicable, of the Local Agencies remain constant at amounts for the fiscal year ended June 30, 2020. See “PROJECTED DEBT SERVICE COVERAGE.”

No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Certificates are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Pooled Revenues may be materially less than expected and consequently, the ability of the Certificate Trustee, as assignee of the Authority, to make timely payments of interest and principal on the Certificates.

Allocation of Measure A Revenues to the Local Agencies is Subordinate to Payment of Senior Lien Measure A Obligations

The CDTFA administers collection of the Measure A Sales Tax. The Commission and the CDTFA have entered into an agreement for state administration of district transactions and use taxes to authorize payment of Measure A Revenues directly to the Measure A Revenues Trustee, as trustee under the Measure A Revenues Indenture. The CDTFA, after deducting amounts payable to itself, is required to remit the balance of amounts received from the Measure A Sales Tax directly to the Measure A Revenues Trustee. The Measure A Revenues Trustee is required to apply the Measure A Revenues to make deposits to the funds and accounts established under the Measure A Revenues Indenture to pay the Senior Lien Bonds and any Parity Obligations and to transfer the remaining amounts to make payments with respect to any Subordinate Obligations and Swap Agreements. All payments with respect to the Senior Lien Bonds, Parity Obligations, Subordinate Obligations, and the Swap Agreements will be made from Measure A Revenues before any remaining Measure A Revenues will be released by the Measure A

Revenues Trustee and transferred to the Commission for allocation by the Commission for use for any purpose contemplated by the Measure A Ordinance, including, without limitation, the allocation of Measure A Revenues to the Local Agencies. The Measure A Ordinance provides that not more than \$975,000,000 in aggregate principal amount of bonds or other evidences of indebtedness issued by the Commission and secured by Measure A Revenues may be outstanding at any one time. See “MEASURE A REVENUES; MEASURE A RECEIPTS.”

Limitations on Use of Measure A Revenues

Not all of the Measure A Revenues allocated by the Commission to the Local Agencies may be applied to pay their respective 2020 Installment Sale Payments. Only the respective Measure A Receipts of a Local Agency may be so applied. See “MEASURE A REVENUES; MEASURE A RECEIPTS.” In addition, while Measure A Revenues will be collected in the County for a thirty-year period ending on June 30, 2039, 2020 Installment Sale Payments will be payable by the City of Desert Hot Springs and the City of Menifee through and including June 1, 2042. Investors should be aware that no Measure A Revenues will be allocated by the Commission to the City of Desert Hot Springs and the City of Menifee and be available to make 2020 Installment Sale Payments in fiscal years 2040, 2041, and 2042. Under the City of Moreno Valley’s Installment Sale Agreement, the City of Moreno Valley’s obligation to make 2020 Installment Sale Payments mature on June 1, 2039 See “MEASURE A REVENUES; MEASURE A RECEIPTS – Collection and Allocation of Measure A Revenues.”

Senior Lien Measure A Obligations

Measure A Revenues, and thus Measure A Receipts, are allocated by the Commission to the Local Agencies on a basis that is subordinate to the Commission’s payment of its Senior Lien Measure A Obligations. See “MEASURE A REVENUES; MEASURE A RECEIPTS – Senior Lien Measure A Obligations” and “– Collection and Allocation of Measure A Revenues.”

Additional Contracts

Subject to certain restrictions, the City of Desert Hot Springs and the City of Menifee are permitted to enter into other Contracts that constitute additional charges against its Gas Tax Revenues without the consent of Owners of the Certificates. Similarly, each Local Agency is permitted to enter into other Contracts that constitute additional charges against its Measure A Receipts without the consent of Owners of the Certificates, but subject to the satisfaction of certain requirements set forth therein. See “SECURITY AND SOURCES OF PAYMENT FOR THE LOCAL AGENCY CERTIFICATES – Additional Contracts.” To the extent that other Contracts are executed by a Local Agency, the funds available to pay their respective 2020 Installment Sale Payments may be decreased. In addition, there is no limitation on the ability of any Local Agency to execute any Contract at any time to refund any outstanding Contract.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates and the Local Agency Certificates, and enforcement of each Local Agency’s obligations under its Installment Sale Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles that 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 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 under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the applicable Local Agency and the Commission, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates and the Local Agency Certificates 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.

Special Counsel has limited its opinion as to the validity and enforceability of the Installment Sale Agreements, the Program Trust Agreement, and the Local Agency Trust Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of the rights of the Owners.

Constitutional Limitations on Appropriations

California law imposes various taxing, revenue, and appropriations limitations on public agencies such as the Local Agencies. See "CONSTITUTIONAL PROVISIONS AFFECTING LOCAL AGENCY REVENUES AND APPROPRIATIONS" herein for a discussion of these limitations.

Previous Diversion of Gas Tax Revenues

Prior to the approval by the California electorate of Proposition 22 (described below) on November 2, 2010, Section 6 of Article XIX of the California Constitution permitted the State to loan to the State General Fund the revenues derived from taxes imposed on gasoline and diesel fuels within the State (collectively, the "Fuel Tax Revenues") if (a) any amount loaned was to be repaid in full during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the State budget bill for the subsequent fiscal year, or (b) any amount loaned was to be repaid in full within three fiscal years from the date on which the loan was made and one of the following had occurred: (1) the Governor had proclaimed a state of emergency and declared that the emergency will result in a significant negative fiscal impact to the State General Fund, or (2) the aggregate amount of State General Fund revenues for the current fiscal year, as projected by the Governor in a report to the State Legislature in May of the current fiscal year, was less than the aggregate amount of State General Fund revenues for the previous fiscal year, adjusted for the change in the cost of living and the change in population, as specified in the budget submitted by the Governor in the current fiscal year. Prior to the approval of Proposition 22, on a number of occasions, the State diverted Fuel Tax Revenues that would otherwise have been paid to local governments and repaid such amounts in full without interest at later specified dates.

While the State has, in the past, loaned Gas Tax Revenues to the State General Fund, such amounts have been loaned from the State portion of such Gas Tax Revenues, and not from amounts paid to local governments, and the City of Desert Hot Springs and the City of Menifee have received full payment of their applicable Gas Tax Revenues since the execution and delivery of the Prior Certificates. Notwithstanding the foregoing, on February 16, 2008, then Governor Arnold Schwarzenegger signed a six-bill budget package designed to reduce expenses in the State's fiscal year 2007-08. One of the bills

enacted into law was Assembly Bill No. 7 (“ABX3 7”), which provided, as it pertained to local agencies, that gas tax revenues collected during the months of March, April, May, June, and July of 2008, and otherwise transferrable to local agencies pursuant to Section 2104, Section 2105, Section 2106, and Section 2107, would be suspended and would instead be transferred to respective local agencies along with the August 2008 Gas Tax Revenues in September 2008.

ABX3 7 also permitted each of the local agencies, for cash management purposes during this five-month suspension period, to use any cash received pursuant to Proposition 1B (the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 of Division 1 of Title 2 of the California Government Code)) for the same purposes for which the gas tax revenues are authorized under Article XIX of the California Constitution; provided that such cash is replaced after the suspended Gas Tax Revenues were received by the local agency in September 2008.

In March 2010, the Legislature amended Section 2103.1 of the Streets and Highways Code to provide that, for the months of July, August, September, October, November, and December 2010, and January, February, and March 2011, no more than \$50,000,000 each month of Fuel Tax Revenues could be deferred and diverted from local governments (excluding certain exempted counties and cities) and instead paid to local governments by April 30, 2011. On November 2, 2010, the California electorate approved Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act of 2010 (“Proposition 22”), an initiative amendment to the California Constitution. Proposition 22 prohibits the State from raiding funds that are allocated to local government, public safety, and transportation purposes, including the local government portion of Fuel Tax Revenues. In December 2010, the California State Controller’s Office notified local governments that it had determined that Proposition 22 effectively prohibited such continued deferrals of Fuel Tax Revenues under Section 2103.1 of the Streets and Highways Code and that funds deferred from July through October 2010 would be repaid to local governments by April 30, 2011.

Other issues and uncertainties may arise with respect to the implementation or interpretation of, or the interaction between, the gasoline sales tax – gasoline excise tax swap (see “GAS TAX REVENUES – Statewide Gas Tax Revenues and Apportionments – 2010 Gasoline Sales Tax – Gasoline Excise Tax Swap”) and Proposition 22, and additional legislation may be enacted, including legislation purporting to amend or repeal Proposition 22, or litigation may be commenced with respect to those or other such matters. Any such legislation or litigation regarding, affecting, or purporting to amend or repeal such implementation, interpretation, interaction, or other matters may adversely impact Gas Tax Revenues to be received the City of Desert Hot Springs and the City of Menifee.

Gasoline Sales Subject to Fluctuation

The collection of taxes imposed on the purchase of motor vehicle fuels is necessarily subject to fluctuations in spending which is affected by, among other things, general economic cycles. Gas Tax Revenues may increase along with the increasing fuel prices brought about by inflation, but collections also are vulnerable to adverse economic conditions and reduced spending and may decrease as a result. Consequently, the rate of collection of taxes imposed on the purchase of motor vehicle fuels and, particularly, Gas Tax Revenues may be expected to correspond generally to economic cycles, patterns of usage of automobiles and truck transport, alternative transportation and energy sources as may be developed, and changes in population and density, among other factors. Neither the City of Desert of Hot Springs nor the City of Menifee have any control over general economic cycles, alternate energy sources, changes in transportation technology, or changes in usage over time, and is unable to predict what economic factors, demands, changes in use or cycles of collection will occur while the Certificates remain outstanding.

California State Legislature or Electorate May Change Items Subject to Measure A Sales Tax

With limited exceptions, the Measure A Sales Tax will be imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Measure A Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Measure A Revenues collected and the portion of such Measure A Revenues, and, correspondingly, the portion of Measure A Receipts, allocated by the Commission to the Local Agencies. For a further description of the Measure A Sales Tax, see “MEASURE A REVENUES; MEASURE A RECEIPTS.”

Increases in Sales Tax Rate May Cause Declines in Measure A Revenues

The 0.5% Measure A Sales Tax imposed in the County for transportation purposes and administered by the Commission is in addition to the sales or use tax levied statewide by the State. On November 6, 2012, State voters approved Proposition 30, which, among other things, increased the statewide tax rate by one quarter of one percent (increasing the statewide rate from 7.25% to 7.50%) for four years, effective January 1, 2013, through December 31, 2016, and the total County tax to 8%. Additional future increases, if any, in the State sales tax or the sales tax levied in the County could have an adverse effect on consumer spending decisions and consumption, resulting in a reduction of Measure A Revenues.

No Liability of Authority to Owners

Subject to any provisions in the Program Trust Agreement to the contrary, the Authority has no obligation or liability to the Owners of the Certificates with respect to the payment when due of the principal and interest on the Certificates, the payment of 2020 Installment Sale Payments by any Local Agency or with respect to the performance by any Local Agency of other agreements and covenants required to be performed by such Local Agency under the applicable Installment Sale Agreement, the Program Trust Agreement or the Local Agency Trust Agreements, with respect to the performance by the Certificates Trustee of any of the Certificate Trustee’s rights or obligations under the Program Trust Agreement or with respect to the performance of the Local Agency Certificates Trustee of any of the Local Agency Certificates Trustee’s rights or obligations under the Local Agency Trust Agreements.

Economic, Political, Social, and Environmental Conditions

The level of Measure A Sales Tax revenues collected depends on the level of taxable sales transactions within the County, which, in turn, depends on the level of general economic activity in the County and the State generally. Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) the reduction or elimination of previously available State or federal revenues, fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage and natural disasters.

Natural Disasters

The occurrence of any natural disaster in or near the boundaries of the Local Agencies or the County, including, without limitation, fire, earthquake, landslide, high winds, drought or flood, could have an adverse material impact on the economy within the Local Agencies or the County and the generation of sales and use taxes that constitute Gas Tax Revenues and Measure A Revenues. Portions of the County may be at risk of damage or destruction from wildfires or subject to unpredictable seismic activity.

Secondary Market

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that the Certificates can be sold for any particular price. Occasionally, because of general market conditions, 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 Insurance Policy

In the event that a Local Agency defaults in the payment of principal or interest with respect its respective Local Agency Certificates when due, the Owners of the Certificates will have a claim under the Insurance Policy for such payments. See the caption “BOND INSURANCE.” In the event that the Insurer becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event will not adversely affect the market for the Certificates. In the event that the Insurer is unable to make payments of principal or interest with respect to the Certificates when due under the Bond Insurance Policy, the Certificates will be payable solely from Revenues and amounts held in certain funds and accounts established under the Program Trust Agreement, as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.” The Bond Insurance Policy does not guarantee scheduled payment of principal and interest on any of the Local Agency Certificates.

The insured long-term rating on the Certificates is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’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 the Insurer are lowered, such event could adversely affect the market for the Certificates. See the caption “RATINGS.”

None of the Local Agencies, the Authority or the Underwriter has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Local Agencies, the Authority or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Certificates, potential investors should carefully consider the ability of the Authority to pay principal and interest with respect to the Certificates, assuming that the Insurance Policy is not available for that purpose, and the claims-paying ability of the Insurance Policy through final maturity of the Certificates.

So long as the Insurance Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Program Trust Agreement and will have the right to control all remedies in the event of a default under the Program Trust

Agreement. The Insurer is not required to obtain the consent of the Owners of the Certificates with respect to the exercise of remedies. See Appendix A.

Cyber Security

The Local Agencies, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations. As a recipient and provider of personal, private or other sensitive electronic information, the Local Agencies are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the efforts by the Local Agencies to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the Local Agencies, or the administration of the Certificates. The Local Agencies are also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the Certificate Trustee, the Commission and the County. No assurance can be given that the Local Agencies and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners.

CONSTITUTIONAL PROVISIONS AFFECTING LOCAL AGENCY REVENUES AND APPROPRIATIONS

Article XIII B of the California Constitution – Limitations on Appropriations

On November 6, 1979, State voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution (“Article XIII B”). In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111, which is described below under the caption “Proposition 111.” Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population, and cost of services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies, so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations of an entity of local government subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues, and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B allows voters to approve a temporary waiver of a government's Article XIII B limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to a Local Agency or allow such Local Agency to finance additional services.

Installment Sale Payments are subject to the Article XIII B appropriations limitations. For fiscal year 2020-21, the City of Desert Hot Springs calculated its appropriations limit at \$33,861,725. For fiscal year 2020-21, the City of Desert Hot Springs has calculated its budgeted appropriations subject to the limit at \$17,179,499. For fiscal year 2020-21, the City of Menifee calculated its appropriations limit at \$45,595,545. For fiscal year 2020-21, the City of Menifee has calculated its budgeted appropriations subject to the limit at \$29,718,806. For fiscal year 2020-21, the City of Moreno Valley calculated its appropriations limit at \$139,321,723. For fiscal year 2020-21, the City of Moreno Valley has calculated its budgeted appropriations subject to the limit at \$80,536,602. Neither the City of Desert Hot Springs, the City of Menifee, nor the City of Moreno Valley has ever made appropriations that exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the financial needs of the Local Agencies in the future is unknown.

Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes

On November 5, 1996, State voters approved Proposition 218, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Article XIII C ("Article XIII C") and Article XIII D ("Article XIII D") to the California Constitution, which Articles contain a number of provisions affecting the ability of Local Agencies to levy and collect both existing and future taxes, assessments, fees, and charges. The interpretation and application of certain provisions of Proposition 218 will ultimately be determined by the courts with respect to some of the matters discussed below. It is not possible at this time to predict with certainty the future impact of such interpretations. The provisions of Proposition 218, as so interpreted and applied, may affect the ability of a Local Agency to meet certain obligations.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund such as a general fund of a Local Agency, require a two-thirds vote. Article XIII C further provides that any general purpose tax imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election, which must be held within two years of November 5, 1996. None of the Local Agencies has imposed, extended, or increased any such taxes that are currently in effect without voter approval.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, and charges were imposed. Article XIII C expands the initiative power to include reducing or repealing assessments, fees, and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 1996, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters within the jurisdiction of a Local Agency will not, in the future, approve initiatives which reduce or repeal, or prohibit the future imposition or increase of, local taxes, assessments, fees or charges currently comprising a substantial part of such Local Agency's general fund. "Assessments," "fees," and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described below. If not, the scope of the initiative power under Article XIII C potentially could include any general fund local tax, assessment, or fee not received from or imposed by the federal or State

government or derived from investment income. None of the Local Agencies levy any property related “fees” or “charges” that it considered are subject to challenge under Article XIIC.

The voter approval requirements of Proposition 218 reduce the flexibility of a Local Agency to raise revenues for its general fund, and no assurance can be given that such Local Agency will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

Article XIID also added several new provisions relating to how Local Agencies may levy and maintain “assessments” for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, and (iii) a majority protest procedure that involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing, and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. “Assessment” in Article XIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks.

In addition, Article XIID added several provisions affecting “fees” and “charges,” defined for purposes of Article XIID to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance, or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Depending on the interpretation of what constitutes a “property related fee” under Article XIID, there could be future restrictions on the ability of a Local Agency to charge its respective enterprise funds for various services provided. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The Local Agencies must then hold a hearing upon the proposed imposition or increase and, if written protests against the proposal are presented by a majority of the owners of the identified parcels, a Local Agency may not impose or increase the fee or charge. Moreover, except for fees or charges for wastewater, water, and refuse collection services, or fees for electrical and gas service, which fees or charges are not treated as “property related” for purposes of Article XIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of a Local Agency, two-thirds voter approval by the electorate residing in the affected area.

Neither the City of Desert Hot Springs, the City of Menifee, nor the City of Moreno Valley believes that the provisions of Article XIIC or Article XIID will directly impact the Measure A Receipts available to such Local Agency to make its Installment Sale Payments required pursuant to the applicable Installment Sale Agreement.

Future Initiatives

Article XIIB, Article XIIC, and Article XIID were each adopted as measures that qualified for the ballot pursuant to the State’s Constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of each Local Agency to increase or apply revenues and to make or increase appropriations.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among a number of California counties, cities, and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code.

Since its formation in 1988, the Authority has issued more than \$50 billion in tax-exempt financings. Any obligation, other than the obligations represented by the Certificates, previously or to be issued or otherwise incurred by the Authority will be secured by instruments separate and apart from the Program Trust Agreement, the Local Agency Trust Agreements and the Installment Sale Agreements. The holders of such other obligations of the Authority will have no claim on the security for the Certificates and the Owners will have no claim on the security of such other obligations issued by the Authority.

The Authority is governed by a seven-member commission and is currently comprised of three members from the California State Association of Counties, two members from the League of California Cities, one member from the City of Sacramento, and one member from the County of Sacramento (collectively, the “Commissioners”). Neither the Authority nor its Commissioners or officers have any obligations or liability to the Owners of the Certificates with respect to the payment of the 2020 Installment Sale Payments by any Local Agency under its Installment Sale Agreement, or with respect to the performance of any Local Agency of other covenants made by such Local Agency in the applicable Installment Sale Agreement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agencies, interest on the Installment Sale Payments paid by each Local Agency under the applicable 2020 Installment Sale Agreement and received by the owners of the Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Special 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, Special Counsel is of the opinion that the interest on the Installment Sale Payments paid by each Local Agency under the applicable 2020 Installment Sale Agreement and received by the owners of the Certificates is exempt from State of California personal income taxes. Special 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 Certificates. A copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to owners of the Certificates that acquire their Certificates 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 Certificates 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 an owner. This summary also does not consider the taxation of the Certificates 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 Certificates pursuant to this offering for the issue price that is applicable to such Certificates (i.e., the price at which a substantial amount of the Certificates are sold to the public) and who will hold their Certificates as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Certificate 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 Certificate (other than a partnership) that is not a U.S. Holder. If a partnership holds Certificates, 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 Certificates, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Certificates (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Certificates at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

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 Certificates in light of their particular circumstances.

U.S. Holders

Interest. Interest on the 2020 Installment Sale Payments paid by the applicable Local Agency under the applicable Installment Sale Agreement and received by the owners of the Certificates 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 Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Certificates 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.

Certificates purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier prepayment date) will be treated as issued at a premium. A U.S. Holder of a Certificate 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 Certificate.

Sale or Other Taxable Disposition of the Certificates. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition of a Certificate will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Certificate 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 2020 Installment Sale Payments, 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 Certificate (generally, the purchase price paid by the U.S. Holder for the Certificate, 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 Certificate). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Certificates, 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 Certificates exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Certificates. If the Authority defeases any Certificate, the Certificate may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, an owner 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 owner's adjusted tax basis in the Certificate.

Information Reporting and Backup Withholding. Payments on the Certificates 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 Certificates may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the 2020 Installment Sale Payments and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Certificates. 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. An owner'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 "Foreign Account Tax Compliance Act," payments of principal and interest on any

Installment Sale Payments paid by the applicable Local Agency under the applicable Installment Sale Agreement and received by the owners of the Certificates to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Certificate 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 Certificate 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 Certificates. 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 Certificate) or other disposition of a Certificate 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 owner 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 Certificate 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 on the 2020 Installment Sale Payments paid by the Local Agencies with respect to such Certificate 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 Installment Sale Payments to an owner that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Certificate or a financial institution holding the Certificate 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 24%.

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. Under current guidance, 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 on the 2020 Installment Sale Payments. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” 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 owner of Certificates in light of the owner’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 Certificates, including the application and effect of state, local, non-U.S., and other tax laws.

RATINGS

It is anticipated that S&P will assign its municipal bond rating of “AA” to the Certificates, based on the issuance of the Insurance Policy by the Insurer at the time of delivery of the Certificates. S&P has also assigned an underlying municipal bond rating of “A+” to the Certificates. There is no assurance that such ratings will be in effect for any given period of time or that either or both such ratings will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Certificates. Such ratings reflect only the views of the rating agency furnishing such ratings and an explanation of the significance of a rating may be obtained only from such rating agency.

CONTINUING DISCLOSURE

In connection with the execution and delivery of the Certificates, each Local Agency will covenant in a Continuing Disclosure Agreement, executed for the benefit of Owners, to provide certain financial information and operating data and notices of certain events. See “APPENDIX D – Form of Local Agency Continuing Disclosure Agreement.”

The City of Desert Hot Springs previously entered into disclosure undertakings in connection with certain prior debt issuances. During the past five years, the City of Desert Hot Springs failed to comply with its disclosure undertakings under the Rule as follows: (i) the City of Desert Hot Springs failed to file certain operating data for fiscal year 2015-16 as required under a disclosure undertaking for bonds that are no longer outstanding; and (ii) certain operating data for fiscal year 2018-19 was filed after the date required under the applicable continuing disclosure undertakings.

The City of Menifee and the City of Moreno Valley previously entered into disclosure undertakings in connection with certain prior debt issuances,. During the past five years, neither the City of Menifee nor the City of Moreno Valley failed to comply with their respective disclosure undertakings under the Rule.

MUNICIPAL ADVISOR

Each Local Agency has retained Urban Futures, Inc., Tustin, California, as municipal advisor (the “Municipal Advisor”) in connection with the execution and delivery of the Local Agency Certificates and the Certificates. The Municipal 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 Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Certificates at a price of \$43,745,432.50 (which represents the aggregate principal amount represented by the Certificates, less an Underwriter’s discount of \$419,567.50). The contract of purchase pursuant to which the Certificates are being purchased by the Underwriter provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The Underwriter may offer and sell the Certificates to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter. Although the Underwriter expects to maintain a secondary market in the Certificates after the initial offering, no guaranty can be made that such a market will develop or be maintained by the Underwriter or others.

NO LITIGATION

The Authority

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or threatened seeking to restrain or enjoin the execution, delivery, or sale of the Certificates or the Local Agency Certificates, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Certificates or the Local Agency Certificates, the validity or enforceability of the documents executed by the Authority in connection with the Certificates or the Local Agency Certificates, the completeness or accuracy of this Official Statement, or the existence or powers of the Authority relating to the sale of the Certificates or the Local Agency Certificates.

The Local Agencies

The City of Desert Hot Springs will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City of Desert Hot Springs, seeking to restrain or enjoin the execution or delivery of the Certificates, DHS Local Agency Certificates, the Program Trust Agreement, the Local Agency Trust Agreement relating to the DHS Local Agency Certificates, or its Installment Sale Agreement, or in any way contesting or affecting the validity of the foregoing or any proceeding of the City of Desert Hot Springs taken with respect to any of the foregoing or that will materially affect the ability of the City of Desert Hot Springs to pay its 2020 Installment Sale Payments when due.

The City of Menifee will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City of Menifee, seeking to restrain or enjoin the execution or delivery of the Certificates, Menifee Local Agency Certificates, the Program Trust Agreement, the Local Agency Trust Agreement relating to the Menifee Local Agency Certificates, or its Installment Sale Agreement, or in any way contesting or affecting the validity of the foregoing or any

proceeding of the City of Menifee taken with respect to any of the foregoing or that will materially affect the ability of the City of Menifee to pay its 2020 Installment Sale Payments when due.

The City of Moreno Valley will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City of Moreno Valley, seeking to restrain or enjoin the execution or delivery of the Certificates, Moreno Valley Local Agency Certificates, the Program Trust Agreement, the Local Agency Trust Agreement relating to the Moreno Valley Local Agency Certificates, or its Installment Sale Agreement, or in any way contesting or affecting the validity of the foregoing or any proceeding of the City of Moreno Valley taken with respect to any of the foregoing or that will materially affect the ability of the City of Moreno Valley to pay its 2020 Installment Sale Payments when due.

CERTAIN LEGAL MATTERS

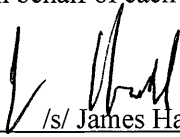
The validity and enforceability of the Installment Sale Agreements, the Program Trust Agreement, the Local Agency Trust Agreements and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agencies. A complete copy of the proposed form of Special Counsel opinion with respect to the Certificates is contained in Appendix C hereto. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, for the City of Desert Hot Springs by Stream Kim Hicks Wrage & Alfaro, P.C., Riverside, California, its City Attorney, for the City of Menifee by its City Attorney, for the City of Moreno Valley by its City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's Counsel, for Wilmington Trust, National Association, as Certificate Trustee and Local Agency Certificates Trustee, by its counsel, and for the Insurer by its counsel.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Certificates. Quotations from and summaries and explanations of the Certificates and other documents described herein do not purport to be complete and reference is made to said documents for full and complete statements of their provisions.

This Official Statement and its distribution have been duly authorized and approved by the Authority and each Local Agency.

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY,
as agent for and on behalf of each Local Agency

By:  /s/ James Hamill
Authorized Signatory

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Program Trust Agreement, the Local Agency Trust Agreements and the Installment Sale Agreements is made subject to all of the provisions of such documents. Each Local Agency will execute a form of Installment Sale Agreement and form of Local Agency Trust Agreement substantially in the form summarized respectively under the captions “FORM OF INSTALLMENT SALE AGREEMENT” and “FORM OF LOCAL AGENCY TRUST AGREEMENT” in this Appendix A, subject to such deviations between forms as are described in this Appendix A. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Certificate Trustee.

DEFINITIONS

Unless the context otherwise requires, the terms defined below shall for purposes of the Program Trust Agreement, the Local Agency Trust Agreements and the Installment Sale Agreements, and of any amendment thereof or supplement thereto and of any opinion or report or other document mentioned herein, have the meanings given below, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

“Administration Fee” means, for each Local Agency, an amount equal to the sum of the Certificate Trustee Fee, the Trustee Fee, and any other similar fee payable in connection with the administration of the Program, payable by each Local Agency, in accordance with such Local Agency’s Agreement, on the 15th day of the month preceding each June 1, commencing June 1, 2021, for the administrative costs of the Project and the Program. The Administration Fee shall be allocated on a pro rata basis (related to the Purchase Price payable by each Local Agency) among the Local Agencies.

“Administration Fund” means (i) with respect to the Local Agency Certificates, the fund by that name established and maintained pursuant to the respective Local Agency Trust Agreement and, (ii) with respect to the Certificates, “Administration Fund” means the fund by that name established and maintained pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“Agreement” or “Agreements” the respective Installment Sale Agreements as described in this Official Statement.

“Authority” means the California Statewide Communities Development Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California and an Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, among a number of California cities, counties and special districts, including the Local Agencies, as amended.

“Authorized Local Agency Representative” means the person or persons designated in the Agreement or any other person at the time designated to act on behalf of such respective Local Agency by written certificate furnished to the Certificate Trustee, containing the specimen signature of such person and signed on behalf of such Local Agency by an Authorized Local Agency Representative.

“Business Day” any day other than a Saturday, a Sunday or a day which banking institutions or trust companies on which the Certificate Trustee and Local Agency Trustee is open for business at its corporate trust office in Costa Mesa, California or authorized or obligated by law, regulation or executive order to remain closed.

“Cash Flow Report” means (i) with respect to the Local Agency Certificates, a report prepared by the Cash Flow Consultant identifying Local Agency Certificates to be prepaid as a result of any prepayment pursuant to the respective Local Agency Trust Agreement. In the case of any optional prepayment, such report shall demonstrate that Revenues expected to be received following such prepayment shall be sufficient to pay the regularly scheduled principal and interest represented by the Local Agency Certificates as such amounts become due and payable. In the case of a mandatory prepayment, such report shall identify maturities of principal evidenced by the Local Agency Certificates to be prepaid in a manner consistent with the respective Local Agency Trust Agreement and Agreement relating to the application of Revenues upon Acceleration, and (ii) with respect to the Certificates, a report prepared by the Cash Flow Consultant identifying Certificates to be prepaid as a result of any prepayment pursuant to the Program Trust Agreement as described in this Official Statement under the caption “THE CERTIFICATES – Selection of Certificates for Prepayment.” In the case of any optional prepayment of Certificates, such report shall demonstrate that Pooled Revenues expected to be received following such prepayment shall be sufficient to pay the regularly scheduled principal and interest represented by the Certificates as such amounts become due and payable. In the case of a mandatory prepayment of Certificates, such report shall identify maturities of principal evidenced by the Certificates to be prepaid in a manner consistent with the Program Trust Agreement.

“Cash Flow Consultant” means Stifel, Nicolaus & Company, Incorporated or any successor thereto appointed by the Authority.

“Certificate Payment Fund” means the fund by that name established and maintained pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Receipt and Deposit of Pooled Revenues in the Certificate Payment Fund.”

“Certificate Trustee” means Wilmington Trust, National Association, or any successor thereto appointed pursuant to the Program Trust Agreement.

“Certificates” means the California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program). The term “Serial Certificates” means Certificates for which no sinking fund payments are provided. The term “Term Certificates” means Certificates which are payable on or before their specified payment dates from sinking fund payments established for that purpose and calculated to prepay such Certificates on or before their specified payment dates.

“Code” means the Internal Revenue Code of 1986, as amended and the regulations issued thereunder.

“Contracts” means all installment sale contracts, capital leases or similar obligations of the Local Agency authorized and executed by the Local Agency under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Revenues on a parity with the 2020 Installment Sale Payments.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Local Agency or the Authority and related to the authorization, execution and delivery of the Local Agency Certificates and the Certificates attributable to the Local Agency, including, but not limited to, AGM’s Insurance Policy fees or premium for the allocable portion of the Certificates Insurance Policy and Reserve Policy, as applicable, if any, costs of preparation and reproduction and delivery of documents, filing and recording fees, fees and charges of the Certificate Trustee, the Local Agency Certificates Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees of rating agencies, fees and charges for preparation, execution and safekeeping of the Local Agency Certificates and the Certificates attributable to the Local Agency and any other costs, charges or fees in connection with the original execution, delivery, marketing and sale of the Local Agency Certificates and the Certificates attributable to the Local Agency.

“Debt Service” means, for any Fiscal Year, the sum of that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be;

provided, that (a) if any of the Installment Sale Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the accreted value payment shall be deemed a principal payment and interest that is compounded and paid as accreted value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Certificate; (b) if any of the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Contracts are not yet outstanding, the initial rate (if then established and binding), (ii) if the Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on such Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published “Bond Buyer 25 Bond Revenue Index” (or comparable index if no longer published), or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities; (c) if any of the Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least \$75,000,000, the principal payments or deposits with respect to such Contracts nominally due in the last Fiscal Year in which such Contracts mature may, at the option of the Local Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (d) if any of such Contracts is not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of the Installment Sale Payments due under such Contracts is not due until the final stated maturity of the Installment Sale Payments due under such Contracts, such principal may, at the option of the Local Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Installment Sale Payments or 30 years, whichever is greater.

“Defeasance Obligations” means the following: (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 Certificates and Local Agency Certificates unless AGM otherwise approves.

“Escrow Agent” means Wilmington Trust, National Association, as successor to Wells Fargo Bank, National Association, as predecessor trustee, acting as trustee under the respective Local Agency Trust Agreement and Escrow Agent under the respective Escrow Agreement.

“Escrow Agreement” means the respective Escrow Agreement, dated as of October 1, 2020, by and between the respective Local Agency and the Escrow Agent, as prior trustee and escrow agent.

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal and interest strips of the Resolution Funding Corporation for which separation of principal and interest is maintained in book-entry form.

“First Supplement to Installment Sale Agreement” means the respective First Supplement to Installment Sale Agreement, dated as of October 1, 2020, between the Local Agency, as Purchaser and the Authority, as Seller, executed pursuant to the provisions of the Original Installment Sale Agreement.

“First Supplement to Trust Agreement” means the First Supplement to Trust Agreement, dated as of October 1, 2020, between the Authority and the Local Agency Certificate Trustee, executed pursuant to the provisions of the Original Trust Agreement.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the governing body of the Local Agency as the Fiscal Year of the Local Agency.

“Gas Tax Account” means the account established pursuant to State law by ordinance adopted by the governing body of the Local Agency and pursuant to the Agreements of the City of Desert Hot Springs and the City of Menifee.

“Gas Tax Revenues” means, under the Agreements of the City of Desert Hot Springs and the City of Menifee only, all amounts received by the Local Agency from the State in accordance with Streets and Highways Code Sections 2103, 2104(d),(e) and (f), 2105, 2106 and 2107, as such provisions may be amended, and all other revenues (except revenues received by the Local Agency in accordance with Streets and Highways Code Section 2107.5), if any, received by the Local Agency from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions or reimbursements received by the Local Agency from the State in lieu of such revenues.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the respective Local Agency and/or the Authority which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Insurance Policy” means the insurance policy issued by AGM guaranteeing, in whole or in part as specified therein, the scheduled payment of principal or accreted value of and interest payable with respect to the Certificates when due.

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

“Installment Sale Payments” as defined in each Agreement means the installment sale, rental or other periodic payments scheduled to be paid by the respective Local Agency under and pursuant to the Contracts.

“Installment Sale Payment Date” as defined in each Agreement means any date on which Installment Sale Payments are scheduled to be paid by the respective Local Agency under and pursuant to any Contract.

“Interest Fund” means (i) with respect to the Local Agency Certificates, the fund by that name established pursuant to the Local Agency Trust Agreement and (ii) with respect to the Certificates, the fund by that name established pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“Interest Payment Account” means (i) with respect to the Local Agency Certificates, the account within the Interest Fund by that name established for the Local Agency pursuant to the Local Agency Trust Agreement and (ii) with respect to the Certificates, the account within the Interest Fund by that name established for each Local Agency pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“Interest Payment Date” means a date on which interest evidenced and represented by the Certificates and the Local Agency Certificates is due and payable, being June 1 and December 1 of each year, commencing December 1, 2020.

“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 respective Local Agency Certificates 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 respective Local Agency 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 respective Local Agency Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the respective Local Agency Trust Agreement to the extent that interest otherwise due under the respective Local Agency 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 or Local Agency 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 respective Local Agency 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.

“Local Agency” or “Local Agencies” means, as applicable, the City of Desert Hot Springs, the City of Menifee and the City of Moreno Valley, each a duly organized and existing political subdivision of the State of California.

“Local Agency Certificates” means respective the California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program) Evidencing and Representing Proportionate and Undivided Interests in Installment Sale Payments payable by the applicable Local Agency. The term “Serial Certificates” means Local Agency Certificates for which no sinking fund payments are provided. The term “Term Certificates” means Local Agency Certificates which are payable on or before their specified payment dates from sinking fund payments established for that purpose and calculated to prepay such Local Agency Certificates on or before their specified payment dates. The term Certificates except to the extent of the particular terms included in the First Supplement to Trust Agreement include the Local Agency Certificates.

“Local Agency Certificates Trustee” means Wilmington Trust, National Association, as successor to Wells Fargo Bank, National Association, as predecessor trustee, or any successor thereto appointed pursuant to the respective Local Agency Trust Agreement.

“Local Agency Trust Agreement” means the respective Original Trust Agreement as amended and supplemented by the First Supplement to Trust Agreement, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Local Agency Trust Agreements executed pursuant to the provisions of the respective Local Agency Trust Agreement.

“Maximum Annual Debt Service” means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the Fiscal Year in which payments are due under the last Contract.

“Measure A Ordinance” means Ordinance No. 02-001, the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Riverside County Transportation Commission on May 8, 2002, and approved by at least two-thirds of electors voting on such proposition in the November 5, 2002 election, as supplemented and amended.

“Measure A Project” means a capital project for which Measure A Receipts may be expended.

“Measure A Receipts” means Measure A Revenues allocated by the Riverside County Transportation Commission to each Local Agency pursuant to the Measure A Ordinance, to the extent the Project constitutes a Measure A Project, in an amount not greater than the Installment Sale Payments related to such Measure A Project.

“Measure A Receipts Account” means the account by that name established pursuant to the respective Installment Sale Agreement.

“Measure A Receipts Coverage Amount” means an amount in any Fiscal Year equal to Measure A Revenues allocated to the respective Local Agency in excess of Measure A Receipts but not more than 50% of Measure A Receipts for such Fiscal Year.

“Measure A Revenues” means revenues of the Riverside County Transportation Commission derived from a retail transactions and use tax (Measure A funds) imposed in the County of Riverside pursuant to the Riverside County Transportation Sales Tax Act, Division 25 (Section 240000 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure A Ordinance.

“Moody’s” means Moody’s Investor Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, except that if such entity 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 Local Agencies pursuant to the Local Agency Trust Agreements and the Agreements.

“Office of the Certificate Trustee” and “Office of the Trustee” means the corporate trust office of the Certificate Trustee in Costa Mesa, California.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal obligations, appointed and paid by the Authority and satisfactory to and approved by the Certificate Trustee (who shall be under no liability by reason of such approval).

“Original Installment Sale Agreement” means (i) that 2012 Installment Sale Agreement, dated as of February 1, 2012 with respect to the City of Desert Hot Springs, (ii) that 2012 Installment Sale Agreement, dated as of May 1, 2012 with respect to the City of Menifee, or (iii) that 2012 Installment Sale Agreement, dated as of August 1, 2013 with respect to the City of Desert Hot Springs, each between the respective Local Agency, as Purchaser and the Authority, as Seller, as originally executed.

“Original Trust Agreement” means (i) that Trust Agreement, dated as of February 1, 2012 with respect to the City of Desert Hot Springs, (ii) that Trust Agreement, dated as of May 1, 2012 with respect to the City of Menifee, or (iii) that Trust Agreement, dated as of August 1, 2013 with respect to the City of Moreno Valley, each among the Authority, Wilmington Trust, National Association, as successor to Wells Fargo Bank, National Association, as predecessor trustee, and the respective Local Agency, as originally executed.

“Other Available Revenues” means revenues, other than Revenues as defined in the respective Agreement, legally available to the respective Local Agency to make Installment Sale Payments, if any.

“Owner” means any person who shall be the registered owner of any Outstanding Certificate. As such term is used in the Local Agency Trust Agreement, “Owner” means any person who shall be the registered owner of any Outstanding Local Agency Certificate.

“Permitted Investments” means any of the following to the extent permitted by the laws of the State and the applicable Local Agency’s Investment Policy:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of

the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Federal Housing Administration Debentures (FHA)
3. General Services Administration
Participation certificates
4. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues.)
5. U.S. Maritime Administration
Guaranteed Title XI financing
6. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Resolution Funding Corp. (REFCORP) obligations
5. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 including funds for which the Certificate Trustee or Local Agency Certificates Trustee, as applicable, its parent holding company, if any, or any affiliates or subsidiaries of the Certificate Trustee or Local Agency Certificates Trustee, as applicable, provide investment advisory or other management services.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Certificate Trustee or Local Agency Certificates Trustee, as

applicable, and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF which may include the Certificate Trustee or Local Agency Certificates Trustee, as applicable, and its affiliates.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P which may include the Certificate Trustee or Local Agency Certificates Trustee, as applicable, and its affiliates.

K. The Local Agency Investment Fund (LAIF) administered by the State of California.

L. Repurchase Agreements for 30 days or less must follow the following criteria.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

a. Repo meets guidelines under state law for legal investment of public funds.

“Pooled Revenues” means all interest and principal payments becoming due and payable on the Local Agency Certificates and other payments paid by the Local Agencies and received by the Authority pursuant to the Local Agency Trust Agreements and all interest or other income from any investment of any money in any fund or account pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Deposit and Investments of Money in Accounts and Funds.”

“Prepayment Price” means, (i) with respect to any Certificate (or portion thereof) the principal amount with respect to such Certificate (or portion), plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and the Program Trust Agreement and (ii) with respect to any Local Agency Certificate (or portion thereof) the principal amount with respect to such Local Agency Certificate (or portion), plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Local Agency Certificate and the respective Local Agency Trust Agreement.

“Pricing Confirmation Supplement” means that certain Pricing Confirmation Supplement attached to the Purchase Agreement as agreed and accepted by each of the respective Local Agencies.

“Principal Fund” means (i) with respect to the Local Agency Certificates, the account by that name established and maintained pursuant to the Local Agency Trust Agreement and, (ii) with respect to the Certificates, the account by that name established and maintained pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“Principal Payment Account” means (i) with respect to the Local Agency Certificates, the account within the Principal Fund by that name established for the Local Agency pursuant to the Local Agency Trust Agreement and, (ii) with respect to the Certificates, the account within the Principal Fund by that name established for each series of Local Agency Certificates pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“Proceeds Fund” means the fund by that name established in the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EXECUTION AND DELIVERY OF CERTIFICATES – Procedure for the Execution and Delivery of Certificates; Establishment of Funds and Accounts; Deposit of Proceeds.”

“Proceeds Subaccounts” means the Proceeds Subaccounts created in the Proceeds Fund under the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EXECUTION AND DELIVERY OF CERTIFICATES – Procedure for the Execution and Delivery of Certificates; Establishment of Funds and Accounts; Deposit of Proceeds.”

“Program” means the California Statewide Communities Development Authority T.R.I.P. – Total Road Improvement Program pursuant to which the Local Agency Certificates will be and the Certificates are being executed and delivered to assist local agencies in financing Projects.

“Program Trust Agreement” means the Trust Agreement, dated as of October 1, 2020, among the Authority, the Certificate Trustee and the Local Agencies, 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 Program Trust Agreement.

“Project” means the design, engineering, permitting and construction by the Authority, for sale to the Local Agency, of certain street and roadway improvements and resurfacing, all as described more particularly in the Agreement.

“Project Costs” means all costs of payment of, or reimbursement for, the engineering, design, acquisition, installation, provision and financing of the Projects, including but not limited to, engineering and installation management costs, administrative costs and capital expenditures relating to financing payments, costs of accounting, feasibility, environmental and other reports, interest during the period of acquisition and installation of the Projects, insurance costs, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs, initial fees and charges of the Authority and the Trustee, escrow fees, financing discounts, legal fees and charges, financial and other professional consultant fees and charges in connection with the foregoing.

“Pro Rata Share of Principal” means during any month an amount of principal becoming due and payable under the Agreement on the next succeeding Certificate Payment Date that would have accrued if such principal were deemed to accrue monthly in equal amounts from the preceding Certificate Payment Date.

“Purchase Agreement” means that certain Certificate Purchase Agreement by and between each of the Local Agencies and the Purchaser relating to the Certificates.

“Purchase Price” following the Effective Date, means the total of all 2020 Installment Sale Payments owed by the Local Agency to the Authority under the conditions and terms of the Installment Sale Agreement for the repayment of the costs of the design, acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Authority, as amended by the First Supplement to Installment Sale Agreement.

“Purchaser” means Stifel, Nicolaus & Company, Incorporated, as initial purchaser of the Certificates.

“Qualified Reserve Instrument” means an insurance policy meeting the requirements of the respective Local Agency Trust Agreement.

“Rating Agency” means Standard & Poor’s Corporation or, in the event that Standard & Poor’s Corporation no longer maintains a rating on the Certificates, any other nationally recognized bond rating agency then maintaining a rating on the Certificates, but, in each instance, only so long as Standard & Poor’s Corporation, or other nationally recognized rating agency then maintains a rating on the Certificates.

“Record Date” means the 15th day of the month next preceding each Interest Payment Date, whether or not such day is a business day.

“Request” or “Certificate” with respect to the Local Agency means an instrument in writing signed on behalf of such Local Agency by an Authorized Local Agency Representative, and with respect to the Authority means an instrument in writing signed on behalf of the Authority by an Authorized Authority Representative or other person at the time designated to act on behalf of the Authority by written certificate furnished to the Certificate Trustee or Local Agency Certificates Trustee, as applicable.

“Reserve Fund” means the fund by that name established and maintained pursuant to the respective Local Agency Trust Agreement.

“Reserve Fund Requirement” means, as of any date of calculation, separately with respect to the Agreement, an amount equal to the least of (i) 10% of the initial stated principal amount (within the meaning of Section 148 of the Code) of the 2020 Installment Sale Payments under the Agreement; (ii) 125% of the average annual 2020 Installment Sale Payments under the Agreement; or (iii) the Maximum Annual Debt Service, as defined in the Agreement.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by AGM and dated October 8, 2020.

“Reserve Subaccount” means the Subaccount within the Reserve Fund by that name established for the Local Agency pursuant to the respective Local Agency Trust Agreement.

“Revenues” as used in a respective Local Agency Trust Agreement means all 2020 Installment Sale Payments and other payments paid by the respective Local Agency and received by the Authority pursuant to the respective Agreement and all interest or other income from any investment of any money in any fund or account pursuant to the Local Agency Trust Agreement.

“Revenues” as used in a respective Agreement means (i) all Measure A Receipts and (ii) all Gas Tax Revenues (under the Agreements of the City of Desert Hot Springs and the City of Menifee only).

“Revenue Fund” means the fund by that name established and maintained pursuant to the respective Local Agency Trust Agreement.

“S&P” means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such entity 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 Local Agencies.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; or such other addresses and/or such other securities depositories as the Authority may designate to the Certificate Trustee in writing.

“State” means the State of California.

“Supplemental Local Agency Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Local Agency Certificate Trustee amendatory under the Local Agency Trust Agreement or supplemental thereto; but only if and to the extent that such Supplemental Local Agency Trust Agreement is specifically authorized under the Local Agency Trust Agreement.

“Surplus Account” means (i) with respect to the Local Agency Certificates, the account by that name established and maintained pursuant to the respective Local Agency Trust Agreement and (ii) with respect to the Certificates, the account by that name established and maintained pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund.”

“2020 Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated October 8, 2020, by and between the Local Agency and the dissemination agent specified thereunder, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“2020 Installment Sale Payments” means the Installment Sale Payments scheduled to be paid by the Local Agency under and pursuant to the Agreement. Following the Effective Date of the First Supplement to Installment Sale Agreement, the term 2020 Installment Sale Payments shall mean the 2020 Installment Sale Payments scheduled to be paid by the Local Agency in the Installment Sale Payments Schedule set forth in the First Supplement to Installment Sale Agreement.

“2020 Installment Sale Payment Date” means any date on which 2020 Installment Sale Payments are scheduled to be paid by the Local Agency under and pursuant to the Agreement.

“2020 Installment Sale Payments” means, with respect to each Local Agency, the periodic payments scheduled to be paid by the Local Agency under and pursuant to its First Supplement to Installment Sale Agreement.

PROGRAM TRUST AGREEMENT

EXECUTION AND DELIVERY OF CERTIFICATES

Preparation and Purpose of Certificates. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Certificates and has found, as a result of such review, and finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the execution and delivery of the Certificates do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to cause the Certificates to be executed and delivered in the form and manner provided in the Program Trust Agreement for the purpose of providing funds to purchase the Local Agency Certificates, and that the Certificates shall be entitled to the benefit, protection and security of the provisions of the Program Trust Agreement. The Certificate Trustee is authorized and directed to prepare the Certificates in the initial aggregate principal amount equal to the aggregate principal amount of the Local Agency Certificates, each evidencing and representing a proportionate, undivided interest in the Local Agency Certificates. The Local Agencies authorize the Authority to execute on their behalf, a letter of representations to be delivered to DTC in connection with the delivery of the Certificates (the “Representation Letter”). The Certificate Trustee is authorized to execute and deliver the Certificates to the Purchaser upon receipt of a written request of the Local Agencies, the Local Agency Certificates and the proceeds of sale of the Certificates.

The Certificates evidence and represent a proportionate, undivided interest in the Local Agency Certificates, such that each Local Agency participating in the Program is severally, and not jointly, liable on each such Certificates in the proportion that the principal component of such Local Agency Certificate and related Local Agency Installment Sale Payments bears to the total aggregate principal component of the Local Agency Certificates to be made by all Local Agencies participating in the Program and the same series. Each Local Agency participating in the Program has, pursuant to its Local Agency Trust Agreement, authorized and directed the Certificate Trustee on behalf of that Local Agency to prepare and execute the Certificates and to deliver the Certificates to the Purchaser upon payment of the purchase price thereof, pursuant to the terms of the Program Trust Agreement.

Equal Security. In consideration of the acceptance of the Certificates by the Owners, the Program Trust Agreement shall be deemed to be and shall constitute a contract among the Certificate Trustee, the Local Agencies, and the Owners to secure the full and final payment of the interest and principal evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained in the Program Trust Agreement; and all agreements, conditions, covenants and terms contained in the Program Trust Agreement required to be observed or performed by or on behalf of the Certificate Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided therein or in the Program Trust Agreement.

Transfer and Payment of Certificates. Any Certificate may, in accordance with its terms, be transferred in the records maintained pursuant to the provisions of the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EXECUTION AND DELIVERY OF CERTIFICATES – Certificate Registration Books” by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Certificate Trustee. Whenever any Certificates shall be surrendered for transfer, the Certificate Trustee shall execute and deliver to the transferee a new Certificate or Certificates of the same series and maturity for a like aggregate principal amount. The Certificate Trustee shall

require the payment by the Owner 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 Certificate Trustee may deem and treat the registered owner of any Certificates as the absolute owner of such Certificates for the purpose of receiving payment thereof and for all other purposes, whether such Certificates shall be overdue or not, and neither the Authority nor the Certificate Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by such Certificates shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Certificates to the extent of the sum or sums so paid.

The Certificate Trustee shall not be required to execute, register the transfer of or exchange any Certificates during the fifteen (15) days preceding each Interest Payment Date or the date of selection by the Certificate Trustee of Certificates for prepayment, or to register the transfer of or exchange any Certificates which have been selected for prepayment in whole or in part.

Exchange of Certificates. Certificates may be exchanged at the office of the Certificate Trustee for a like aggregate principal amount of Certificates of the same series and payment date of other authorized denominations. The Certificate Trustee shall require the payment by the Owner 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.

Certificate Registration Books. The Certificate Trustee will keep at its office sufficient books for the registration and transfer of the Certificates which shall at all times be open to inspection by the Local Agencies or any Owner on reasonable notice during regular business hours on any Business Day, and upon presentation for such purpose the Certificate Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates in such books as hereinabove provided.

Mutilated, Destroyed, Stolen or Lost Certificates. If any Certificate shall become mutilated the Certificate Trustee at the expense of the Owner shall thereupon execute and deliver, a new Certificate of like tenor and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Certificate Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Certificate Trustee shall be canceled.

If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Certificate Trustee and, if such evidence be satisfactory to the Certificate Trustee and the Authority and indemnity satisfactory to the Certificate Trustee and the Authority shall be given, the Certificate Trustee, at the expense of the Owner, shall thereupon execute and deliver, a new Certificate of like tenor and number in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Certificate Trustee may require payment of a reasonable sum for each new Certificate executed and delivered under this section and of the expenses which may be incurred by the Authority and the Certificate Trustee in the premises. Any Certificate executed and delivered under the provisions of this section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Program Trust Agreement with all other Certificates of the same series secured by the Program Trust Agreement. Neither the Authority nor the Certificate Trustee shall be required to treat both the original Certificate and any duplicate Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under the Program Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Program Trust Agreement, but both the original and duplicate Certificate shall be treated as one and the same.

Temporary Certificates. The Certificates executed and delivered under the Program Trust Agreement may be initially executed and delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Certificate Trustee, shall be in fully registered form and may contain such reference to any of the provisions of the Program Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Certificate Trustee upon the same conditions and terms and in substantially the same

manner as definitive Certificates. If the Certificate Trustee executes and delivers temporary Certificates it will execute and furnish definitive Certificates without delay and thereupon the temporary Certificates may be surrendered, for cancellation, in exchange therefor at the Office of the Certificate Trustee, and the Certificate Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Program Trust Agreement as definitive Certificates delivered under the Program Trust Agreement.

Procedure for the Execution and Delivery of Certificates; Establishment of Funds and Accounts; Deposit of Proceeds. Upon the delivery and deposit of the Local Agency Certificates, the Certificate Trustee shall execute the Certificates for delivery under the Program Trust Agreement, and thereupon the Certificates shall be delivered by the Certificate Trustee to the purchaser thereof upon the Request of the Authority and upon receipt of payment therefor from the purchaser thereof. The Certificate Trustee agrees to establish and maintain under the Program Trust Agreement, in trust, the Costs of Issuance Fund, the Proceeds Fund and the Proceeds Subaccounts therein, the Certificate Payment Fund and the Payment Accounts therein, one of which shall be established for each series of Local Agency Certificates, the Interest Fund and the Principal Fund. Upon receipt of payment for the Certificates from the purchaser thereof, the Certificate Trustee shall set aside and deposit the proceeds received from such sale in the following respective accounts or funds or with the following respective persons, in the following order of priority:

(a) The Certificate Trustee shall transfer to Proceeds Fund the amounts set forth in this Official Statement under the caption “ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS,” and transfer such amounts to the respective Local Agency Certificates Trustee for deposit in the Escrow Fund as provided in each respective Local Agency Trust Agreement.

(b) The “Costs of Issuance Fund” is established as a separate trust fund with the Certificate Trustee. The Certificate Trustee shall deposit the amounts set forth in this Official Statement under the caption “ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS” which are transferred to the Certificate Trustee by the Local Agency Certificate Trustee pursuant to the Local Agency Trust Agreements. The moneys in the Costs of Issuance Fund shall be disbursed, upon the Request of the Authority, to pay Costs of Issuance.

Validity of Certificates. The validity of the Certificates shall not be dependent on or affected in any way by the proceedings taken by the Authority or the Certificate Trustee for the refinancing of the Projects. The recital contained in the Certificates that the same are executed and delivered pursuant to the Program Trust Agreement shall be conclusive evidence of their validity and of the regularity of their execution and delivery, and all Certificates shall be incontestable from and after their execution and delivery. The Certificates shall be deemed to be executed and delivered, within the meaning of the Program Trust Agreement, whenever the definitive Certificates (or any temporary Certificates exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Special Covenants as to Book-Entry Only System for Certificates. (a) Except as otherwise provided in subsections (b) and (c) of this section, all of the Certificates initially executed and delivered shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest evidenced and represented by any Certificate registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Certificates to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The Certificates initially shall be executed and delivered in the form of a single fully registered certificate for each stated payment date of such Certificates, representing the aggregate principal amount evidenced and represented by the Certificates payable on such payment date. Upon initial execution and delivery, the ownership of all such Certificates shall be registered in the registration books maintained by the Certificate Trustee pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EXECUTION AND DELIVERY OF CERTIFICATES – Certificate Registration Books” in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Certificate Trustee, the Local Agencies, the Authority and any paying agent may treat

DTC (or its nominee) as the sole and exclusive owner of the Certificates registered in its name or the name of its nominee for the purposes of payment of the principal or Prepayment Price and interest evidenced and represented by such Certificates, selecting the Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under the Program Trust Agreement, registering the transfer of Certificates, obtaining any consent or other action to be taken by Owners of the Certificates and for all other purposes whatsoever; and neither the Certificate Trustee or the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Certificate Trustee, the Local Agencies nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which means, for purposes of this section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Certificates under or through DTC or any Participant, or any other person which is not shown on the registration books as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal, Prepayment Price or interest evidenced and represented by the Certificates, (iii) any notice which is permitted or required to be given to Owners of Certificates under the Program Trust Agreement, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial prepayment of the Certificates, or (v) any consent given or other action taken by DTC as Owner of Certificates. The Certificate Trustee shall pay all principal, premium, if any, and interest evidenced and represented by the Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the obligations with respect to the principal, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid. Upon delivery by DTC to the Certificate Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Certificates will be transferable to such new nominee in accordance with subsection (e) of this section.

(c) In the event that the Authority determines that it is in the best interests of the Local Agencies or the beneficial owners of the Certificates that they be able to obtain certificates, the Certificate Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of such certificates. In such event, the Certificates will be transferable in accordance with subsection (e) of this section. DTC may determine to discontinue providing its services with respect to the Certificates at any time by giving written notice of such discontinuance to the Authority, the Local Agencies and the Certificate Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Certificates will be transferable in accordance with subsection (e) of this section. Whenever DTC requests the Authority, the Local Agencies and the Certificate Trustee to do so, the Certificate Trustee, the Local Agencies and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Certificates then Outstanding. In such event, the Certificates will be transferable to such securities depository in accordance with subsection (e) of the Program Trust Agreement as summarized in this section, and thereafter, all references in the Program Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of the Program Trust Agreement to the contrary, so long as all Certificates Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal, premium, if any, and interest evidenced and represented by each such Certificate and all notices with respect to each such Certificate shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In the event that any transfer or exchange of Certificates is authorized under subsection (b) or (c) of this section, such transfer or exchange shall be accomplished upon receipt by the Certificate Trustee from the registered Owner thereof of the Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of the Program Trust Agreement as summarized in this Appendix A under the captions "THE PROGRAM TRUST AGREEMENT – Transfer and Payment of Certificates" and "– Exchange of Certificates." In the event Certificates are delivered to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Certificates, another securities depository as Owner of all the Certificates, or the nominee of such successor securities depository, the provisions of the Program Trust Agreement as summarized in this Appendix A under the captions "THE PROGRAM TRUST AGREEMENT – Transfer and Payment of Certificates" and "– Exchange of Certificates," shall also apply to, among other things,

the registration, exchange and transfer of the Certificates and the method of payment of principal, premium, if any, and interest evidenced and represented by the Certificates.

POOLED REVENUES

Pledge of Pooled Revenues; Assignment; Deposit of Local Agency Certificates. All Pooled Revenues and any other amounts (including proceeds of the sale of the Certificates) held by the Certificate Trustee in any fund or account established under the Program Trust Agreement are thereunder irrevocably pledged to the payment of the principal, interest and premium, if any, evidenced and represented by the Certificates as provided in the Program Trust Agreement, and the Pooled Revenues shall not be used for any other purpose while any of the Certificates remain Outstanding; provided, however, that out of the Pooled Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Program Trust Agreement. Such pledge shall constitute a first pledge of and charge and lien upon the Pooled Revenues and all other moneys on deposit in the funds and accounts established under the Program Trust Agreement for the payment of the interest and principal evidenced and represented by the Certificates in accordance with the terms thereof.

The Local Agency Certificates, as evidenced and represented by the Certificates, are irrevocably deposited with and pledged and transferred to the Certificate Trustee, who is the registered owner of each Local Agency Certificate for the benefit of the Owners of the Certificates and the payments on the Local Agency Certificates shall be used for the punctual payment of the interest and principal evidenced and represented by the Certificates, and the Local Agency Certificates shall not be used for any other purpose while any of the Certificates remain Outstanding. Such deposit, transfer and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Local Agency Certificates for the foregoing purpose in accordance with the terms of the Program Trust Agreement. The Certificate Trustee accepts the deposit of the Local Agency Certificates.

All principal and interest payments on the Local Agency Certificates shall be paid directly by Trustee to the Certificate Trustee. All principal and interest payments on the Local Agency Certificates received by the Certificate Trustee shall be held in trust by the Certificate Trustee under the terms of the Program Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Certificate Payment Fund, which fund the Certificate Trustee agrees to maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Certificate Trustee for the benefit of the Local Agency submitting such money until deposited in the funds specified in the Program Trust Agreement as summarized in this Appendix A under the caption "THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Receipt and Deposit of Pooled Revenues in the Certificate Payment Fund," whereupon such money shall be held in trust in such funds by the Certificate Trustee for the benefit and security of the Owners to the extent provided in the Program Trust Agreement, and invested by the Certificate Trustee in accordance with written instruction to invest delivered in accordance with the Program Trust Agreement. In the event of any failure to make the required deposits, the Certificate Trustee shall as soon as practical (but in any event within five Business Days) notify the respective Local Agency or Local Agencies and the Rating Agency of such failure. If the Certificate Trustee receives Certificate payments in excess of the amounts required to pay the principal and interest due on such Local Agency's Certificate on a respective Interest Payment Date and/or Certificate Payment Date, such excess amounts shall remain in the appropriate Local Agency's Payment Account in the Certificate Payment Fund and shall be transferred to such Local Agency following payment of the amount of Certificates evidencing and representing such Local Agency's Certificate. The Local Agencies, to the extent they have any interest in such fund, pledge, transfer, assign and grant a lien on and a security interest in the Certificate Payment Fund to the Certificate Trustee for the benefit of the Owners.

The Authority assigns to the Certificate Trustee all of the Authority's rights and remedies under the Certificates, the Local Agency Trust Agreements and the Agreements, including, but not limited to, the Authority's security interest in and lien upon the Pooled Revenues.

Receipt and Deposit of Pooled Revenues in the Certificate Payment Fund. In order to carry out and effectuate the pledge, charge and lien contained in the Program Trust Agreement, the Authority agrees and covenants that all Pooled Revenues when and as received shall be received by the Authority in trust under the Program Trust Agreement for the benefit of the Owners and shall be deposited when and as received by the Authority in the Certificate Payment Fund which fund is created and which fund the Authority agrees and covenants

to maintain with the Certificate Trustee so long as any Certificates shall be Outstanding under the Program Trust Agreement. All Pooled Revenues shall be accounted for separately for each Local Agency and held in trust in the Certificate Payment Fund. All Pooled Revenues, whether received by the Authority in trust or deposited with the Certificate Trustee as provided in the Program Trust Agreement, shall nevertheless be allocated, applied and disbursed solely for the purposes and uses set forth in the Program Trust Agreement as summarized under the caption "POOLED REVENUES," and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, and the Authority shall have no beneficial right or interest in any of the Pooled Revenues except only as provided in the Program Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund. (a) All money in the Certificate Payment Fund shall be set aside by the Certificate Trustee in the following respective special funds and accounts within the Certificate Payment Fund in the following order of priority:

- (1) Interest Fund, and within the Interest Fund, an Interest Payment Account for each Local Agency;
- (2) Principal Fund, and within the Principal Fund, a Principal Payment Account for each Local Agency;
- (3) Administration Fund, and within the Administration Fund, an Administration Subaccount for each Local Agency; and
- (4) Surplus Account.

(b) All money in each of such accounts shall be held in trust by the Certificate Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section. Notwithstanding the foregoing, the Certificate Trustee need not create separate accounts within the Interest Fund, the Principal Fund and the Administration Fund, but shall keep sufficient records to account separately for the deposits attributable to each Local Agency.

(1) ***Interest Fund.*** On or before the Business Day immediately preceding each Interest Payment Date, the Certificate Trustee shall set aside that amount of money representing the interest becoming due and payable on the Certificates on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Certificate Trustee solely for the purpose of paying the interest evidenced and represented by the Certificates as it shall become due and payable (including accrued interest evidenced and represented by any Certificates purchased or prepaid prior to the payment dates thereof).

(2) ***Principal Fund.*** On or before the Business Day immediately preceding each Certificate Payment Date the Certificate Trustee shall set aside that amount of money representing the principal becoming due and payable on the Certificates on such Certificate Payment Date. All money in the Principal Fund shall be used and withdrawn by the Certificate Trustee solely for the purpose of paying the principal evidenced and represented by the Certificates as it shall become due and payable, whether on their respective Certificate Payment Dates or prepayment, except that any money in any sinking fund account shall be used and withdrawn by the Certificate Trustee only to purchase or to prepay or to pay Term Certificates for which such sinking fund account was created.

(3) ***Surplus Account.*** On the Business Day immediately following each Interest Payment Date the Certificate Trustee shall deposit in the Surplus Account all money remaining in the Certificate Payment Fund after the deposits required by paragraphs (1), (2), (3) and (4) of this section have been made. On June 30 of each year, beginning on June 30, 2021, the Certificate Trustee shall disburse the money in the Surplus Account to each Local Agency to the extent each such Local Agency's deposit of moneys, together with investment earnings thereon, if any, exceeded the deposits required by paragraphs (1), (2), and (3) of this section.

Deposit and Investments of Money in Accounts and Funds. All money held by the Certificate Trustee in any of the accounts or funds established pursuant to the Program Trust Agreement shall be invested and reinvested in Permitted Investments at the Request of the respective Local Agency or Local Agencies received not less than two (2) Business Days prior to the date of making such investment. The Certificate Trustee shall notify the

respective Local Agency or Local Agencies no less than two (2) Business Days prior to the date moneys held under the Program Trust Agreement will be available for investment, requesting that the respective Local Agency or Local Agencies deliver to the Certificate Trustee a Request of the respective Local Agency or Local Agencies specifying the Permitted Investments to be acquired by the Certificate Trustee with such moneys. If no such Request of the respective Local Agency or Local Agencies is received, the Certificate Trustee shall hold such moneys uninvested. All such Permitted Investments shall be valued by the Certificate Trustee not less frequently than semi-annually on each Interest Payment Date at the lower of the cost or market value thereof. All interest or profits received prior to the completion of each Project (as certified in writing by the related Authorized Local Agency Representative) on any money so invested shall be deposited in the related Proceeds Subaccount of the Proceeds Fund, and all interest or profits received subsequent thereto on any money so invested shall be deposited in the related Local Agency Interest Payment Account. The Certificate Trustee may act as a principal or agent in making or disposing of any investment, and all investments may be made through the Certificate Trustee's investment department or that of its affiliates. The Certificate Trustee or its affiliates may act as sponsor, agent manager or depository with regard to any Permitted Investment. The Certificate Trustee shall not incur any liability for losses arising from any investments made pursuant to this section. The Certificate Trustee shall sell in a commercially reasonable manner, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and the Certificate Trustee shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Program Trust Agreement.

COVENANTS

Compliance with Program Trust Agreement. The Certificate Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Program Trust Agreement; and neither the Authority nor the Local Agencies will suffer or permit any default to occur under the Program Trust Agreement, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Program Trust Agreement required to be observed and performed by them.

Amendment of Agreements. The Local Agencies and the Authority will not amend or permit the amendment of their respective Local Agency Trust Agreement or Agreement without (a)(1) a determination that such amendment does not materially adversely affect the interest of the Owners or the Insurer or (2) the written consents of the Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and (b) an Opinion of Counsel to the effect that such amendment is authorized and permitted by the Program Trust Agreement and is enforceable against the Authority; provided that no such supplement, amendment, modification or termination shall reduce principal or interest payments on the Local Agency Certificates or the amount of 2020 Installment Sale Payments to be made by any Local Agency pursuant to its Agreement, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by such Local Agency Trust Agreement or Agreement on Revenues thereunder (except as expressly provided in such Local Agency Trust Agreement), in each case without the written consent of all of the Owners of the Certificates then Outstanding.

Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Pooled Revenues except as provided in the Program Trust Agreement, and will not issue any bonds, certificates or obligations payable from the Pooled Revenues or secured by a pledge of or charge or lien upon the Pooled Revenues except the Certificates. So long as any Certificates are Outstanding, the Local Agencies will not create or suffer to be created any pledge of or lien on the respective Local Agency Certificates or Agreements other than the pledge and lien of the Program Trust Agreement.

Accounting Records and Reports. The Certificate Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions made by the Certificate Trustee relating to the receipt, investment, disbursement, allocation and application of all funds received by the Certificate Trustee under the Program Trust Agreement. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Certificate Trustee is to be allocated and shall set forth, in the case of each investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be; (d) the amounts and dates of any payments made with respect thereto; and (e) such documentation as is required to be

obtained as evidence to establish that all investments have been purchased in arms' length transactions with no amounts paid to reduce the yield on the investments.

Such records shall be open to inspection by the Authority and any Local Agency at any reasonable time during regular business hours on reasonable notice.

THE CERTIFICATE TRUSTEE

The Certificate Trustee. The Authority hereby appoints and employs the Certificate Trustee to receive, deposit and disburse the payments on the Local Agency Certificates as provided in the Program Trust Agreement. Wilmington Trust, National Association shall serve as the Certificate Trustee for the Certificates for the purpose of receiving all money which the Authority and the Local Agencies are required to deposit with the Certificate Trustee under the Program Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Program Trust Agreement and for the purpose of paying the interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates presented for payment in Costa Mesa, California, with the rights and obligations provided in the Program Trust Agreement. The Authority agrees that it will at all times maintain a Certificate Trustee having a designated office in San Francisco, Costa Mesa, or Los Angeles, California.

The Authority may at any time, unless there exists any event of default as defined in the Program Trust Agreement as summarized in this Appendix A under the caption "THE PROGRAM TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default," remove the Certificate Trustee and be discharged from its duties and obligations under the Program Trust Agreement at any time initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall (i) be a bank or trust company doing business and having a principal office in San Francisco or Los Angeles, California, (ii) have (or in the case of a bank or trust company which is part of a bank holding company system, the related bank holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and (iii) be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Certificate Trustee may at any time resign and be discharged from its duties and obligations under the Program Trust Agreement at any time by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Certificate Trustee by an instrument in writing. Any removal or resignation of a Certificate Trustee and appointment of a successor Certificate Trustee shall become effective only upon the acceptance of appointment by the successor Certificate Trustee. If, within thirty (30) days after notice of the removal or resignation of the Certificate Trustee no successor Certificate Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Certificate Trustee may petition any court of competent jurisdiction for the appointment of a successor Certificate Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Certificate Trustee having the qualifications required by the Program Trust Agreement.

The Certificate Trustee is authorized to prepay the Certificates when duly presented for payment on their respective Certificate Payment Dates or on prior prepayment. The Certificate Trustee shall cancel all Certificates upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Certificates it has received in accordance with its retention policy then in effect. The Certificate Trustee shall keep accurate records of all Certificates paid and discharged and canceled by it.

The Authority, solely from amounts held in the Costs of Issuance Fund or paid by the Local Agencies specifically for such purpose, shall from time to time, subject to any agreement between the Authority and the Certificate Trustee then in force, pay to the Certificate Trustee compensation for its services, reimburse the Certificate Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants and in-house and other counsel and other experts employed by it and reasonably required in the exercise and performance of its rights and obligations under the Program Trust Agreement, and, to the extent permitted by law, indemnify and hold the Certificate Trustee and its officers,

directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including fees, costs and expenses of counsel) and advances not arising from the Certificate Trustee's own negligence or willful misconduct, which the Certificate Trustee may incur in the exercise and performance of its rights and obligations under the Program Trust Agreement. The obligations of the Authority under this paragraph to compensate, indemnify, reimburse and hold the Certificate Trustee harmless shall constitute additional indebtedness under the Program Trust Agreement, and such indebtedness shall have priority over the Certificates in respect of all property and funds held or collected by the Certificate Trustee as such, except funds held in trust by the Certificate Trustee for the benefit of the Owners of particular Certificates, including, without limitation, funds held by the Certificate Trustee in trust to prepay all or a portion of Outstanding Certificates prior to their respective Certificate Payment Dates for which a notice of prepayment has been sent as provided in the Program Trust Agreement.

Liability of Certificate Trustee. The recitals of facts, agreements and covenants in the Program Trust Agreement and in the Certificates shall be taken as recitals of facts, agreements and covenants of the Authority, and the Certificate Trustee assumes no responsibility for the use of any proceeds of the Certificates, the correctness of the same, the collection of the Pooled Revenues or makes any representation as to the sufficiency or validity of the Program Trust Agreement, of the Certificates or any security therefor or any offering material distributed in connection with the Certificates and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Program Trust Agreement, in the Certificates or in law or equity. The Certificate Trustee shall not be liable in connection with the performance of its duties under the Program Trust Agreement except for its own negligence or willful misconduct.

The Certificate Trustee shall not be bound to recognize any person as the Owner of a Certificate unless and until such Certificate is submitted for inspection, if required, and such Certificate is registered in such person's name.

Whenever the Certificate Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action under the Program Trust Agreement, such matter (unless other evidence in respect thereof is specifically prescribed in the Program Trust Agreement) may be deemed to be conclusively proved and established by a certificate conforming to the requirements in the Program Trust Agreement or an opinion of counsel, which certificate or opinion shall be full warrant to the Certificate Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Certificate Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable. In addition, the Certificate Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein. The Certificate Trustee shall be entitled to rely on and shall not be liable for any action taken or omitted to be taken by the Certificate Trustee in accordance with the advice of counsel or other professionals retained or consulted by the Certificate Trustee. The Certificate Trustee may act through attorneys or agents and shall not be responsible for the acts or omissions of any such attorney or agent appointed with due care.

In accepting the trust created under the Program Trust Agreement, the Certificate Trustee acts solely as Certificate Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners, the Authority and the Local Agencies, having any claim against the Certificate Trustee arising from the Program Trust Agreement not attributable to the Certificate Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Certificate Trustee under the Program Trust Agreement for payment except as otherwise provided in the Program Trust Agreement. The duties and obligations of the Certificate Trustee shall be determined solely by the express provisions of the Program Trust Agreement, the Certificate Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Program Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into the Program Trust Agreement against the Certificate Trustee. Neither the Certificate Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the Authority or Local Agencies, or any of their directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. Certificate Trustee may assume performance by all such Persons of their respective obligations. The Certificate Trustee shall have no

enforcement or notification obligations relating to breaches of representations or warranties of any other Person. The Certificate Trustee shall not be liable with respect to any action taken or not taken under the Program Trust Agreement in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding. The Certificate Trustee shall, during the existence of any event of default (which has not been cured), exercise such of the rights and powers vested in it by the Program Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise of use under the circumstances in the conduct of its own affairs. The permissive right of the Certificate Trustee to do things enumerated in the Program Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The Certificate Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Program Trust Agreement at the request or direction of Authority or Local Agencies, pursuant to the provisions of the Program Trust Agreement, unless such Authority or Local Agencies shall have offered to the Certificate Trustee security or indemnity (satisfactory to the Certificate Trustee in its sole and absolute discretion) against the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction. The immunities and exceptions from liability of the Certificate Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and defeasance of the Local Agency Certificates and the Certificates. Under no circumstances shall the Certificate Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. The Certificate Trustee, in its individual or any other capacity, may become the Owner of any Certificates or other obligations of any party to the Program Trust Agreement with the same rights which it would have if not the Certificate Trustee. At any and all reasonable times, the Certificate Trustee, and its agents shall have the right to fully inspect the Projects, including all books, papers and records of the Local Agencies pertaining to the Projects and the Certificates, and to take such memoranda therefrom and with regard thereto and make photocopies thereof as may be desired. The Certificate Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action under the Program Trust Agreement at the request or direction of the Owners, the Certificate Trustee may require that an indemnity bond satisfactory to the Certificate Trustee be furnished to it and be in full force and effect. None of the provisions contained in the Program Trust Agreement or in the Local Agency Trust Agreements or the Agreements shall require the Certificate Trustee to expend or risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Certificate Trustee may rely and shall be protected in acting or failing to act upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Certificate Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Program Trust Agreement except failure by the Local Agencies to make any payment of principal or interest under the Local Agency Certificates as and when due, unless a responsible officer of the Certificate Trustee shall receive actual notice in writing at its corporate trust office of such default by the Owners of not less than 25% of the aggregate principal amount of Certificates then Outstanding. Notwithstanding any other provision of the Program Trust Agreement, the Certificate Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, required as a condition of such action deemed by the Certificate Trustee to be desirable for the purpose of establishing the rights of the Certificate Trustee with respect to the authentication of any Certificates, the withdrawal of any cash, the release of any property or the taking of any other action by the Certificate Trustee.

The Certificate Trustee shall be entitled to request and receive written instructions from the Authority, the Local Agencies and the Owners and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Certificate Trustee in accordance with the written direction of any such party. The Certificate Trustee shall be entitled to request and receive written direction given pursuant to the Program Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Certificate Trustee shall have received an incumbency certificate from each Local Agency listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. The Certificate Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from any action taken or not taken by the Certificate Trustee or from the Certificate Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Each Local Agency agrees to assume all risks arising out of the

use of such electronic methods to submit instructions and directions to the Certificate Trustee, including without limitation the risk of interception and misuse by third party.

The Certificate Trustee shall not be responsible for the sufficiency of the payments on the Local Agency Certificates, or of the assignment made to it of all rights to receive the payments on the Local Agency Certificates and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at the Principal Trust Office of the Certificate Trustee. The Certificate Trustee shall not be accountable for the use or application by the Local Agencies, or any other party, of any funds which the Certificate Trustee properly releases to the Local Agencies or which the Local Agencies may otherwise receive from time to time. The Certificate Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Certificate Trustee of the Program Trust Agreement, any Certificate, any Local Agency Certificate, any Local Agency Trust Agreement, Agreement or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Certificate Trustee in the Program Trust Agreement), or with respect to any obligation of the Local Agencies.

In the event that any property or funds contemplated under the Program Trust Agreement shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting such property or funds, the Certificate Trustee is expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Certificate Trustee obeys or complies with any such writ, order or decree it shall not be liable to any of the parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

The Certificate Trustee shall not be liable to the parties to the Program Trust Agreement or deemed in breach or default under the Program Trust Agreement if and to the extent its performance under the Program Trust Agreement is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Certificate Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemic, quarantine restrictions, present or future law or regulation or governmental authority, civil or military disturbances, interruptions, loss or malfunctions of utilities, computer (hardware or software) or communication service, accidents, labor disputes, unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility, or other similar occurrences. In no event shall the Certificate Trustee be responsible or liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Certificate Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Subject to the requirements of the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – THE CERTIFICATE TRUSTEE – The Certificate Trustee,” any corporation into which any Certificate Trustee under the Program Trust Agreement may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Certificate Trustee under the Program Trust Agreement shall be a party, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be the successor Certificate Trustee under this Indenture without the execution or filing of any paper or any further act on the part of the parties to the Program Trust Agreement, anything in the Program Trust Agreement to the contrary notwithstanding.

AMENDMENT OF THE PROGRAM TRUST AGREEMENT

Amendment of the Program Trust Agreement. The Program Trust Agreement and the rights and obligations of the Authority, the Local Agencies, the Certificate Trustee and the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Insurer and the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – AMENDMENT OF THE

PROGRAM TRUST AGREEMENT – Disqualified Certificates,” are filed with the Certificate Trustee. No such amendment shall (1) extend the Certificate Payment Date of or reduce the interest rate on or amount of interest or principal or prepayment premium, if any, evidenced and represented by any Certificate without the express written consent of the Insurer and the Owner of such Certificate, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Pooled Revenues as provided in the Program Trust Agreement superior to or on a parity with the pledge, charge and lien created hereby for the benefit of the Certificates, or (3) reduce the percentage of Certificates required for the written consent to any such amendment or any amendment of an agreement pursuant to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – COVENANTS – Amendment of Agreements,” or (4) modify any rights or obligations of the Certificate Trustee, the Authority or the Local Agencies without their prior written assent thereto, respectively.

The Program Trust Agreement and the rights and obligations of the Authority, the Local Agencies and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not in the judgment of the Authority or as set forth in an opinion of bond counsel materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes -

(a) to add to the agreements and covenants required in the Program Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority or the Local Agencies, or to surrender any right or power reserved in the Program Trust Agreement to or conferred in the Program Trust Agreement on the Authority or the Local Agencies;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Program Trust Agreement or in regard to questions arising under the Program Trust Agreement which the Authority or the Local Agencies may deem desirable or necessary and not inconsistent with the Program Trust Agreement;

(c) to add to the agreements and covenants required in the Program Trust Agreement, such agreements and covenants as may be necessary to qualify the Program Trust Agreement under the Trust Indenture Act of 1939; or

(d) for any other purpose that does not materially adversely affect the interests of the Owners or the Insurer.

Disqualified Certificates. Certificates owned or held by or for the account of the Authority or the Local Agencies shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in the Program Trust Agreement as summarized under the caption “AMENDMENT OF THE PROGRAM TRUST AGREEMENT,” and shall not be entitled to consent to or take any other action provided in such caption.

Endorsement or Replacement of Certificates After Amendment. After the effective date of any action taken as provided in the Program Trust Agreement, the Authority may determine that the Certificates may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Certificates and presentation of their Certificate for such purpose at the office of the Certificate Trustee a suitable notation as to such action shall be made on such Certificate. If the Authority shall so determine, new Certificates so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Certificate a new Certificate or Certificates shall be exchanged at the office of the Certificate Trustee without cost to each Owner for its Certificate or Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment by Mutual Consent. The provisions of the Program Trust Agreement as summarized under the caption “AMENDMENT OF THE PROGRAM TRUST AGREEMENT” shall not prevent any Owner from accepting any amendment as to the particular Certificates held by them, provided that due notation thereof is made on such Certificates.

Information to Rating Agency. The Authority shall provide any Rating Agency rating the Certificates a copy of each amendment to the Program Trust Agreement, the Local Agency Trust Agreements and the Agreements promptly following the execution or adoption of such amendment.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default. If any default in the payment of principal or interest with respect to any Local Agency Certificate or Local Agency Certificates or any other “Event of Default” defined in a Local Agency Trust Agreement or Agreement shall occur and be continuing, or if any default shall be made by a Local Agency or Local Agencies in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Program Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to the respective Local Agency or Local Agencies by the Certificate Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding, then such default shall constitute an “Event of Default” under the Program Trust Agreement, and in each and every such case during the continuance of such Event of Default the Certificate Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding shall be entitled, upon notice in writing to the respective Local Agency or Local Agencies, but subject to the provisions of the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Remedies Not Exclusive,” to exercise the remedies provided under the respective Local Agency Trust Agreement and Agreement then in default which are necessary or desirable to collect each such Local Agency’s 2020 Installment Sale Payments. No grace period shall be permitted for payment defaults.

The Owners of Certificates, for purposes of the Program Trust Agreement and the Local Agency Trust Agreement and Agreement of each Local Agency, to the extent of their interest, shall be entitled to all rights and security of the Authority pursuant to each Local Agency Trust Agreement and Agreement and the Program Trust Agreement. Each Local Agency recognizes the rights of the Owners of the Certificates, acting directly or through the Certificate Trustee, to enforce the obligations and covenants contained in the Local Agency Trust Agreements, the Agreements, and the Program Trust Agreement; provided that in no event shall any Local Agency be liable for any obligations, covenants or damages except those which arise out of the Local Agency Trust Agreements and the Agreements, and, in particular, no Local Agency shall be liable for any obligations, liabilities, acts or omissions of any other Local Agency.

Application of Funds Upon Acceleration of Agreement. All moneys received by the Certificate Trustee pursuant to any right given or action taken under the provisions of the Program Trust Agreement as summarized under the caption “EVENTS OF DEFAULT AND REMEDIES OF OWNERS” shall be deposited into a segregated payment account of the Certificate Payment Fund relating to each, if any, defaulting Local Agency’s Agreement and be applied by the Certificate Trustee in the following order:

First, to the payment of the costs and expenses of the Certificate Trustee, if any, in carrying out the provisions of the Program Trust Agreement as summarized under the caption “EVENTS OF DEFAULT AND REMEDIES OF OWNERS,” including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the principal and interest payable with respect to the Certificates, in connection with a mandatory prepayment of Certificates pursuant to the Program Trust Agreement and the delivery of a Cash Flow Report; and

Third, to the payment of amounts owed to the Insurer not paid pursuant to First and Second above.

Other Remedies of the Certificate Trustee. The Certificate Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights under the Program Trust Agreement against any Local Agency or any supervisor, council member, board member, trustee, member, officer or employee thereof, and to compel such Local Agency or any such supervisor, council member,

board member, trustee, member, officer or employee thereof to observe or perform its or his or her duties under applicable law and the agreements, conditions, covenants and terms contained in the Program Trust Agreement, or in the applicable Local Agency Certificates, Local Agency Trust Agreement and Agreement, required to be observed or performed by it or him or her;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Certificate Trustee or the Owners; or

(c) by suit in equity upon the happening of any default under the Program Trust Agreement to require any Local Agency and any supervisor, council member, board member, trustee, member, officer and employee to account as the trustee of any express trust.

Non-Waiver. A waiver by the Certificate Trustee of any default under the Program Trust Agreement or breach of any obligation under the Program Trust Agreement shall not affect any subsequent default under the Program Trust Agreement or any subsequent breach of an obligation under the Program Trust Agreement or impair any rights or remedies on any such subsequent default under the Program Trust Agreement or on any such subsequent breach of an obligation under the Program Trust Agreement. No delay or omission by the Certificate Trustee to exercise any right or remedy accruing upon any default under the Program Trust Agreement shall impair any such right or remedy or shall be construed to be a waiver of any such default under the Program Trust Agreement or an acquiescence therein, and every right or remedy conferred upon the Certificate Trustee by applicable law or by the Program Trust Agreement as summarized under the caption “EVENTS OF DEFAULT AND REMEDIES OF OWNERS” may be enforced and exercised from time to time and as often as shall be deemed expedient by the Certificate Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Certificate Trustee or the Local Agencies, the Certificate Trustee and the Local Agencies shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Certificate Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Owner shall have the right to bring to enforce any right or remedy under the Program Trust Agreement may be brought by the Certificate Trustee for the equal benefit and protection of all Owners, whether or not the Certificate Trustee is an Owner, and the Certificate Trustee is appointed (and the successive Owners, by taking and holding the Certificates executed and delivered under the Program Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Certificate Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners under the Program Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Program Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. If any remedial action under the Program Trust Agreement is discontinued or abandoned, the Certificate Trustee and the Owners shall be restored to their former positions.

Limitation on Owners' Right to Sue. No Owner of any Certificate executed and delivered under the Program Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Program Trust Agreement, unless (a) such Owner shall have previously given to the Certificate Trustee written notice of the occurrence of an event of default as defined in the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default”; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Certificate Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Owners shall have tendered to the Certificate Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Certificate Trustee

shall have refused or omitted to comply with such request for a period of sixty (60) days after such request and consent shall have been received by, and said tender of indemnity shall have been made to, the Certificate Trustee.

Such notification, request, consent, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Certificates of any remedy under the Program Trust Agreement; it being understood and intended that no one or more owners of Certificates shall have any right in any manner whatever by its or their action to enforce any right under the Program Trust Agreement, except in the manner provided in the Program Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Program Trust Agreement shall be instituted, had and maintained in the manner provided in the Program Trust Agreement and for the equal benefit of all Owners of the Outstanding Certificates.

Limited Liability of the Local Agencies. Except as expressly provided in the Local Agency Trust Agreements and the Agreements, the Local Agencies shall not have any obligation or liability to the Authority, the Certificate Trustee or the Owners, with respect to the Program Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the principal and interest payable with respect to the Local Agency Trust Agreements and the Agreements by the Certificate Trustee, or with respect to the performance by the Certificate Trustee of any obligation contained in the Program Trust Agreement required to be performed by it. The obligation of each Local Agency under its Local Agency Trust Agreement, its Agreement and the Program Trust Agreement is a several and not a joint obligation and is strictly limited to such Local Agency's 2020 Installment Sale Payments and Administration Fee due under its Agreement, and to its Revenues and all money in the Pledged Tax Fund and in the funds and accounts so specified and provided for and defined in its Agreement. Except for the payment when due of the principal and interest with respect to the Local Agency Certificates (which shall be payable only from moneys available therefor as set forth in the Program Trust Agreement as summarized in this Appendix A under the caption "THE PROGRAM TRUST AGREEMENT – POOLED REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Certificate Payment Fund" of the Local Agency Trust Agreements) and the observance and performance of the other agreements, conditions, covenants and terms contained in the Local Agency Certificates and the Local Agency Trust Agreement and Agreements, the Local Agencies shall not have any obligation or liability to the Owners with respect to the Program Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the principal and interest with respect to the Local Agency Certificates by the Certificate Trustee, or with respect to the performance by the Certificate Trustee of any obligation contained in the Program Trust Agreement required to be performed by it.

Notwithstanding anything to the contrary in the Program Trust Agreement or in the Local Agency Trust Agreements and the Agreements, no Local Agency shall incur any obligation on account of any default, action or omission of any other Local Agency.

Limited Liability of the Authority. Except as expressly provided in the Program Trust Agreement, the Authority shall not have any obligation or liability to the Certificate Trustee or the Owners, with respect to the payment when due on the Local Agency Certificates or of the 2020 Installment Sale Payments by the Local Agencies, or with respect to the observance or performance by the Local Agencies of the other agreements, conditions, covenants and terms contained in their respective Local Agency Trust Agreements and the Agreements, or with respect to the performance by the Certificate Trustee of any obligation contained in the Program Trust Agreement required to be performed by it. Notwithstanding anything to the contrary contained in the Certificates, the Program Trust Agreement or any other document related thereto, the Authority shall not have any liability under the Program Trust Agreement or by reason of the Program Trust Agreement or in connection with any of the transactions contemplated hereby except to the extent payable from moneys received from or with respect to the Local Agency Trust Agreements and the Agreements and available thereof in accordance with the Program Trust Agreement.

DEFEASANCE

Discharge of Certificates. (a) If the Authority pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates the interest, principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated therein and in the Program Trust Agreement, and the Insurer shall have been paid all amounts owed to the Insurer under the Insurance Policy, then the Owners of such

Certificates shall cease to be entitled to the pledge of and charge and lien upon the Pooled Revenues as provided in the Program Trust Agreement, the pledge of and lien on the Local Agency Certificates and any interest in the funds held under the Program Trust Agreement as provided in the Program Trust Agreement, and all agreements, covenants and other obligations of the Authority and the Local Agencies to the Owners of such Certificates under the Program Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Certificate Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction and the Certificate Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Program Trust Agreement which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates.

(b) If the Certificate Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates the interest and principal evidenced and represented thereby at the times and in the manner provided therein and in the Program Trust Agreement, then such Owners shall cease to be entitled to the pledge of and lien on the Pooled Revenues, the Local Agency Certificates and any interest in the funds held under the Program Trust Agreement as provided in the Program Trust Agreement, and all agreements and covenants of the Local Agencies to such Owners under the Program Trust Agreement and under the Local Agency Trust Agreement and Agreement shall thereupon cease, terminate and become void and shall be discharged and satisfied. If any Local Agency shall pay or cause to be paid all or any portion of unpaid principal installments of its 2020 Installment Sale Payments, prior to their payment dates or dates of prepayment in the manner provided its Agreement, and all related allocable amounts owed the Insurer shall have been paid in full, within the meaning of and with the effect expressed in the Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – DISCHARGE OF OBLIGATIONS" in this Appendix A, and the prepaid Local Agency Certificates designated as principal components and interest coming due on the Certificate Payment Date designated in writing by the Local Agency is paid to the Owners of all Outstanding Certificates, then the Owners of such Certificates shall cease to be entitled to the pledge of and charge and lien upon such Pooled Revenues and on such Local Agency Certificates and any interest in the funds held under the Program Trust Agreement as provided therein and, if such payment shall pay the allocable portion of the Certificates in full on the maturity or prepayment date, all agreements, covenants and other obligations of the Authority and the Local Agency to the Owners of such allocable portion of the Certificates under the Program Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Certificate Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction and the Certificate Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Program Trust Agreement which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such allocable portion of the Certificates.

(c) Any Outstanding Certificates shall prior to the maturity date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Certificates are to be prepaid on any date prior to their respective Certificate Payment Dates, the Authority shall have given to the Certificate Trustee in form satisfactory to it irrevocable instructions to provide notice of prepayment in accordance with the Program Trust Agreement, (2) there shall have been deposited with the Certificate Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Obligations, in each case the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Certificate 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 with respect to such Certificates on and prior to the Certificate Payment Date or prepayment date thereof, as the case may be, and the principal and prepayment premiums, if any, evidenced and represented by such Certificates, and (2) in the event such Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the Authority shall have given the Certificate Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Certificates that the deposit required by clause (2) above has been made with the Certificate Trustee and that such Certificates are deemed to have been paid in accordance with this section and stating the Certificate Payment Date or prepayment date upon which money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Certificates. In addition, the Authority shall cause to be delivered to the Insurer (i) a report of an Independent Certified Public Accountant or such other accountant as shall be acceptable to the Insurer verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date ("Verification"), (ii) an escrow deposit agreement or refunding instructions and

agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Certificates are no longer “Outstanding” under the Program Trust Agreement, and (iv) a certificate of discharge of the Certificate Trustee with respect to the Certificates; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority and the Certificate Trustee. The Insurer shall be provided with final drafts of the above referenced documentation not less than five Business Days prior to the funding of the escrow.

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

Unclaimed Money. Anything contained in the Program Trust Agreement to the contrary notwithstanding, any money held by the Certificate Trustee in trust for the payment and discharge of any of the Certificates which remains unclaimed for two (2) years after the date when such Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to such dates, if such money was held by the Certificate Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Certificate Trustee after the date when such Certificates have become due and payable, shall be repaid by the Certificate Trustee to the Authority as its absolute property free from trust, and the Certificate Trustee shall thereupon be released and discharged with respect thereto and the Owners shall not look to the Certificate Trustee for the payment of such Certificates. Any moneys held by the Certificate Trustee in trust for the payment and discharge of any Certificates shall not bear interest or be otherwise invested from and after such Certificate Payment Date or prepayment date.

PAYMENTS UNDER THE INSURANCE POLICY; OTHER PROVISIONS CONCERNING THE INSURER

General Provisions

(a) The Insurer shall be deemed to be the sole Owner of the Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Certificates insured by it are entitled to take pursuant to the Program Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Certificate Trustee. In furtherance thereof and as a term of the Program Trust Agreement and each Certificate, to the extent the Insurer is not in default of its obligations under the Insurance Policy, the Certificate Trustee and each Owner appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Authority or a Local Agency 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 Certificate Trustee (solely with respect to the Certificates) and each Owner delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Certificate Trustee and each Owner 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 Owners of the Certificates expressly include mandamus.

(b) The Certificates shall not be accelerated without the consent of the Insurer and in the event the maturity of the Certificates is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Certificate Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer’s obligations under the Insurance Policy with respect to such Certificates shall be fully discharged.

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

(d) Upon the occurrence of an optional or mandatory prepayment in part pursuant to the Program Trust Agreement as summarized in this Official Statement under the caption “THE CERTIFICATES – Prepayment of Certificates,” the selection of Certificates to be prepaid shall be subject to the approval of the Insurer. The exercise of any provision of the Program Trust Agreement which permits the purchase of Certificates in lieu of prepayment shall require the prior written approval of the Insurer if any Certificate so purchased is not cancelled upon purchase.

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

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

Claims Upon the Insurance Policy and Payments by and to the Insurer

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or Certificate Payment Date (each, a “Payment Date”) there is not on deposit with the Certificate Trustee, after making all transfers and deposits required under the Local Agency Trust Agreements, moneys sufficient to pay the principal and interest evidenced and represented by the Certificates due on such Payment Date, the Certificate Trustee shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or teletype 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 and interest evidenced and represented by the Certificates due on such Payment Date, the Certificate Trustee shall make a claim under the Insurance Policy and give notice to the Insurer 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 evidenced and represented by the Certificates and the amount required to pay principal evidenced and represented by the Certificates, confirmed in writing to the Insurer 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 Insurance Policy.

The Certificate Trustee shall designate any portion of payment of principal evidenced and represented by Certificates paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall deliver a replacement Certificate to the Insurer, 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 Certificate Trustee’s failure to so designate any payment or deliver any replacement Certificate shall have no effect on the amount of principal or interest payable with respect to any Certificate or the subrogation rights of the Insurer.

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

Upon payment of a claim under the Insurance Policy, the Certificate Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to in the Program Trust Agreement as the “Policy Payments Account” and over which the Certificate Trustee shall have exclusive control and sole right of withdrawal. The Certificate Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners 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 Certificate Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of the Program Trust Agreement regarding payment of Certificates. 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. Subject to the terms of the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Limited Liability of the Authority,” the Authority agrees to pay to the Insurer, solely from Pooled Revenues allocable solely on a pro rata basis (on the basis of the defaulted Purchase Payments and interest thereon payable by each Local Agency) among the Local Agencies, (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer 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 with respect to the Certificates 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 covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien and pledge of the Pooled Revenues on a parity with debt service on the Certificates and, subject to the Program Trust Agreement as summarized in this Appendix A under the caption “THE PROGRAM TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Limited Liability of the Authority,” are payable from the Pooled Revenues.

Funds held in the Policy Payments Account shall not be invested by the Certificate Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Certificate Trustee. Any funds remaining in the Policy Payments Account following a Certificate Payment Date shall promptly be remitted to the Insurer.

(a) The Insurer shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority and the Local Agencies to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(b) Each Local Agency shall pay or reimburse (solely from pledged amounts and to the extent permitted by law) the Insurer any and all charges, fees, costs and expenses attributable to such Local Agency that the Insurer 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 Program 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 Program Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Program Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Program Trust Agreement or any other Related Document.

(c) After payment of the reasonable expenses of the Certificate Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority each to be allocated on a pro rata basis (on the basis of the defaulted Purchase Payments and interest thereon payable by each Local Agency) among the Local Agencies only after the payment of past due and current debt service on the Certificates.

(d) The Insurer shall be entitled to pay principal or interest evidenced and represented by the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Certificates as a result of acceleration of the maturity thereof in accordance with the Program Trust Agreement, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

MISCELLANEOUS

Liability of Authority Limited to Pooled Revenues. The Certificates are limited obligations of the Authority and are payable, as to interest, principal and any premiums upon the prepayment of any thereof, solely

from the Pooled Revenues as provided in the Program Trust Agreement, and the Authority is not obligated to pay them except from the Pooled Revenues. All the Certificates are equally secured by a pledge of and charge and lien upon the Pooled Revenues, and the Pooled Revenues constitute a trust fund for the security and payment of the interest, principal and prepayment premiums, if any, with respect to the Certificates as provided in the Program Trust Agreement. The Certificates are not a debt of the Authority, the Local Agencies, the State of California or any of its political subdivisions, and neither the Authority, the Local Agencies, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Certificates be payable out of any funds or properties other than those of the Authority as provided in the Program Trust Agreement. The Certificates do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Benefits of the Program Trust Agreement Limited to Parties. Nothing contained in the Program Trust Agreement, expressed or implied, is intended to give to any person other than the Local Agencies, the Authority, the Certificate Trustee, the Insurer and the Owners any right, remedy or claim under or by reason of the Program Trust Agreement. Any agreement or covenant required in the Program Trust Agreement to be performed by or on behalf of the Local Agencies or the Authority shall be for the sole and exclusive benefit of the Certificate Trustee, the Authority, the Insurer and the Owners. The Insurer is a third party beneficiary of the Program Trust Agreement.

Successor Is Deemed Included In All References To Predecessor. Whenever any of the Local Agencies, the Authority, the Certificate Trustee or any officer thereof is named or referred to in the Program Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Local Agencies, the Authority or the Certificate Trustee or such officer, and all agreements, conditions, covenants and terms contained in the Program Trust Agreement required to be observed or performed by or on behalf of the Local Agencies, the Authority or the Certificate Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Program Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to them the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Certificates and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Certificates at the office of the Certificate Trustee.

Any declaration, request or other instrument or writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Local Agencies, the Authority or the Certificate Trustee in good faith and in accordance therewith.

Waiver of Personal Liability; No Liability of Authority Members. No member, officer or employee of the Authority or any Local Agency shall be individually or personally liable for the payment of the interest, principal or prepayment premiums, if any, with respect to the Certificates by reason of their execution and delivery, but nothing contained in the Program Trust Agreement shall relieve any such member, officer or employee from the performance of any official duty provided by any applicable provisions of law, or by the Local Agency Certificates or a respective Local Agency Trust Agreement or Agreement, or the Program Trust Agreement.

Notwithstanding anything to the contrary in the Program Trust Agreement or in any other document, no entity that is a program participant of the Authority, its supervisors, councilmembers, trustees, officers, directors, employees, and agents, shall have any liability of any kind under the Program Trust Agreement or by reason of or in connection with any of the transactions contemplated by the Program Trust Agreement, other than with respect to a program participant of the Authority in its capacity as a Local Agency under the Program Trust Agreement.

Acquisition of Certificates by Authority. All Certificates acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Certificate Trustee for cancellation.

Destruction of Canceled Certificates. Whenever provision is made in the Program Trust Agreement for the cancellation of any Certificates, the Certificate Trustee shall destroy such Certificates in accordance with its retention policy then in effect.

Content of Certificates; Post-Issuance Legal Opinions. Every Certificate of the Authority or any Local Agency with respect to compliance with any agreement, condition, covenant or term contained in the Program Trust Agreement shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions in the Program Trust Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not the Local Agency or the Authority has complied with such agreement, condition, covenant or term; and (d) a statement as to whether, in the opinion of the signers, the Local Agency or the Authority has complied with such agreement, condition, covenant or term.

Any Certificate of the Authority or any Local Agency may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certificate know that the Opinion of Counsel with respect to the matters upon which their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters and information with respect to which is in the possession of the Local Agency or the Authority, upon a representation by an officer or officers of the Local Agency or the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Accounts and Funds; Business Days. Any account or fund required in the Program Trust Agreement to be established and maintained by the Certificate Trustee may be established and maintained in the accounting records of the Certificate Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. Any action required to occur under the Program Trust Agreement on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

Governing Law. The Program Trust Agreement shall be governed, in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and of the State of California.

FORM OF LOCAL AGENCY TRUST AGREEMENT

ISSUANCE OF LOCAL AGENCY CERTIFICATES

Equal Security. In consideration of the acceptance of the Local Agency Certificates by the Owners, the Local Agency Trust Agreement shall be deemed to be and shall constitute a contract among the Local Agency Certificate Trustee, the Local Agency and the Owners to secure the full and final payment of the interest and principal evidenced and represented by the Local Agency Certificates, subject to the agreements, conditions, covenants and terms contained in the Local Agency Trust Agreement; and all agreements, conditions, covenants and terms contained therein required to be observed or performed by or on behalf of the Local Agency Certificate Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Local Agency Certificates over any other Local Agency Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever.

Transfer and Payment of Local Agency Certificates. Any Local Agency Certificates may, in accordance with its terms, be transferred in the records maintained pursuant to the Local Agency Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Local Agency Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Local Agency Certificate Trustee. Whenever any Local Agency Certificates shall be surrendered for transfer, the Local Agency Certificate Trustee shall execute and deliver to the transferee a new Local Agency Certificate or Local Agency Certificates of the same series and maturity for a like aggregate principal amount. The Local Agency Certificate Trustee shall require the payment by the Owner 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 Local Agency Certificate Trustee may deem and treat the registered owner of any Local Agency Certificates as the absolute owner of such Local Agency Certificates for the purpose of receiving payment thereof and for all other purposes, whether such Local Agency Certificates shall be overdue or not, and neither the Authority nor the Local Agency Certificate Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by such Local Agency Certificates shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Local Agency Certificates to the extent of the sum or sums so paid.

The Local Agency Certificate Trustee shall not be required to execute, register the transfer of or exchange any Local Agency Certificates during the fifteen (15) days preceding each Interest Payment Date or the date of selection by the Local Agency Certificate Trustee of Local Agency Certificates for prepayment, or to register the transfer of or exchange any Local Agency Certificates which have been selected for prepayment in whole or in part.

Exchange of Local Agency Certificates. Local Agency Certificates may be exchanged at the office of the Local Agency Certificate Trustee for a like aggregate principal amount of Local Agency Certificates of the same series and payment date of other authorized denominations. The Local Agency Certificate Trustee shall require the payment by the Owner 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.

Certificate Registration Books. The Local Agency Certificate Trustee will keep at its office sufficient books for the registration and transfer of the Local Agency Certificates which shall at all times be open to inspection by the Local Agency or any Owner on reasonable notice during regular business hours on any Business Day, and upon presentation for such purpose the Local Agency Certificate Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Local Agency Certificates in such books as provided in the Local Agency Trust Agreement.

Mutilated, Destroyed, Stolen or Lost Local Agency Certificates. If any Local Agency Certificate shall become mutilated the Local Agency Certificate Trustee at the expense of the Owner shall thereupon authenticate and deliver, a new Local Agency Certificate of like tenor and number in exchange and substitution for the Local

Agency Certificate so mutilated, but only upon surrender to the Local Agency Certificate Trustee of the Local Agency Certificate so mutilated. Every mutilated Local Agency Certificate so surrendered to the Local Agency Certificate Trustee shall be canceled.

If any Local Agency Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Local Agency Certificate Trustee and, if such evidence be satisfactory to the Local Agency Certificate Trustee and the Authority and indemnity satisfactory to the Local Agency Certificate Trustee and the Authority shall be given, the Local Agency Certificate Trustee, at the expense of the Owner, shall thereupon execute and deliver, a new Local Agency Certificate of like tenor and number in lieu of and in substitution for the Local Agency Certificate so lost, destroyed or stolen.

The Local Agency Certificate Trustee may require payment of a reasonable sum for each new Local Agency Certificate executed and delivered under this section and of the expenses which may be incurred by the Authority and the Local Agency Certificate Trustee in the premises. Any Local Agency Certificate executed and delivered under the provisions of this section in lieu of any Local Agency Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Local Agency Trust Agreement with all other Local Agency Certificates of the same series secured by the Local Agency Trust Agreement. Neither the Authority nor the Local Agency Certificate Trustee shall be required to treat both the original Local Agency Certificate and any duplicate Local Agency Certificate as being outstanding for the purpose of determining the principal amount of Local Agency Certificates which may be executed and delivered under the Local Agency Trust Agreement or for the purpose of determining any percentage of Local Agency Certificates outstanding under the Local Agency Trust Agreement, but both the original and duplicate Local Agency Certificate shall be treated as one and the same.

Temporary Certificates. The Local Agency Certificates executed and delivered under the Local Agency Trust Agreement may be initially executed and delivered in temporary form exchangeable for definitive Local Agency Certificates when ready for delivery. The temporary Local Agency Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Local Agency Certificate Trustee, shall be in fully registered form and may contain such reference to any of the provisions of the Local Agency Trust Agreement as may be appropriate. Every temporary Local Agency Certificate shall be executed and delivered by the Local Agency Certificate Trustee upon the same conditions and terms and in substantially the same manner as definitive Local Agency Certificates. If the Local Agency Certificate Trustee executes and delivers temporary Local Agency Certificates it will execute and furnish definitive Local Agency Certificates without delay and thereupon the temporary Local Agency Certificates may be surrendered, for cancellation, in exchange therefor at the Office of the Local Agency Certificate Trustee, and the Local Agency Certificate Trustee shall deliver in exchange for such temporary Local Agency Certificates an equal aggregate principal amount of definitive Local Agency Certificates of authorized denominations. Until so exchanged, the temporary Local Agency Certificates shall be entitled to the same benefits under the Local Agency Trust Agreement as definitive Local Agency Certificates delivered under the Local Agency Trust Agreement.

Procedure for the Execution and Delivery of Local Agency Certificates; Establishment of Funds and Accounts. At any time after the sale of the Local Agency Certificates, the Local Agency Certificate Trustee shall execute the Local Agency Certificates for delivery under the Local Agency Trust Agreement, and thereupon the Local Agency Certificates shall be delivered by the Local Agency Certificate Trustee to the Certificate Trustee upon the Request of the Authority and upon receipt of payment therefor. Upon receipt of payment for the Local Agency Certificates from the Authority, the Local Agency Certificate Trustee shall set aside and deposit the proceeds received from such sale in the following respective accounts or funds or with the following respective persons, in the following order of priority:

(a) The Local Agency Certificate Trustee shall deposit the Reserve Policy in the Local Agency's Reserve Subaccount within the Reserve Fund within the Revenue Fund established pursuant to the Local Agency Trust Agreement, representing an amount equal to the Reserve Fund Requirement for the Local Agency.

(b) The Local Agency Certificate Trustee shall transfer to each respective Escrow Fund established under the respective Escrow Agreement the amount set forth in the Local Agency Trust Agreement.

(c) The “Cost of Issuance Fund” is established as a separate trust fund with the Local Agency Certificate Trustee. The Local Agency Certificate Trustee shall deposit a sum equal to the amount set forth in such Request of the Authority in the Cost of Issuance Fund.

(d) The Local Agency Certificate Trustee shall transfer, or cause the transfer, to the Cost of Issuance Fund established under the Program Trust Agreement the amount set forth in the Local Agency Trust Agreement, for the payment of Costs of Issuance of the Local Agency Certificates and the Certificates. The moneys in the Cost of Issuance Fund shall be disbursed, upon the Request of the Authority, to pay Costs of Issuance.

The Local Agency’s deposit of the Reserve Policy to the Reserve Subaccount within the Reserve Fund is in satisfaction of the Reserve Fund Requirement. The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Subaccount. Notwithstanding anything to the contrary set forth in the Local Agency Trust Agreement, amounts on deposit in the Reserve Subaccount shall be applied solely to the payment of debt service due on the Local Agency Certificates.

REVENUES

Pledge of Revenues; Assignments. All Revenues and any other amounts (including proceeds of the sale of the respective Local Agency Certificates) held by the Local Agency Certificate Trustee in any fund or account established under the Local Agency Trust Agreement are irrevocably pledged to the payment of the principal, interest and premium, if any, evidenced and represented by the Local Agency Certificates as provided in the Local Agency Trust Agreement, and the Revenues shall not be used for any other purpose while any of the Local Agency Certificates 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 Local Agency Trust Agreement. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Local Agency Trust Agreement for the payment of the interest and principal evidenced and represented by the Local Agency Certificates in accordance with the terms of the Local Agency Trust Agreement.

The Authority assigns to the Local Agency Certificate Trustee all of the Authority’s rights and remedies under the Agreement, including, but not limited to, the Authority’s security interest in and lien upon the Revenues.

Receipt and Deposit of Revenues in the Revenue Fund. In order to carry out and effectuate the pledge, charge and lien contained in the Local Agency Trust Agreement, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust under the Local Agency Trust Agreement for the benefit of the Owners and shall be deposited when and as received by the Authority in the Revenue Fund which fund is created and which fund the Authority agrees and covenants to maintain with the Local Agency Certificate Trustee so long as any Local Agency Certificates shall be outstanding under the Local Agency Trust Agreement. All Revenues shall be accounted for separately for the Local Agency and held in trust in the Revenue Fund. All Revenues, whether received by the Authority in trust or deposited with the Local Agency Certificate Trustee as provided, shall nevertheless be allocated, applied and disbursed solely for the purposes and uses set forth in the Local Agency Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, and the Authority shall have no beneficial right or interest in any of the Revenues except only as provided in the Local Agency Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund. All money in the Revenue Fund shall be set aside by the Local Agency Certificate Trustee in the following respective special funds and accounts within the Revenue Fund in the following order of priority:

- (1) Interest Fund, and within the Interest Fund, an Interest Payment Account for the Local Agency;
- (2) Principal Fund, and within the Principal Fund, a Principal Payment Account for the Local Agency;
- (3) Reserve Fund, and within the Reserve Fund, a Reserve Subaccount for the Local Agency;

(4) Administration Fund, and within the Administration Fund, an Administration Subaccount for the Local Agency; and

(5) Surplus Account.

All money in each of such accounts shall be held in trust by the Local Agency Certificate Trustee and shall be applied, used and withdrawn only for the purposes authorized as summarized in this section. Notwithstanding the foregoing, the Local Agency Certificate Trustee need not create separate accounts within the Interest Fund, the Principal Fund, the Reserve Fund and the Administration Fund, but shall keep sufficient records to account separately for the deposits attributable to the Local Agency.

(1) *Interest Fund.* On or before the Business Day immediately preceding each Interest Payment Date, the Local Agency Certificate Trustee shall set aside from amounts deposited by the Local Agency in the Revenue Fund and deposit in the Local Agency Interest Payment Account that amount of money which is equal to the amount of interest becoming due and payable with respect to the Agreement on the next succeeding Interest Payment Date. No such deposit need be made if the amount contained in the Local Agency Interest Payment Account is at least equal to the aggregate amount of interest becoming due and payable in connection with the Agreement on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Local Agency Certificate Trustee solely for the purpose of paying the interest evidenced and represented by the Local Agency Certificates as it shall become due and payable (including accrued interest evidenced and represented by any Local Agency Certificates purchased or prepaid prior to the payment dates thereof).

(2) *Principal Fund.* On or before the Business Day immediately preceding each Certificate Payment Date the Local Agency Certificate Trustee shall set aside from amounts deposited by the Local Agency in the Revenue Fund and deposit in the Local Agency Principal Payment Account an amount of money equal to the amount of principal becoming due and payable with respect to the Agreement on the next succeeding Certificate Payment Date. No such deposit need be made if the amount contained in the Local Agency Principal Payment Account is at least equal to the aggregate amount of principal becoming due and payable in connection with the Agreement on such Certificate Payment Date. All money in the Principal Fund shall be used and withdrawn by the Local Agency Certificate Trustee solely for the purpose of paying the principal evidenced and represented by the Local Agency Certificates as it shall become due and payable, whether on their respective Certificate Payment Dates or prepayment, except that any money in any sinking fund account shall be used and withdrawn by the Local Agency Certificate Trustee only to purchase or to prepay or to pay Term Certificates for which such sinking fund account was created.

(3) *Reserve Fund.* The Local Agency Certificate Trustee shall set aside from amounts deposited by the Local Agency in the Revenue Fund and deposit in the Local Agency's Reserve Subaccount that amount of money (or other authorized deposit of security) which shall be required to maintain the Reserve Subaccount in the full amount of the Reserve Fund Requirement. No deposit need be made in any Reserve Subaccount so long as there shall be on deposit therein a sum equal to the Local Agency Reserve Fund Requirement. All money in each Reserve Subaccount (including all amounts which may be obtained from any insurance policy on deposit in the Reserve Subaccount) shall be used and withdrawn by the Local Agency Certificate Trustee solely for the purpose of replenishing the Local Agency Interest Payment Account or the Local Agency Principal Payment Account, in that order, in the event of any deficiency at any time in either of such Accounts, but solely for the purpose of paying the interest, principal or prepayment premiums, if any, payable in connection with the Local Agency Agreement, except that any cash amounts in the Reserve Subaccounts in excess of the amount required to be on deposit therein shall be withdrawn from the Reserve Subaccounts on each Interest Payment Date and deposited in the Local Agency Interest Payment Account.

In lieu of making the Local Agency Reserve Fund Requirement deposit or in replacement of moneys then on deposit in any Reserve Subaccount (which shall be transferred by the Local Agency Certificate Trustee to the Local Agency upon delivery of an insurance policy satisfying the requirements stated below), the Local Agency may also deliver to the Local Agency Certificate Trustee an insurance policy (a "Qualified Reserve Instrument") securing an amount, together with moneys or Permitted Investments on deposit in the Reserve Subaccount, no less than the Local Agency Reserve Fund Requirement, issued by an insurance company licensed to issue insurance policies guaranteeing the timely payment of the principal and interest components of the Local Agency Agreement and

whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated in the two highest rating categories (without respect to any modifier) of the Rating Agency. Notwithstanding anything to the contrary set forth in the Local Agency Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Local Agency Certificates.

If and to the extent that a Reserve Subaccount has been funded with a combination of cash (or Permitted Investments) and a Qualified Reserve Instrument, then all such cash (or Permitted Investments) shall be completely used before any demand is made on such Qualified Reserve Instrument, and replenishment of the Qualified Reserve Instrument shall be made prior to any replenishment of any cash (or Permitted Investments). If a Reserve Subaccount is funded, in whole or in part, with more than one Qualified Reserve Instrument, then any draws made against such Qualified Reserve Instrument shall be made pro-rata.

(4) **Administration Fund.** On or before the Business Day immediately preceding each Certificate Payment Date, the Local Agency Certificate Trustee shall set aside from amounts deposited by the Local Agency in the Revenue Fund and deposit in the Local Agency's Administration Subaccount an amount equal to the Local Agency's Administration Fee. All money in each Administration Subaccount shall be used and withdrawn by the Local Agency Certificate Trustee solely for the purpose of paying the fees of the Authority, and the Local Agency Certificate Trustee, payable with respect to the Local Agency Agreement, except that any cash amounts in the Administration Subaccounts in excess of the amount required to be on deposit therein shall be withdrawn from the Administration Subaccounts on each Interest Payment Date and deposited in the Local Agency Interest Payment Account.

(5) **Surplus Account.** On the Business Day immediately following each Interest Payment Date the Local Agency Certificate Trustee shall deposit in the Surplus Account all money remaining in the Revenue Fund after the deposits required by the Local Agency Trust Agreement have been made. On June 30 of each year, the Local Agency Certificate Trustee shall disburse the money in the Surplus Account to the Local Agency to the extent that such Local Agency's deposit of moneys, together with investment earnings thereon, if any, exceeded the deposits required by the Local Agency Trust Agreement.

Deposit and Investments of Money in Accounts and Funds. All money held by the Local Agency Certificate Trustee in any of the accounts or funds established pursuant to the Local Agency Trust Agreement shall be invested and reinvested in Permitted Investments at the Request of the Local Agency received not less than two (2) Business Days prior to the date of making such investment. The Local Agency Certificate Trustee shall notify the Local Agency no less than two (2) Business Days prior to the date moneys held under the Local Agency Trust Agreement will be available for investment, requesting that the Local Agency deliver to the Local Agency Certificate Trustee a Request of the Local Agency specifying the Permitted Investments to be acquired by the Local Agency Certificate Trustee with such moneys. All money held in the Reserve Fund shall be invested and reinvested in Permitted Investments with a term to maturity not exceeding five years or on the final maturity date of the Local Agency Certificates, whichever date is earlier; provided, however, that if an obligation may be prepaid at par on the business day prior to each Interest Payment Date during which such obligation is outstanding, such obligation may have any maturity. All such Permitted Investments shall be valued by the Local Agency Certificate Trustee not less frequently than semi-annually on each Interest Payment Date at the lower of the cost or market value thereof. The Local Agency Certificate Trustee may act as a principal or agent in making or disposing of any investment.

COVENANTS

Compliance with Trust Agreement. The Local Agency Certificate Trustee will not execute or deliver any Local Agency Certificates in any manner other than in accordance with the provisions of the Local Agency Trust Agreement; and the Local Agency will not suffer or permit any default to occur under the Local Agency Trust Agreement, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained therein required to be observed and performed by them.

Amendment of Agreement. The Local Agency and the Authority will not amend or permit the amendment of the Agreement without (1) a determination that such amendment does not materially adversely affect the interest of the Owners or (2) the written consents of the Owners of a majority in aggregate principal amount of the Local Agency Certificates then outstanding; provided that no such supplement, amendment, modification or termination

shall reduce the amount of 2020 Installment Sale Payments to be made to the Authority or the Local Agency Certificate Trustee by the Local Agency pursuant to the Agreement, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Agreement on Revenues (except as expressly provided in the Agreement), in each case without the written consent of all of the Owners of the Local Agency Certificates then outstanding.

Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Local Agency 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 the Local Agency Certificates.

Accounting Records and Reports. The Local Agency Certificate Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions made by the Local Agency Certificate Trustee relating to the receipt, investment, disbursement, allocation and application of all funds received by the Local Agency Certificate Trustee under the Local Agency Trust Agreement. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Local Agency Certificate Trustee is to be allocated and shall set forth, in the case of each investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be; (d) the amounts and dates of any payments made with respect thereto; and (e) such documentation as is required to be obtained as evidence to establish that all investments have been purchased in arms' length transactions with no amounts paid to reduce the yield on the investments.

Such records shall be open to inspection by the Authority and the Local Agency at any reasonable time during regular business hours on reasonable notice.

Observance of Laws and Regulations. The Local Agency will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such observance or performance is material to the transactions contemplated.

Further Assurances. Whenever and so often as reasonably requested to do so by the Local Agency Certificate Trustee, any Owner, the Local Agency will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Local Agency Certificate Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them.

THE LOCAL AGENCY CERTIFICATE TRUSTEE

The Trustee. Wilmington Trust, National Association, as successor to Wells Fargo Bank, National Association, as predecessor trustee, shall serve as the Local Agency Certificate Trustee for the Local Agency Certificates for the purpose of receiving all money which the Authority and the Local Agency are required to deposit with the Local Agency Certificate Trustee under the Local Agency Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Local Agency Trust Agreement and for the purpose of paying the interest, principal and prepayment premiums, if any, evidenced and represented by the Local Agency Certificates presented for payment in Los Angeles, California, with the rights and obligations provided in the Local Agency Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a designated office in San Francisco or Los Angeles, California.

The Authority may at any time, unless there exists any event of default as defined in the Local Agency Trust Agreement as summarized under the caption "FORM OF TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default and Acceleration of Maturities" in this Appendix A, remove the Local Agency Certificate Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall (i) be a bank or trust company

doing business and having a principal office in San Francisco or Los Angeles, California, (ii) have (or in the case of a bank or trust company which is part of a bank holding company system, the related bank holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and (iii) be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Local Agency Certificate Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Local Agency Certificate Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required.

The Local Agency Certificate Trustee is authorized to prepay the Local Agency Certificates when duly presented for payment on their respective Certificate Payment Dates or on prior prepayment. The Local Agency Certificate Trustee shall cancel all Local Agency Certificates upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Local Agency Certificates it has received in accordance with its retention policy then in effect. The Local Agency Certificate Trustee shall keep accurate records of all Local Agency Certificates paid and discharged and canceled by it.

The Authority, solely from amounts held in the Costs of Issuance Fund or paid by the Local Agency specifically for such purpose, shall from time to time, subject to any agreement between the Authority and the Local Agency Certificate Trustee then in force, pay to the Local Agency Certificate Trustee compensation for its services, reimburse the Local Agency Certificate Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and in-house and other counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations under the Local Agency Trust Agreement, and, to the extent permitted by law, indemnify and hold the Local Agency Certificate Trustee and its officers, directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including legal fees and expenses) or advances not arising from the Local Agency Certificate Trustee's own active or passive negligence, willful misconduct or breach of fiduciary duty, which the Local Agency Certificate Trustee may incur in the exercise and performance of its rights and obligations under the Local Agency Trust Agreement. The obligations of the Authority under this paragraph to compensate, indemnify, reimburse and hold the Local Agency Certificate Trustee harmless shall constitute additional indebtedness under the Local Agency Trust Agreement, and such indebtedness shall have priority over the Local Agency Certificates in respect of all property and funds held or collected by the Local Agency Certificate Trustee as such, except funds held in trust by the Local Agency Certificate Trustee for the benefit of the Owners of particular Local Agency Certificates, including, without limitation, funds held by the Local Agency Certificate Trustee in trust to prepay all or a portion of outstanding Local Agency Certificates prior to their respective Certificate Payment Dates for which a notice of prepayment has been sent as provided in the Local Agency Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Local Agency Trust Agreement and in the Local Agency Certificates shall be taken as recitals of facts, agreements and covenants of the Authority, and the Local Agency Certificate Trustee assumes no responsibility for the use of any proceeds of the Local Agency Certificates, the correctness of the same, the collection of the Revenues or makes any representation as to the sufficiency or validity of the Local Agency Trust Agreement, of the Local Agency Certificates or any security therefor or any offering material distributed in connection with the Local Agency Certificates and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Local Agency Trust Agreement, in the Local Agency Certificates or in law or equity. The Local Agency Certificate Trustee shall not be liable in connection with the performance of its duties under the Local Agency Trust Agreement except for its own negligence, willful misconduct or breach of fiduciary duty.

The Local Agency Certificate Trustee shall not be bound to recognize any person as the Owner of a Local Agency Certificate unless and until such Local Agency Certificate is submitted for inspection, if required, and such Local Agency Certificate is registered in such person's name.

Whenever the Local Agency Certificate Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action under the Local Agency Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Local Agency Trust Agreement) may, in the absence of bad faith on the part of the Local Agency Certificate Trustee, be deemed to be conclusively proved and established by a certificate conforming to the requirements in the Local Agency Trust Agreement or an opinion of counsel, which certificate or opinion shall be full warrant to the Local Agency Certificate Trustee for any action taken or suffered under the provisions of the Local Agency Trust Agreement upon the faith thereof, but in its discretion the Local Agency Certificate Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

In accepting the trust created, the Local Agency Certificate Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners, the Authority and the Local Agency, having any claim against the Local Agency Certificate Trustee arising from the Local Agency Trust Agreement not attributable to the Local Agency Certificate Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Local Agency Certificate Trustee under the Local Agency Trust Agreement for payment except as otherwise provided in the Local Agency Trust Agreement. The duties and obligations of the Local Agency Certificate Trustee shall be determined solely by the express provisions of the Local Agency Trust Agreement, the Local Agency Certificate Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Local Agency Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into the Local Agency Trust Agreement against the Local Agency Certificate Trustee. The Local Agency Certificate Trustee shall not be liable with respect to any action taken or not taken under the Local Agency Trust Agreement in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Local Agency Certificates at the time outstanding. The Local Agency Certificate Trustee shall, during the existence of any event of default (which has not been cured), exercise such of the rights and powers vested in it by the Local Agency Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise of use under the circumstances in the conduct of its own affairs. The permissive right of the Local Agency Certificate Trustee to do things enumerated in the Local Agency Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Local Agency Certificate Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and defeasance of the Local Agency Certificates. Under no circumstances shall the Local Agency Certificate Trustee be liable in its individual capacity for the obligations evidenced by the Local Agency Certificates. The Local Agency Certificate Trustee, in its individual or any other capacity, may become the Owner of any Local Agency Certificates or other obligations of any party to the Local Agency Trust Agreement with the same rights which it would have if not the Local Agency Certificate Trustee. At any and all reasonable times, the Local Agency Certificate Trustee, and its agents shall have the right to fully inspect the Projects, including all books, papers and records of the Local Agency pertaining to the Projects and the Local Agency Certificates, and to take such memoranda therefrom and with regard thereto and make photocopies thereof as may be desired. The Local Agency Certificate Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action under the Local Agency Trust Agreement at the request or direction of the Owners, the Local Agency Certificate Trustee may require that an indemnity bond satisfactory to the Local Agency Certificate Trustee be furnished to it and be in full force and effect.

None of the provisions contained in the Local Agency Trust Agreement or in the Agreement shall require the Local Agency Certificate Trustee to expend or risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Local Agency Certificate Trustee may rely and shall be protected in acting or failing to act upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Local Agency Certificate Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Local Agency Trust Agreement except failure by the Local Agency to make any

payment of principal or interest under the Agreement when due, unless the Local Agency Certificate Trustee shall be specifically notified in writing at its corporate trust office of such default by the Owners of not less than 25% of the aggregate principal amount of Local Agency Certificates then outstanding. Notwithstanding any other provision of the Local Agency Trust Agreement, the Local Agency Certificate Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, required as a condition of such action deemed by the Local Agency Certificate Trustee to be desirable for the purpose of establishing the rights of the Local Agency Certificate Trustee with respect to the authentication of any Local Agency Certificates, the withdrawal of any cash, the release of any property or the taking of any other action by the Local Agency Certificate Trustee.

AMENDMENT OF THE LOCAL AGENCY TRUST AGREEMENT

Amendment of the Local Agency Trust Agreement. The Local Agency Trust Agreement and the rights and obligations of the Authority, the Local Agency, the Local Agency Certificate Trustee and the Owners may be amended at any time by a Supplemental Local Agency Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount evidenced and represented by the Local Agency Certificates then outstanding, exclusive of Local Agency Certificates disqualified as provided in the Local Agency Trust Agreement as summarized under the caption “FORM OF TRUST AGREEMENT – AMENDMENT OF THE LOCAL AGENCY TRUST AGREEMENT – Disqualified Certificates” in this Appendix A, are filed with the Local Agency Certificate Trustee. No such amendment shall (1) extend the Certificate Payment Date of or reduce the interest rate on or amount of interest or principal or prepayment premium, if any, evidenced and represented by any Local Agency Certificate without the express written consent of the Owner of such Local Agency Certificate, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Local Agency Trust Agreement superior to or on a parity with the pledge, charge and lien created under the Local Agency Trust Agreement for the benefit of the Local Agency Certificates, or (3) reduce the percentage of Local Agency Certificates required for the written consent to any such amendment or any amendment of the Agreement pursuant to the Local Agency Trust Agreement, or (4) modify any rights or obligations of the Local Agency Certificate Trustee, the Authority or the Local Agency without their prior written assent thereto, respectively.

The Local Agency Trust Agreement and the rights and obligations of the Authority, the Local Agency and of the Owners may also be amended at any time by a Supplemental Local Agency Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not in the judgment of the Local Agency Certificate Trustee materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes –

(a) to add to the agreements and covenants required in the Local Agency Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority or the Local Agency, or to surrender any right or power reserved in the Local Agency Trust Agreement to or conferred in the Local Agency Trust Agreement on the Authority or the Local Agency;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Local Agency Trust Agreement or in regard to questions arising under the Local Agency Trust Agreement which the Authority or the Local Agency may deem desirable or necessary and not inconsistent with the Local Agency Trust Agreement;

(c) to add to the agreements and covenants required in the Local Agency Trust Agreement, such agreements and covenants as may be necessary to qualify the Local Agency Trust Agreement under the Trust Indenture Act of 1939; or

(d) for any other purpose that does not materially adversely affect the interests of the Owners.

Disqualified Local Agency Certificates. Local Agency Certificates owned or held by or for the account of the Authority or the Local Agency shall not be deemed outstanding for the purpose of any consent or other action or any calculation of outstanding Local Agency Certificates under the Local Agency Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default. If any default in the payment of 2020 Installment Sale Payments or any other “Event of Default” defined in the Agreement shall occur and be continuing, or if any default shall be made by the Local Agency in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Local Agency Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to the Local Agency by the Local Agency Certificate Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Local Agency Certificates at the time outstanding, then such default shall constitute an “Event of Default” under the Local Agency Trust Agreement, and in each and every such case during the continuance of such Event of Default the Local Agency Certificate Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Local Agency Certificates at the time outstanding shall be entitled, upon notice in writing to the Local Agency, but subject to the provisions of the Local Agency Trust Agreement, to exercise the remedies provided under the Agreement then in default which are necessary or desirable to collect the 2020 Installment Sale Payments. No grace period shall be permitted for payment defaults.

The Owners of Local Agency Certificates, for purposes of the Local Agency Trust Agreement and the Agreement of the Local Agency, to the extent of their interest, shall be entitled to all rights and security of the Authority pursuant to the Agreement and the Local Agency Trust Agreement. The Local Agency recognizes the rights of the Owners of the Local Agency Certificates, acting directly or through the Local Agency Certificate Trustee, to enforce the obligations and covenants contained in the Agreement and the Local Agency Trust Agreement; provided that in no event shall an Local Agency be liable for any obligations, covenants or damages except those which arise out of the Agreement, and, in particular, no Local Agency shall be liable for any obligations, liabilities, acts or omissions of any other Local Agency.

Application of Funds Upon Acceleration of Agreement. All moneys received by the Local Agency Certificate Trustee pursuant to any right given or action taken under the provisions of the Local Agency Trust Agreement shall be deposited into a segregated payment account of the Revenue Fund and applied by the Local Agency Certificate Trustee in the following order; provided that the Local Agency Certificate Trustee shall obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate from the specified funds held under the Local Agency Trust Agreement, any amount pursuant to such instructions required to be paid to the United States of America under the Code:

First, to the payment of the costs and expenses of the Local Agency Certificate Trustee, if any, in carrying out the provisions of the Local Agency Trust Agreement, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses; and

Second, to the payment of the principal and interest payable with respect to the Local Agency Certificates, in connection with a mandatory prepayment of Local Agency Certificates pursuant to the Local Agency Trust Agreement and the delivery of a Cash Flow Report.

Other Remedies of the Local Agency Certificate Trustee. The Local Agency Certificate Trustee shall have the right

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights under the Local Agency Trust Agreement against the Local Agency or any supervisor, council member, board member, trustee, member, officer or employee thereof, and to compel the Local Agency or any such supervisor, council member, board member, trustee, member, officer or employee thereof to observe or perform its or his or her duties under applicable law and the agreements, conditions, covenants and terms contained in the Local Agency Trust Agreement, or in the applicable Agreement, required to be observed or performed by it or him or her;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Local Agency Certificate Trustee or the Owners; or

(c) by suit in equity upon the happening of any default under the Local Agency Trust Agreement to require the Local Agency and any supervisor, council member, board member, trustee, member, officer and employee to account as the trustee of any express trust.

Non-Waiver. A waiver by the Local Agency Certificate Trustee of any default under the Local Agency Trust Agreement or breach of any obligation under the Local Agency Trust Agreement shall not affect any subsequent default under the Local Agency Trust Agreement or any subsequent breach of an obligation under the Local Agency Trust Agreement or impair any rights or remedies on any such subsequent default under the Local Agency Trust Agreement or on any such subsequent breach of an obligation under the Local Agency Trust Agreement. No delay or omission by the Local Agency Certificate Trustee to exercise any right or remedy accruing upon any default under the Local Agency Trust Agreement shall impair any such right or remedy or shall be construed to be a waiver of any such default under the Local Agency Trust Agreement or an acquiescence therein, and every right or remedy conferred upon the Local Agency Certificate Trustee by applicable law or by the Local Agency Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Local Agency Certificate Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Local Agency Certificate Trustee or the Local Agency, the Local Agency Certificate Trustee and the Local Agency shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Owner shall have the right to bring to enforce any right or remedy under the Local Agency Trust Agreement may be brought by the Local Agency Certificate Trustee for the equal benefit and protection of all Owners, whether or not the Local Agency Certificate Trustee is an Owner, and the Local Agency Certificate Trustee is appointed (and the successive Owners, by taking and holding the Local Agency Certificates executed and delivered under the Local Agency Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Local Agency Certificate Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners in the Local Agency Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Local Agency Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. If any remedial action under the Local Agency Trust Agreement is discontinued or abandoned, the Local Agency Certificate Trustee and the Owners shall be restored to their former positions.

Limitation on Owners' Right to Sue. No Owner of any Local Agency Certificate executed and delivered under the Local Agency Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Local Agency Trust Agreement, unless (a) such Owner shall have previously given to the Local Agency Certificate Trustee written notice of the occurrence of an event of default as defined in the Local Agency Trust Agreement as summarized under the caption "FORM OF TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default and Acceleration of Maturities" in this Appendix A; (b) the Owners of at least a majority in aggregate principal amount of all the Local Agency Certificates then outstanding shall have made written request upon the Local Agency Certificate Trustee to exercise the powers granted in the Local Agency Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Owners shall have tendered to the Local Agency Certificate Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Local Agency Certificate Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request and consent shall have been received by, and said tender of indemnity shall have been made to, the Local Agency Certificate Trustee.

Such notification, request, consent, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Local Agency Certificates of any remedy under the Local

Agency Trust Agreement; it being understood and intended that no one or more owners of Local Agency Certificates shall have any right in any manner whatever by his or their action to enforce any right under the Local Agency Trust Agreement, except in the manner provided in the Local Agency Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Local Agency Trust Agreement shall be instituted, had and maintained in the manner provided in the Local Agency Trust Agreement and for the equal benefit of all Owners of the outstanding Local Agency Certificates.

Limited Liability of the Local Agency. Except as expressly provided in the Agreement, the Local Agency shall not have any obligation or liability to the Authority, the Local Agency Certificate Trustee or the Owners, with respect to the Local Agency Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Local Agency Certificates or the receipt, deposit or disbursement of the principal and interest payable with respect to the Agreement by the Local Agency Certificate Trustee, or with respect to the performance by the Local Agency Certificate Trustee of any obligation under the Local Agency Trust Agreement required to be performed by it.

Notwithstanding anything to the contrary in the Local Agency Trust Agreement or in any Agreement, no Local Agency shall incur any obligation on account of any default, action or omission of any other Local Agency.

Limited Liability of the Authority. Except as expressly provided in the Local Agency Trust Agreement, the Authority shall not have any obligation or liability to the Local Agency Certificate Trustee or the Owners, with respect to the payment when due of the 2020 Installment Sale Payments by the Local Agency, or with respect to the observance or performance by the Local Agency of the other agreements, conditions, covenants and terms contained in the Agreement, or with respect to the performance by the Local Agency Certificate Trustee of any obligation contained in the Local Agency Trust Agreement required to be performed by it. Notwithstanding anything to the contrary contained in the Local Agency Certificates, the Local Agency Trust Agreement or any other document related thereto, the Authority shall not have any liability under the Local Agency Trust Agreement or by reason thereof or in connection with any of the transactions contemplated except to the extent payable from moneys received from or with respect to the Agreement and available thereof in accordance with the Local Agency Trust Agreement.

DEFEASANCE

Discharge of Local Agency Certificates. (a) If the Local Agency shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Local Agency Certificates the interest, principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated in the Local Agency Trust Agreement and therein, then the Owners of such Local Agency Certificates shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Local Agency Trust Agreement, and all agreements, covenants and other obligations of the Authority and the Local Agency to the Owners of such Local Agency Certificates under the Local Agency Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Local Agency Certificate Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction and the Local Agency Certificate Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Local Agency Trust Agreement which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Local Agency Certificates.

(b) Any outstanding Local Agency Certificates shall prior to the maturity date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Local Agency Certificates are to be prepaid on any date prior to their respective Certificate Payment Dates, the Authority shall have given to the Local Agency Certificate Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Local Agency Trust Agreement, (2) there shall have been deposited with the Local Agency Certificate Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Obligations, in each case the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Local Agency Certificate 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 with respect to such Local Agency Certificates on and prior to the Certificate Payment Date or prepayment date thereof, as the case may be, and the principal and prepayment premiums, if any, evidenced and

represented by such Local Agency Certificates, and (2) in the event such Local Agency Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the Authority shall have given the Local Agency Certificate Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Local Agency Certificates that the deposit required by clause (2) above has been made with the Local Agency Certificate Trustee and that such Local Agency Certificates are deemed to have been paid in accordance with this section and stating the Certificate Payment Date or prepayment date upon which money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Local Agency Certificates. In addition, the Authority shall cause to be delivered (i) a report of an Independent Certified Public Account verifying the sufficiency of the escrow established to pay the Local Agency Certificates in full on the maturity or prepayment date (“Verification”), (ii) an Escrow Deposit Agreement, (iii) an opinion of nationally recognized bond counsel to the effect that the Local Agency Certificates are no longer “outstanding” under the Local Agency Trust Agreement, and (iv) a certificate of discharge of the Local Agency Certificate Trustee with respect to the Local Agency Certificates; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority and Trustee.

Unclaimed Money. Anything contained in the Local Agency Trust Agreement to the contrary notwithstanding, any money held by the Local Agency Certificate Trustee in trust for the payment and discharge of any of the Local Agency Certificates which remains unclaimed for two (2) years after the date when such Local Agency Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to such dates, if such money was held by the Local Agency Certificate Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Local Agency Certificate Trustee after the date when such Local Agency Certificates have become due and payable, shall be repaid by the Local Agency Certificate Trustee to the Authority as its absolute property free from trust, and the Local Agency Certificate Trustee shall thereupon be released and discharged with respect thereto and the Owners shall not look to the Local Agency Certificate Trustee for the payment of such Local Agency Certificates. Any moneys held by the Local Agency Certificate Trustee in trust for the payment and discharge of any Local Agency Certificates shall not bear interest or be otherwise invested from and after such Certificate Payment Date or prepayment date.

PROVISIONS RELATING TO RESERVE POLICY

Effect Provisions Relating to Reserve Policy. The provisions of the Local Agency Trust Agreement as summarized under this caption shall govern, notwithstanding anything to the contrary set forth in the Local Agency Trust Agreement.

(a) The Authority and the Local Agency shall repay any draws under the 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.

(b) 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.

(c) 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 Reserve Policy will be increased by a like amount, subject to the terms of the 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 Local Agency Certificates (subject only to the priority of payment provisions set forth under the Local Agency Trust Agreement).

(d) All cash and investments in the Local Agency’s Reserve Subaccount within the Reserve Fund within the Revenue Fund established pursuant to the Local Agency Trust Agreement shall be transferred to the Revenue Fund for payment of debt service on Local Agency Certificates before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Subaccount 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 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 Subaccount. 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 Subaccount. 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.

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

(f) The Local Agency 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 Local Agency Certificates.

(g) The Authority shall include any Policy Costs then due and owing AGM in the calculation of the coverage and additional indebtedness test in the Local Agency Trust Agreement.

(h) The Local Agency Trust Agreement shall require the Local Agency Certificate Trustee to ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) above and to provide notice to AGM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Local Agency Certificates. Where deposits are required to be made by the Authority with the Local Agency Certificate Trustee to the Revenue Fund for the Local Agency Certificates more often than semi-annually, the Local Agency Certificate Trustee shall be instructed to give notice to AGM of any failure of the Authority to make timely payment in full of such deposits within two business days of the date due.

(i) The Reserve Policy is a Qualified Reserve Instrument under and pursuant to the Local Agency Trust Agreement.

(j) The Local Agency will permit AGM to discuss the affairs, finances and accounts of the Local Agency or any information AGM may reasonably request regarding the security for the 2020 Installment Sale Payments and the Local Agency Certificates with appropriate officers of the Local Agency and will use commercially reasonable efforts to enable AGM to have access to the facilities, books and records of the Local Agency on any Business Day upon reasonable prior notice.

MISCELLANEOUS

Effect of First Supplement to Trust Agreement. The First Supplement to Trust Agreement and all of the terms and provisions contained therein shall form part of the Original Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Trust Agreement. The Original Trust Agreement is ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented by the First Supplement to Trust Agreement. If there shall be any conflict between the terms of the First Supplement to Trust Agreement and the terms of the Original Trust Agreement (as in effect on the day prior to the effective date of the First Supplement to Trust Agreement), the terms of the First Supplement to Trust Agreement shall prevail.

AGM as Third Party Beneficiary. AGM is expressly made a third party beneficiary of the Local Agency Trust Agreement and each other Related Documents.

Liability of Authority Limited to Revenues. The Local Agency Certificates are limited obligations of the Authority and are payable, as to interest, principal and any premiums upon the prepayment of any thereof, solely from the Revenues as provided in the Local Agency Trust Agreement, and the Authority is not obligated to pay

them except from the Revenues. All the Local Agency Certificates 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, principal and prepayment premiums, if any, with respect to the Local Agency Certificates as provided in the Local Agency Trust Agreement. The Local Agency Certificates are not a debt of the Authority, the Local Agency, the State of California or any of its political subdivisions, and neither the Authority, the Local Agency, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Local Agency Certificates be payable out of any funds or properties other than those of the Authority as provided in the Local Agency Trust Agreement. The Local Agency Certificates do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Benefits of the Local Agency Trust Agreement Limited to Parties. Nothing contained in the Local Agency Trust Agreement, expressed or implied, is intended to give to any person other than the Local Agency, the Authority, the Local Agency Certificate Trustee and the Owners any right, remedy or claim under or by reason of the Local Agency Trust Agreement. Any agreement or covenant required in the Local Agency Trust Agreement to be performed by or on behalf of the Local Agency or the Authority shall be for the sole and exclusive benefit of the Local Agency Certificate Trustee, the Authority and the Owners.

Successor Is Deemed Included In All References To Predecessor. Whenever either the Local Agency, the Authority, or the Local Agency Certificate Trustee or any officer thereof is named or referred to in the Local Agency Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Local Agency, the Authority or the Local Agency Certificate Trustee or such officer, and all agreements, conditions, covenants and terms contained therein required to be observed or performed by or on behalf of the Local Agency, the Authority or the Local Agency Certificate Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Local Agency Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Local Agency Certificates and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Local Agency Certificates at the office of the Local Agency Certificate Trustee.

Any declaration, request or other instrument or writing of the Owner of any Local Agency Certificate shall bind all future Owners of such Local Agency Certificate with respect to anything done or suffered to be done by the Agencies, the Authority or the Local Agency Certificate Trustee in good faith and in accordance therewith.

Waiver of Personal Liability; No Liability of Authority Members. No member, officer or employee of the Authority or the Local Agency shall be individually or personally liable for the payment of the interest, principal or prepayment premiums, if any, with respect to the Local Agency Certificates by reason of their execution and delivery, but nothing in the Local Agency Trust Agreement contained shall relieve any such member, officer or employee from the performance of any official duty provided by any applicable provisions of law, the Agreement or the Local Agency Trust Agreement.

Notwithstanding anything to the contrary in the Local Agency Trust Agreement or in any other document, no entity that is a program participant of the Authority, its supervisors, councilmembers, trustees, officers, directors, employees, and agents, shall have any liability of any kind under the Local Agency Trust Agreement or by reason of or in connection with any of the transactions contemplated, other than with respect to a program participant of the Authority in its capacity as the Local Agency under the Local Agency Trust Agreement.

Destruction of Canceled Local Agency Certificates. Whenever provision is made in the Local Agency Trust Agreement for the cancellation of any Local Agency Certificates, the Local Agency Certificate Trustee shall destroy such Local Agency Certificates in accordance with its retention policy then in effect.

Content of Certificates; Post-Issuance Legal Opinions. Every Certificate of the Authority or the Local Agency with respect to compliance with any agreement, condition, covenant or term contained in the Local Agency Trust Agreement shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions in the Local Agency Trust Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not the Local Agency or the Authority has complied with such agreement, condition, covenant or term; and (d) a statement as to whether, in the opinion of the signers, the Local Agency or the Authority has complied with such agreement, condition, covenant or term.

Any Certificate of the Authority or any Local Agency may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certificate know that the Opinion of Counsel with respect to the matters upon which his or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters and information with respect to which is in the possession of the Local Agency or the Authority, upon a representation by an officer or officers of the Local Agency or the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Publication for Successive Weeks. Any publication required to be made under the Local Agency Trust Agreement for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Accounts and Funds; Business Days. Any account or fund required in the Local Agency Trust Agreement to be established and maintained by the Local Agency Certificate Trustee may be established and maintained in the accounting records of the Local Agency Certificate Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Local Agency Certificates and the rights of the Owners. Any action required to occur under the Local Agency Trust Agreement on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required under the Local Agency Trust Agreement to be performed by or on the part of the Local Agency, the Authority or the Local Agency Certificate Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of the Local Agency Trust Agreement or of the Local Agency Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The Local Agency, the Authority and the Local Agency Certificate Trustee declare that they would have executed and delivered the Local Agency Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of the Local Agency Trust Agreement and would have authorized the execution and delivery of the Local Agency Certificates pursuant to the Local Agency Trust Agreement irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of the Local Agency Trust Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

FORM OF INSTALLMENT SALE AGREEMENT

2020 INSTALLMENT SALE PAYMENTS; ADMINISTRATION FEE

Purchase Price and Administration Fee. The Purchase Price to be paid by the Local Agency to the Authority under the Installment Sale Agreement is the sum of the principal amount of the Local Agency's obligation under the Installment Sale Agreement plus the interest to accrue on the unpaid balance of such principal amount from the date of the Installment Sale Agreement over the term of the Installment Sale Agreement, subject to prepayment as provided in the Installment Sale Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – 2020 INSTALLMENT SALE PAYMENTS; ADMINISTRATION FEE – Prepayment of 2020 Installment Sale Payments" in this Appendix A. The interest to accrue on the unpaid balance of such principal amount shall be paid by the Local Agency as and shall constitute interest paid on the principal amount of the Local Agency's Purchase Price obligation under the Installment Sale Agreement.

Payment of 2020 Installment Sale Payments and Administration Fee. The Local Agency shall, subject to prepayment as provided in the Installment Sale Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – 2020 Installment Sale Payments; ADMINISTRATION FEE – Prepayment of 2020 Installment Sale Payments" in this Appendix A, pay the Authority or the Local Agency Certificate Trustee, as appropriate, (i) the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the 2020 Installment Sale Payments, which principal installments shall be due annually on each Certificate Payment Date, (ii) the interest installments of the 2020 Installment Sale Payments, which interest installments shall be due semiannually on each Interest Payment Date and (iii) the Administration Fee which shall be due annually on each Certificate Payment Date. Each 2020 Installment Sale Payment and the Administration Fee shall be payable on and shall be required to be deposited with the Local Agency Certificate Trustee on or before the fifteenth day of the calendar month immediately preceding its due date.

The obligation of the Local Agency to pay the Purchase Price by paying the 2020 Installment Sale Payments and the Administration Fee is, subject to the Installment Sale Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – MISCELLANEOUS – Liability of Local Agency Limited to Revenues" in this Appendix A, absolute and unconditional, and until such time as the 2020 Installment Sale Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Sale Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – DISCHARGE OF OBLIGATIONS" in this Appendix A), the Local Agency will not discontinue or suspend any 2020 Installment Sale Payments or Administration Fee required to be paid by it under this section when due, whether or not the Project or any part thereof is complete, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

In order to carry out and effectuate the obligation of the Local Agency contained in the Installment Sale Agreement to pay the Purchase Price by paying the 2020 Installment Sale Payments and the Administration Fee, the Local Agency established a "Pledged Tax Fund" (the "Pledged Tax Fund" and within the Pledged Tax Fund, the "Gas Tax Account" (in the case of the City of Desert Hot Springs and the City of Menifee only) and the "Measure A Receipts Account," which fund and accounts therein the Local Agency agrees and covenants to maintain so long as any 2020 Installment Sale Payments remain unpaid, and all money on deposit therein shall be applied and used only as provided in the Installment Sale Agreement. The Local Agency agrees and covenants that (i) all Gas Tax Revenues (under the Agreements of the City of Desert Hot Springs and the City of Menifee) received by it shall be deposited when and as received in the Local Agency's Gas Tax Account, if any, and (ii) all Measure A Receipts received by it shall be deposited when and as received in the Measure A Receipts Account.

All of the Revenues and all money in the Pledged Tax Fund and in the funds or accounts so specified and provided for in the Agreement, are irrevocably pledged to the punctual payment of the 2020 Installment Sale Payments and the Administration Fee, and the Revenues and such other money shall not be used for any other purpose while any of the 2020 Installment Sale Payments remain outstanding; subject to the provisions of the Installment Sale Agreement permitting application thereof for the purposes and on the terms and conditions set forth in the Agreement. This pledge shall constitute a first lien on the Revenues and such other money for the payment of the 2020 Installment Sale Payments and the Administration Fee in accordance with the terms thereof.

Notwithstanding the foregoing, the Local Agency may satisfy its obligation to deposit 2020 Installment Sale Payments with the Local Agency Certificate Trustee by depositing Other Available Revenues with the Local Agency Certificate Trustee, and if and when so deposited, shall be irrevocably pledged to the payment of 2020 Installment Sale Payments.

All money on deposit in the Pledged Tax Fund shall be set aside and deposited by the Local Agency in the various funds and accounts within the Revenue Fund at the following times in the following order of priority:

(a) *Interest and Principal Fund Deposits.* On or before the 15th day preceding each Interest Payment Date, the Local Agency shall, from the money in the Pledged Tax Fund, transfer to the Local Agency Certificate Trustee for deposit in the Local Agency's Interest Payment Account in the Interest Fund within the Revenue Fund established under the Local Agency Trust Agreement (the "Interest Payment Account"), a sum equal to the interest becoming due and payable under the Installment Sale Agreement on the next succeeding Interest Payment Date, except that no such deposit need be made if the Local Agency Certificate Trustee then holds money in the Interest Payment Account equal to the amount of interest becoming due and payable under the Installment Sale Agreement on the next succeeding Interest Payment Date; and on or before the 15th day preceding each Certificate Payment Date, the Local Agency shall, from the money in the Pledged Tax Fund, transfer to the Local Agency Certificate Trustee for deposit in the Principal Payment Account in the Principal Fund within the Revenue Fund established under the Local Agency Trust Agreement (the "Principal Payment Account"), a sum equal to the principal becoming due and payable under the Installment Sale Agreement on the next succeeding 2020 Installment Sale Payment Date, except that no such deposit need be made if the Local Agency Certificate Trustee then holds money in the Principal Payment Account equal to the amount of Principal becoming due and payable under the Installment Sale Agreement on the next succeeding 2020 Installment Sale Payment Date; and all money on deposit in the Interest Payment Account and the Principal Payment Account shall be used to make and satisfy the 2020 Installment Sale Payments due on each date and such payments shall be deposited by the Local Agency Certificate Trustee to the Interest Account or the Principal Account, as the case may be, as defined in, created under and in accordance with the terms of, the Local Agency Trust Agreement.

(b) *Reserve Fund Deposit.* On or before the 15th day of each month, the Local Agency shall, from the money in the Pledged Tax Fund, transfer to the Local Agency Certificate Trustee for deposit in the Local Agency's Subaccount in the Reserve Fund (the "the Reserve Subaccount") in the Reserve Fund within the Revenue Fund that sum, if any, necessary to restore the Reserve Subaccount to an amount equal to the Reserve Fund Requirement, all in accordance with and subject to the terms and conditions of the Local Agency Trust Agreement as summarized under the caption "FORM OF TRUST AGREEMENT – REVENUES – Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund" in this Appendix A. All money in the Reserve Subaccount shall be used and withdrawn by the Local Agency Certificate Trustee for the purposes specified under such provisions of the Local Agency Trust Agreement. The Local Agency has determined to deposit the Reserve Policy in the Local Agency's Reserve Subaccount established pursuant to the Local Agency Trust Agreement, representing an amount equal to the Reserve Fund Requirement for the Local Agency and to assume the reimbursement and payment obligations provided in the First Supplement to Installment Sale Agreement.

(c) *Administration Fund Deposit.* On or before the 15th day preceding each Certificate Payment Date, the Local Agency shall, from the remaining money on deposit in the Pledged Tax Fund, transfer to the Local Agency Certificate Trustee for deposit in the Local Agency's Administration Subaccount in the Administration Fund within the Revenue Fund established under the Local Agency Trust Agreement (the "Administration Subaccount"), a sum equal to the Administration Fee becoming due and payable under the Installment Sale Agreement on the next Certificate Payment Date, and all money on deposit in the Administration Subaccount shall be used to pay the Administration Fee due on such Certificate Payment Date, in accordance with the terms of the Local Agency Trust Agreement.

(d) *Insurer Reimbursement Advances.* The Local Agency shall repay any draws under the 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. 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. The Local Agency agrees to pay to AGM from Revenues as provided in the Program Trust

Agreement allocable solely on a *pro rata* basis (on the basis of the defaulted Purchase Payments and interest thereon payable by each Local Agency) among the Local Agency, (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). The Local Agency covenants and agrees that AGM Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with the payment of the 2020 Installment Sale Payments.

Notwithstanding the foregoing, provided all transfers required by subparagraphs (b) and (c) above have been made, on any Business Day moneys on deposit in the Pledged Tax Fund in excess of the sum of (i) interest becoming due and payable under the Installment Sale Agreement on the next succeeding Interest Payment Date (less amounts then held by the Local Agency Certificate Trustee in the Interest Payment Account) and (ii) the Pro Rata Share of Principal (less amounts then held by the Local Agency Certificate Trustee in the Principal Payment Account) may be expended by the Local Agency at any time for any purpose permitted by law.

Prepayment of 2020 Installment Sale Payments. The Local Agency may prepay from any source of available funds as a whole or in part on any date, on or after June 1, 2030, all or any part of the principal amount of the unpaid 2020 Installment Sale Payments becoming due on or after June 1, 2031, in such order of prepayment as the Local Agency may determine upon written direction to the Authority and the Local Agency Certificate Trustee (or, if the Local Agency fails to designate the order of prepayment, on a proportionate basis among the 2020 Installment Sale Payments and by lot within an Installment Payment Date), at a prepayment price equal to the principal amount prepaid, plus accrued interest to the date of prepayment. Before making any prepayment pursuant to this section, the Local Agency shall give written notice to the Authority and the Local Agency Certificate Trustee describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given.

Additional Contracts. So long as the Local Agency is not in default under the Agreement, the Local Agency may at any time execute any Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Gas Tax Revenues (under the Agreements of the City of Desert Hot Springs and the City of Menifee only) on a parity with the payment by the Local Agency of the 2020 Installment Sale Payments as provided in the Agreement; provided, that the audited Revenues plus the Measure A Receipts Coverage Amount for the Fiscal Year next preceding the date of the adoption by the governing body of the Local Agency of the resolution authorizing the execution of such Contract, as evidenced by both a calculation prepared by the Local Agency and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the Local Agency shall have produced a sum equal to at least 150% of the Maximum Annual Debt Service on all Contracts outstanding after the execution of such amendment or Contract.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Local Agency to execute any Contract at any time to refund any outstanding Contract.

Notwithstanding satisfaction of the other conditions to the execution and delivery of a Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Revenues on a parity basis, no such execution and delivery may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance, unless otherwise permitted by AGM.

REPRESENTATIONS AND COVENANTS OF THE LOCAL AGENCY AND THE AUTHORITY

Authority; Compliance with Agreement and Trust Agreement. The Local Agency is a municipal corporation organized and existing under the Constitution of the State of California, with full legal right, power and authority to execute, deliver and perform its obligations under the Agreement, and compliance with the provision of the Agreement will not materially conflict with or constitute a material breach of or default under any applicable provision of law or any applicable regulation or agreement to which the Local Agency is a party or may be subject.

The Local Agency will punctually pay the 2020 Installment Sale Payments in strict conformity with the terms of the Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms

contained in the Agreement required to be observed and performed by it, and will not terminate the Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any *force majeure*, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Authority will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Local Agency Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Agreement and the Local Agency Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the Local Agency to repay the costs of the acquisition and construction of the Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and the Agreement.

Against Encumbrances. The Local Agency will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Local Agency payable from the Revenues or which may impair the security for the 2020 Installment Sale Payments and will keep the Revenues free of any and all liens against any portion of the Revenues. In the event any such lien attaches to or is filed against any portion of the Revenues, the Local Agency will 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 Local Agency desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Local Agency will forthwith pay or cause to be paid and discharged such judgment. The Local Agency will, to the maximum extent permitted by law, indemnify and hold the Authority and the Local Agency Certificate Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Revenues.

The Local Agency may pledge, encumber or otherwise secure its obligations with the Gas Tax Revenues (under the Agreements of the City of Desert Hot Springs and the City of Menifee only), provided, that except as permitted under the Agreement as summarized under the caption "INSTALLMENT SALE AGREEMENT – 2020 INSTALLMENT PAYMENTS; ADMINISTRATION FEE – Additional Contracts" in this Appendix A, in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the Local Agency contained in the Agreement.

Maintenance of Revenues. The Local Agency will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Revenues, including, but not limited to, the Measure A Ordinance, Sections 2119 and 2151 through 2155 of the California Streets and Highways Code and Sections 65089.3 and 65089.4 of the California Government Code relating to conformance with the congestion management program relating to the Local Agency, and will take any and all reasonable actions required in order to maintain the Local Agency's ability to receive the Revenues and apply the same as provided in the Agreement; provided, that nothing in the Agreement shall require the Local Agency to take any action or expend any Local Agency funds to comply with any such requirements deemed unreasonable in the sole discretion of the Local Agency, so long as failure to take such action or expend such funds will not cause the amount of estimated Revenues to be received by the Local Agency in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service as of the date of calculation.

Accounting Records and Financial Statements. The Local Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Revenues and the Project, which records shall be available for inspection by the Authority and the Local Agency Certificate Trustee at reasonable hours and under reasonable conditions. The Local Agency will prepare and file with the Local Agency Certificate Trustee annually within six months after the close of each Fiscal Year or, if not then available, as soon thereafter as possible, audited financial statements of the Local Agency for the preceding Fiscal Year.

Continuing Disclosure. The Local Agency covenants and agrees that it will enter into and comply with and carry out all of the provisions of the 2020 Continuing Disclosure Agreement. Notwithstanding any other provision of the Agreement, failure of the Local Agency to comply with the 2020 Continuing Disclosure Agreement shall not be considered an Event of Default under the Agreement; however, the Local Agency Certificate Trustee shall at the written request of any Participating Underwriter (as defined in the 2020 Continuing Disclosure Agreement) or the Owner of at least 25% aggregate principal amount in outstanding Local Agency Certificates, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Local Agency to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

EVENTS OF DEFAULT AND REMEDIES

Events of Default and Acceleration of Principal. If one or more of the following "Events of Default" shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any 2020 Installment Sale Payment when and as the same shall become due and payable;

(2) if default shall be made by the Local Agency in the performance of any of the agreements or covenants contained in the Agreement required to be performed by it, and such default shall have continued for a period of 30 days after the Local Agency shall have been given notice in writing of such default by the Authority or the Local Agency Certificate Trustee; or

(3) if the Local Agency 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 Local Agency 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 Local Agency or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Local Agency Certificate Trustee shall, and for any other such Event of Default the Local Agency Certificate Trustee may, by notice in writing to the Local Agency, declare the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Agreement to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Local Agency shall deposit with the Local Agency Certificate Trustee a sum sufficient to pay the unpaid principal amount of the 2020 Installment Sale Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the 2020 Installment Sale Payments if paid in accordance with their terms, and the reasonable expenses of the Local Agency Certificate Trustee, and any and all other defaults known to the Local Agency Certificate Trustee (other than in the payment of the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Local Agency Certificate Trustee or provision deemed by the

Local Agency Certificate Trustee to be adequate shall have been made therefor, then and in every such case the Local Agency Certificate Trustee, by written notice to the Local Agency, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Revenues Upon Acceleration. All Revenues upon the date of the declaration of acceleration by the Local Agency Certificate Trustee as provided in the Agreement as summarized under the caption “INSTALLMENT SALE AGREEMENT – EVENT OF DEFAULT AND REMEDIES – Events of Default and Acceleration of Principal” in this Appendix A and all Gas Tax Revenues (under the Agreements of the City of Desert Hot Springs and the City of Menifee) thereafter received shall be applied in the following order --

First, to the payment of the costs and expenses of the Local Agency Certificate Trustee and the Authority, if any, in carrying out the provisions of the Agreement, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid 2020 Installment Sale Payments, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, to the payment of the unpaid principal amount of the 2020 Installment Sale Payments which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid 2020 Installment Sale Payments at the rate or rates of interest then applicable to such 2020 Installment Sale Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the 2020 Installment Sale Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference; and

Fourth, to provide for any other amounts due and owing AGM.

Other Remedies. The Local Agency Certificate 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 Local Agency or any councilmember, officer or employee thereof, and to compel the Local Agency or any such councilmember, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority or the Local Agency Certificate Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Local Agency and its council members, officers and employees to account as the trustee of an express trust.

Non-Waiver. No provision of the Agreement shall affect or impair the obligation of the Local Agency, which is absolute and unconditional, to pay the 2020 Installment Sale Payments from the Revenues to the Local Agency Certificate Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Local Agency Certificate Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Agreement.

A waiver of any default or breach of duty or contract by the Local Agency Certificate Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Local Agency Certificate Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Local Agency Certificate Trustee by law or by the Local Agency Trust

Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Local Agency Certificate Trustee.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Local Agency Certificate Trustee, the Authority and the Local Agency and the Local Agency Certificate Trustee shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Agreement conferred upon or reserved to the Local Agency Certificate Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

DISCHARGE OF OBLIGATIONS

(a) If the Local Agency shall pay or cause to be paid all the 2020 Installment Sale Payments at the times and in the manner provided in the Agreement, the right, title and interest of the Authority in the Agreement and the obligations of the Local Agency under the Agreement shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the 2020 Installment Sale Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the Local Agency makes payment of such 2020 Installment Sale Payments and the prepayment premium, if applicable, in the manner provided in the Agreement.

(c) All or any portion of unpaid principal installments of the 2020 Installment Sale Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) notice is provided by the Local Agency to the Local Agency Certificate Trustee as required by the Local Agency Trust Agreement, (ii) there shall have been deposited with the Local Agency Certificate Trustee either money in an amount which shall be sufficient, or Permitted Investments (as that term is defined in the Local Agency Trust Agreement) of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book entry form on the books of the Treasury of the United States of America) or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agency, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Local Agency Certificate Trustee, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due with respect to the principal installments of such 2020 Installment Sale Payments and the principal installments of such 2020 Installment Sale Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto and (iii) an opinion of nationally recognized bond counsel is filed with the Local Agency Certificate Trustee to the effect that the action taken pursuant to this subsection will not cause the interest evidenced and represented by the Local Agency Certificates to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all 2020 Installment Sale Payments and prepayment premiums, if any, as provided in this section, and payment of all fees and expenses of the Local Agency Certificate Trustee, the Local Agency Certificate Trustee, upon request of the Local Agency, shall cause an accounting for such period or periods as may be requested by the Local Agency to be prepared and filed with the Local Agency and the Authority and shall execute and deliver to the Local Agency and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Agreement, and the Local Agency Certificate Trustee shall pay over and deliver to the Local Agency, as an overpayment of 2020 Installment Sale Payments, all such money or investments held by it pursuant to the Agreement other than such money and such investments as are required for the payment or prepayment of the 2020 Installment Sale Payments, which money and investments shall continue to be held uninvested by the Local Agency Certificate Trustee in trust for the payment of the 2020

Installment Sale Payments and shall be applied by the Local Agency Certificate Trustee pursuant to the Local Agency Trust Agreement.

MISCELLANEOUS

Effect of First Supplement to Agreement. The First Supplement to Installment Sale Agreement and all of the terms and provisions contained therein shall form part of the Original Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Trust Agreement. The Original Trust Agreement is ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented by the First Supplement to Installment Sale Agreement. If there shall be any conflict between the terms of the First Supplement to Installment Sale Agreement and the terms of the Original Trust Agreement (as in effect on the day prior to the Effective Date of the First Supplement to Installment Sale Agreement), the terms of the First Supplement to Installment Sale Agreement shall prevail.

Liability of Local Agency Limited to Revenues. Notwithstanding anything contained in the Installment Sale Agreement, the Local Agency shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the 2020 Installment Sale Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Sale Agreement.

The obligation of the Local Agency to make the 2020 Installment Sale Payments is a special obligation of the Local Agency payable solely from the Revenues as provided in the Installment Sale Agreement, and does not constitute a debt of the Local Agency or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Benefits of Agreement. Nothing contained in the Agreement, expressed or implied, is intended to give to any person other than the Authority, AGM, the Local Agency or the Local Agency Certificate Trustee any right, remedy or claim under or pursuant to the Agreement, and any agreement or covenant required in the Agreement to be performed by or on behalf of the Authority, AGM, the Local Agency or the Local Agency Certificate Trustee shall be for the sole and exclusive benefit of the other parties. AGM is a third party beneficiary to the Installment Sale Agreement.

Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the Local Agency or the Local Agency Certificate Trustee is named or referred to in the Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the Local Agency or the Local Agency Certificate Trustee, and all agreements and covenants required to be performed under the Agreement by or on behalf of the Authority or the Local Agency or the Local Agency Certificate Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Waiver of Personal Liability. No councilmember, officer or employee of the Local Agency shall be individually or personally liable for the payment of the 2020 Installment Sale Payment, but nothing contained in the Agreement shall relieve any councilmember, officer or employee of the Local Agency from the performance of any official duty provided by any applicable provisions of law or by the Agreement.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required by the Agreement to be performed by or on the part of the Authority or the Local Agency shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of the Agreement. The Authority and the Local Agency declare that they would have executed the Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of the Agreement irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of the Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Assignment. The Agreement and any rights under the Agreement shall be assigned by the Authority to the Local Agency Certificate Trustee as provided in the Local Agency Trust Agreement; to which assignment the Local Agency expressly acknowledges and consents.

Net Contract. The Agreement shall be deemed and construed to be a net contract, and the Local Agency shall pay absolutely net during the term of the Agreement the 2020 Installment Sale Payments and all other payments required under the Agreement, free of any deductions and without abatement, diminution or set-off whatsoever.

California Law. The Agreement shall be construed and governed in accordance with the laws of the State of California.

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APPENDIX B

GENERAL INFORMATION REGARDING PARTICIPATING LOCAL AGENCIES

The following information regarding the Local Agencies is presented for informational purposes only. Neither the Certificates nor the Local Agency Certificates constitute a general obligation debt of any Local Agency, and no Local Agency has pledged its full faith and credit to the repayment of the Certificates or the Local Agency Certificates. Neither the General Fund nor the taxing power of any Local Agency, the County of Riverside, the State of California, or any political subdivision of the State of California is pledged to the payment of the 2020 Installment Sale Payments, the Local Agency Certificates or the Certificates. The Certificates are payable solely from the sources described in the Official Statement.

The following information regarding the Local Agencies and the County is the latest available, but in certain cases is as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the Local Agencies or the County.

City of Desert Hot Springs

General. The City of Desert Hot Springs, California (the “City of Desert Hot Springs”), is located in Riverside County, California (the “County”), approximately 110 miles east of the City of Los Angeles. The City of Desert Hot Springs covers approximately 23.62 square miles in the foothills of Joshua Tree National Park at an average elevation of 1,076 feet above sea level. The City of Desert Hot Springs has a temperate climate, with a mean average temperature of 99 degrees Fahrenheit in the summer and average annual rainfall of 5.23 inches. The City of Desert Hot Springs is located in eastern Riverside County in an area known as the Coachella Valley. The region hosts eight other cities including the Cities of Palm Springs, Palm Desert, and La Quinta.

Government. The City of Desert Hot Springs was incorporated in 1963 and operates as a general law city with a council-manager form of government. The five members of the City Council of the City of Desert Hot Springs (the “Desert Hot Springs City Council”) are elected at large for staggered four-year terms. The Mayor is directly elected by the citizens of the City of Desert Hot Springs and serves a four-year term. The other four members rotate the position of Mayor Pro-Tem on an annual basis. The current members of the Desert Hot Springs City Council, and their respective offices, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Scott Matas	Mayor	December 2020
Robert Griffith	Mayor Pro Tem	December 2020
Russell Betts	Council Member	December 2020
Gary Gardner	Council Member	December 2022
Jan Pye	Council Member	December 2022

Other Information. Certain additional economic and demographic information regarding the City of Desert Hot Springs is included in certain remaining sections of this Appendix B. See below.

City of Menifee

General. The City of Menifee, California (the “City of Menifee”), is located in the County, approximately 85 miles southeast of the City of Los Angeles. The City of Menifee covers approximately 50 square miles at an average elevation of 1,430 feet above sea level. The area surrounding the City of Menifee is largely rural with pockets of medium-density subdivisions. The City of Menifee has a

temperate climate, with a mean average temperature of 71 degrees Fahrenheit and average rainfall of .10 inches. Much of the economy of the City of Menifee and the surrounding community involves multiple commercial uses. Throughout the center of the City is the I-215 commercial corridor, which contains retail, restaurant, and general commercial uses. In the northwestern portions of the City of Menifee, there are industrial and light manufacturing uses, and a business/industrial park is expected to be developed in that area in the future.

Government. The City of Menifee is a General Law City that operates under the Council-Manager form of city government. Since incorporation in 2008, the City has been governed by a five-member Council (the “Menifee City Council”). Beginning in 2012, the voters elect City Council members by district serving a four-year term, with a Mayor elected “at-large” for a four year term. The current members of the Menifee City Council, and their respective offices, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bill Zimmerman	Mayor	December 2020
Matt Liesemeyer	Mayor Pro Tem	December 2022
Greg August	Councilmember	December 2020
Lesa Sobek	Councilmember	December 2020
Dean Deines	Councilmember	December 2022

Other Information. Certain additional economic and demographic information regarding the City of Menifee is included in certain remaining sections of this Appendix B. See below.

City of Moreno Valley

General. The City of Moreno Valley, California (the “City of Moreno Valley”), is located in the County, approximately 65 miles southeast of the City of Los Angeles. The City of Moreno Valley covers approximately 50 square miles at an average elevation of 1,631 feet above sea level. The City of Moreno Valley has a temperate climate, with a mean average temperature of 65 degrees Fahrenheit and average annual rainfall of 10.67 inches. The City of Moreno Valley is located in the Inland Empire, which consists of Riverside and San Bernardino Counties. The Inland Empire had experienced a vibrant economic environment from the mid 1990’s to the mid-2000’s, during which period the City of Moreno Valley experienced strong residential and commercial growth. The rate of such residential and commercial growth recently has slowed considerably due to the economic downturn.

Government. The City of Moreno Valley was incorporated in 1984 and operates as a general law city with a council-manager form of government. The City Council is composed of the Mayor and four Council Members of the City of Moreno Valley (the “Moreno Valley City Council”). The Mayor is elected city-wide for a two-year term. The four Council Members are elected by district for four-year overlapping terms. The Moreno Valley City Council elects one of its members as Mayor Pro-Tem on an annual basis. The current members of the Moreno Valley City Council, and their respective offices, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Yxstian Gutierrez	Mayor	December 2020
Victoria Baca	Mayor Pro Tem	December 2020
Dr. Carla J. Thornton	Councilmember	December 2022
David Marquez	Councilmember	December 2020
Ulises Cabrera	Councilmember	December 2022

Other Information. Certain additional economic and demographic information regarding the City of Moreno Valley is included in the certain remaining sections of this Appendix B. See below.

Population

Population figures for the City of Desert Hot Springs, the City of Menifee, the City of Moreno Valley, the County and the State for the years 2016 through 2020 are shown in the following table.

CITY OF DESERT HOT SPRINGS, CITY OF MENIFEE, CITY OF MORENO VALLEY RIVERSIDE COUNTY AND STATE OF CALIFORNIA POPULATION ESTIMATES

<u>Area</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Desert Hot Springs	28,692	28,937	29,525	29,683	29,660
City of Menifee	88,131	90,197	92,157	94,732	97,093
City of Moreno Valley	202,021	203,661	205,549	207,181	208,838
Riverside County	2,343,785	2,376,580	2,400,762	2,422,146	2,442,304
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

Source: State of California, Department of Finance, as of January 1.

Commercial Activity

City of Desert Hot Springs. A summary of historical taxable sales within the City of Desert Hot Springs during the past five years in which data is available is shown in the following table. Total taxable sales during the calendar year 2019 in the City of Desert Hot Springs were reported to be \$162,808,000 a 6.09% increase over the total taxable sales of \$153,456,000 reported during the calendar year 2018. Figures for calendar year 2020 are not yet available.

CITY OF DESERT HOT SPRINGS Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Taxable transactions in thousands of dollars)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2015 ⁽¹⁾	257	\$117,006	390	\$127,502
2016	272	114,147	405	125,456
2017	254	125,094	390	138,947
2018	246	142,557	420	153,456
2019	262	150,231	470	162,808

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

City of Menifee. A summary of historical taxable sales within the City of Menifee during the past five years in which data is available is shown in the following table. Total taxable sales during the calendar year 2019 in the City of Menifee were reported to be \$775,320,000 a 4.47% increase over the total taxable sales of \$742,128,000 reported during the calendar year 2018. Figures for calendar year 2020 are not yet available.

CITY OF MENIFEE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Taxable transactions in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	823	\$518,584	1,251	\$580,358
2016	872	553,479	1,342	628,923
2017	938	608,682	1,426	683,385
2018	971	647,231	1,484	742,128
2019	1,019	687,546	1,568	775,320

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

City of Moreno Valley. A summary of historical taxable sales within the City of Moreno Valley during the past five years in which data is available is shown in the following table. Total taxable sales during the calendar year 2019 in the City of Moreno Valley were reported to be \$1,853,127,000 a 3.56% increase over the total taxable sales of \$1,789,391,000 reported during the calendar year 2018. Figures for calendar year 2020 are not yet available.

CITY OF MORENO VALLEY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Taxable transactions in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	1,920	\$1,366,324	2,629	\$1,524,713
2016	2,063	1,393,342	2,823	1,571,730
2017	2,152	1,467,037	2,950	1,652,123
2018	2,228	1,609,248	3,103	1,789,391
2019	2,347	1,666,506	3,351	1,853,127

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

County of Riverside. A summary of historical taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the calendar year 2019 in the County were reported to be \$40,557,845,000 a 4.20% increase over the total taxable sales of \$38,919,498,000 reported during the calendar year 2018. Figures for calendar year 2020 are not yet available.

RIVERSIDE COUNTY
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Taxable transactions in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	18,662	\$23,281,724	56,846	\$32,910,910
2016	38,445	24,022,136	57,771	34,231,144
2017	38,967	25,581,948	58,969	36,132,814
2018	39,577	28,042,692	61,433	38,919,498
2019	40,491	29,020,400	64,063	40,557,845

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Industry and Employment

The unemployment rate in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”) was 14.7 percent in April 2020, and above the year-ago estimate of 3.5 percent. This compares with an unadjusted unemployment rate of 15.9 percent for California and 13.0 percent for the nation during the same period. The unemployment rate was 15.8 percent in Riverside County, and 13.9 percent in San Bernardino County.

The following table presents the annual average distribution of persons in various wage and salary employment categories for Riverside-San Bernardino-Ontario MSA for calendar years 2015 through 2019. As a result of the COVID-19 pandemic, the unemployment rate in the County is anticipated to increase above these levels and the increase may be significant.

**RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
(Riverside County)
Annual Average Labor Force
Employment by Industry
March 2019 Benchmark**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾	1,956,900	1,984,900	2,022,100	2,047,500	2,071,800
Employment	1,828,200	1,866,600	1,918,600	1,959,400	1,988,600
Unemployment	128,600	118,300	103,600	88,100	83,200
Unemployment Rate	6.6%	6.0%	5.1%	4.3%	4.0%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,800	14,600	14,400	14,500	15,100
Mining and Logging	1,300	900	900	1,200	1,200
Construction	85,700	92,000	97,000	105,200	105,900
Manufacturing	96,100	98,600	98,700	101,100	101,200
Wholesale Trade	61,600	62,800	63,700	65,500	66,700
Retail Trade	174,300	178,000	182,100	181,200	181,300
Transportation, Warehousing and Utilities	97,400	107,300	120,200	132,900	142,800
Information	11,400	11,500	11,300	11,400	11,500
Finance and Insurance	26,900	26,700	26,200	24,600	24,000
Real Estate and Rental and Leasing	17,000	17,900	18,200	19,300	20,200
Professional and Business Services	147,400	145,000	147,200	151,400	155,500
Educational and Health Services	205,100	214,300	224,800	239,500	250,100
Leisure and Hospitality	151,700	160,200	165,700	170,600	175,200
Other Services	44,000	44,600	45,600	45,800	45,800
Federal Government	20,300	20,400	20,600	20,700	21,100
State Government	28,700	29,700	30,700	30,600	31,200
Local Government	184,400	192,200	198,600	205,900	208,200
Total, All Industries ⁽³⁾	1,368,100	1,416,700	1,465,900	1,521,200	1,556,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The largest manufacturing and non-manufacturing employers as of June 2020 in the County are shown below, in alphabetical order.

RIVERSIDE COUNTY Largest Employers June 2020

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Abbott Vascular Inc	Temecula	Physicians & Surgeons Equip & Supls-Whls
Amazon Fulfillment Ctr	Moreno Valley	Mail Order Fulfillment Service
Collins Aerospace	Riverside	Aircraft Components-Manufacturers
Corona City Hall	Corona	Government Offices-City/Village & Twp
Corona Regional Medical Ctr	Corona	Hospitals
Department-Corrections-Rehab	Norco	Government Offices-State
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
J Ginger Masonry LP	Riverside	Masonry Contractors
Kleinfelder Construction Svc	Riverside	Engineers-Structural
La Quinta Golf Course	La Quinta	Golf Courses
Parkview Community Hosp Med	Riverside	Hospitals
Pechanga Resort & Casino	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside University Health	Moreno Valley	Hospitals
Southwest Healthcare System	Murrieta	Health Care Management
Spa Resort Casino	Palm Springs	Casinos
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	E-Commerce
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Time Rack	Corona	Computer Software
Universal Protection Svc	Palm Desert	Security Control Equip & Systems-Mfrs
US Air Force Dept	March Arb	Military Bases
Wachter Inc	Riverside	Electric Contractors

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Construction Activity

City of Desert Hot Springs. The following is a five-year summary of the valuation of building permits issued in the City of Desert Hot Springs.

CITY OF DESERT HOT SPRINGS Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$510.1	\$990.3	\$9,225.0	\$9,585.4	\$5,095.6
New Multi-family	0	0	227.0	0.0	0.0
Res. Alterations/Additions	<u>104.6</u>	<u>387.9</u>	<u>113.7</u>	<u>262.5</u>	<u>1,373.7</u>
Total Residential	614.7	1,378.2	9,565.7	9,847.9	6,469.3
New Commercial	0.0	44.4	50.0	7,000.0	9,741.4
New Industrial	0.0	0.0	7,591.8	14,934.9	4,699.4
New Other	168.0	1,374.6	1,442.1	2,446.4	1,285.8
Com. Alterations/Additions	<u>0.0</u>	<u>0.0</u>	<u>3,149.6</u>	<u>2,181.8</u>	<u>12,088.3</u>
Total Nonresidential	168.0	1,419.0	12,683.5	26,563.1	27,814.9
<u>New Dwelling Units</u>					
Single Family	4	6	39	44	21
Multiple Family	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>
TOTAL	4	6	41	44	21

Source: Construction Industry Research Board, *Building Permit Summary*.

City of Menifee. The following is a five-year summary of the valuation of building permits issued in the City of Menifee

CITY OF MENIFEE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$129,002.5	\$175,663.2	\$215,729.8	\$293,565.2	\$288,570.7
New Multi-family	0.0	0.0	0.0	0.0	44,565.5
Res. Alterations/Additions	<u>8,781.0</u>	<u>8,169.5</u>	<u>4,538.8</u>	<u>2,849.5</u>	<u>10,147.5</u>
Total Residential	137,783.5	183,832.7	220,268.6	296,414.70	343,283.7
New Commercial	15,467.5	22,471.4	9,652.3	19,442.6	5,710.7
New Industrial	1,170.2	0.0	0.0	0.0	0.0
New Other	12,619.9	11,921.9	5,515.3	13,465.7	11,536.7
Com. Alterations/Additions	<u>3,905.9</u>	<u>10,272.6</u>	<u>2,564.4</u>	<u>6,083.8</u>	<u>11,908.2</u>
Total Nonresidential	33,163.5	44,665.9	17,732.0	38,992.1	29,155.6
<u>New Dwelling Units</u>					
Single Family	404	564	714	967	922
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>330</u>
TOTAL	404	564	714	967	1252

Source: Construction Industry Research Board, *Building Permit Summary*.

City of Moreno Valley. The following is a five-year summary of the valuation of building permits issued in the City of Moreno Valley.

**CITY OF MORENO VALLEY
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$43,763.2	\$37,859.0	\$149,455.1	\$258,013.1	\$79,983.1
New Multi-family	0.0	12,924.8	1,846.4	64,145.9	2,850.9
Res. Alterations/Additions	<u>3,22.8</u>	<u>2,257.1</u>	<u>345.1</u>	<u>0.0</u>	<u>714.5</u>
Total Residential	43,763.2	53,040.9	151,646.6	322,159.0	83,548.5
New Commercial	10,367.0	20,938.4	85,582.7	241,156.9	1,301.6
New Industrial	48,912.0	0.0	183,190.9	191,582.5	426,391.5
New Other	4,969.2	8,513.1	8,766.9	0.0	0.0
Com. Alterations/Additions	<u>36,941.3</u>	<u>13,243.2</u>	<u>954.4</u>	<u>1,200.0</u>	<u>0.0</u>
Total Nonresidential	101,189.5	42,694.7	278,494.9	433,939.4	427,693.1
<u>New Dwelling Units</u>					
Single Family	133	100	451	854	315
Multiple Family	<u>0</u>	<u>112</u>	<u>16</u>	<u>372</u>	<u>14</u>
TOTAL	133	212	467	1226	329

Source: Construction Industry Research Board, *Building Permit Summary*.

County of Riverside. The following is a five-year summary of the valuation of building permits issued in the County.

**RIVERSIDE COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$1,313,084.2	\$1,526,767.9	\$1,670,541.7	\$2,200,020.7	\$1,834,821.9
New Multi-family	110,458.4	106,291.8	109,309.0	232,706.8	282,465.1
Res. Alterations/Additions	<u>113,200.0</u>	<u>126,475.0</u>	<u>123,566.8</u>	<u>125,353.5</u>	<u>158,118.0</u>
Total Residential	1,536,742.5	1,759,534.6	1,903,417.4	2,588,080.9	2,275,405.0
New Commercial	211,785.1	583,023.6	555,352.6	956,131.6	346,766.8
New Industrial	180,521.4	59,439.2	410,275.4	529,326.4	493,872.3
New Other	204,554.2	583,002.8	104,351.4	149,451.5	145,129.9
Com. Alterations/Additions	<u>314,604.2</u>	<u>371,216.4</u>	<u>363,711.4</u>	<u>315,771.0</u>	<u>300,086.8</u>
Total Nonresidential	911,464.9	1,596,682.0	1,433,690.8	1,950,860.5	1,285,855.8
<u>New Dwelling Units</u>					
Single Family	5,007	5,662	6,265	7,540	6,563
Multiple Family	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>	<u>1,798</u>
TOTAL	6,196	6,701	7,335	9,168	8,361

Source: Construction Industry Research Board, *Building Permit Summary*.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.” The following table summarizes the total effective buying income for The City of Desert Hot Springs, the City of Menifee, the City of Moreno Valley, Riverside County, the State and the United States for 2016 through 2020.

CITY OF DESERT HOT SPRINGS, CITY OF MENIFEE, CITY OF MORENO VALLEY RIVERSIDE COUNTY AND STATE OF CALIFORNIA Effective Buying Income 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	Desert Hot Springs	\$363,651	\$31,557
	Menifee	1,761,155	48,466
	Moreno Valley	3,079,685	47,668
	Riverside County	47,509,909	50,287
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Desert Hot Springs	\$379,690	\$32,312
	Menifee	1,860,914	50,587
	Moreno Valley	3,159,028	48,149
	Riverside County	51,784,973	54,014
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	Desert Hot Springs	\$379,690	\$32,312
	Menifee	2,009,302	53,328
	Moreno Valley	3,360,376	51,122
	Riverside County	51,784,973	54,014
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Desert Hot Springs	\$405,868	\$33,400
	Menifee	2,157,067	55,119
	Moreno Valley	3,526,584	53,391
	Riverside County	54,118,453	55,565
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Desert Hot Springs	\$424,416	\$34,291
	Menifee	2,46,351	60,917
	Moreno Valley	3,867,038	58,398
	Riverside County	59,340,417	59,928
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

APPENDIX C

PROPOSED FORM OF SPECIAL COUNSEL OPINION

Upon execution and delivery of the Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the Local Agencies, proposes to render its final approving opinions with respect thereto in substantially the following form:

[Date of Delivery]

[City of Desert Hot Springs
Desert Hot Springs, California]

[City of Menifee
Menifee, California]

[City of Moreno Valley
Moreno Valley, California]

California Statewide Communities Development Authority
Transportation Revenue (Installment Sale)
Certificates of Participation, Series 2020 (Federally Taxable)
(T.R.I.P. – Total Road Improvement Program)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the City of _____, California (the “Local Agency”) in connection with the execution and delivery of California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program), evidencing principal in the aggregate amount of \$44,165,000 (the “Certificates”). In such connection, we have reviewed the Trust Agreement, dated as of October 1, 2020, among the California Statewide Communities Development Authority (the “Authority”), Wilmington Trust, National Association, as trustee (the “Trustee”), and the Local Agencies named therein (the “Local Agencies”), the Installment Sale Agreements and Local Agency Trust Agreements, as defined therein, opinions of counsel to the Local Agencies, the Authority, the Trustee and others, certificates of the Local Agencies, the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions [including with respect to opinion paragraph 2, a default judgment rendered by the Superior Court of the State of California for the County of Riverside], and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Certificates on 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 original delivery of the Certificates on 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 Certificates has concluded with their execution and delivery, 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 Local Agencies. 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 first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Installment Sale Agreement and the Trust Agreement.

In addition, we call attention to the fact that the rights and obligations under the Certificates, the Installment Sale Agreement and the Local Agency 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 public entities such as 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 or having the effect of 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 the Installment Sale Agreement or the accuracy or sufficiency of the description contained therein of 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 Certificates 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 Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, of the Local Agency.
2. The Installment Sale Agreement and Local Agency Trust Agreement have been duly executed and delivered by, and each constitutes the valid and binding obligation of, the Local Agency. The obligation of the Local Agency to pay the Installment Sale Payments, and the interest thereon, and other payments required to be made by it under the Installment Sale Agreement is a special obligation of said Local Agency payable, in the manner provided in the Installment Sale Agreement, solely from Revenues and other funds provided for in the Installment Sale Agreement lawfully available therefor.
3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.
4. Interest on the Installment Sale Payments paid by the Local Agency under the Installment Sale Agreement and received by the registered owners of the Certificates is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the amount, accrual or receipt of such interest or the ownership or disposition of the Certificates.

Faithfully yours,

APPENDIX D

FORM OF LOCAL AGENCY CONTINUING DISCLOSURE AGREEMENT

Upon execution and delivery of the Certificates, each of the Local Agencies propose to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the City of _____ (the “Reporting Local Agency”) and _____, in its capacity as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery of the California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (Federally Taxable) (T.R.I.P. – Total Road Improvement Program), in an aggregate principal amount of \$44,165,000 (the “Certificates”). The Certificates are being executed and delivered Wilmington Trust, National Association, as trustee (the “Certificate Trustee”), pursuant to the provisions of that certain Trust Agreement, dated as of October 1, 2020 (the “Program Trust Agreement”), by and among the California Statewide Communities Development Authority (the “Authority”), the Certificate Trustee, and the Reporting Local Agency, in order to provide funds to finance the acquisition, construction, and improvement of certain public improvements within the jurisdiction of the Reporting Local Agency. The Reporting Local Agency and the Dissemination Agent hereby certify, covenant, and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934.

Section 2. Definitions. In addition to the definitions set forth in the Program Trust Agreement and in the [2012][2013] Installment Sale Agreement, dated as of [February 1, 2012][May 1, 2012][August 1, 2013], as amended and supplemented by a First Supplement to [2012][2013] Installment Sale Agreement, dated as of October 1, 2020 (the “Installment Sale Agreement”), each by and between the Authority and the Reporting Local Agency, which apply to any capitalized terms used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Reporting Local Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean the date in each year that is nine (9) months after the end of the Reporting Local Agency’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Dissemination Agent*” shall mean, initially, _____, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the Reporting Local Agency and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” means the Official Statement dated September 22, 2020, relating to the Certificates.

“*Participating Underwriter*” shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*SEC*” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The Reporting Local Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021 with the Annual Report for fiscal year 2019-20, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 calendar days prior to such date, the Reporting Local Agency shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the Reporting Local Agency. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the Reporting Local Agency may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. If the Reporting Local Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Reporting Local Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the Reporting Local Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Reporting Local Agency is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Reporting Local Agency in a timely manner shall send to the MSRB a notice in the form prescribed by the MSRB. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall:

1. provide any Annual Report received by it to the MSRB by the date required in subsection (a);
2. file a report with the Reporting Local Agency and the Certificate Trustee (if the Dissemination Agent is other than the Certificate Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
3. take any other actions mutually agreed upon between the Dissemination Agent and the Reporting Local Agency.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the Reporting Local Agency, which include information regarding the funds and accounts of the Reporting Local Agency, if any, 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 such audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the Reporting Local Agency and the Certificates for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the Reporting Local Agency for such fiscal year described in subsection (a) above:

1. Principal amount of the Certificates outstanding (including principal amount and years of maturity of Certificates, if any, called for prepayment in advance of maturity), principal amount of Local Agency Certificates of the Reporting Local Agency (including principal amount and years of maturity of Certificates, if any, called for prepayment in advance of maturity) and any bonds or certificates of participation issued or executed and delivered, as applicable, to refund the same.
2. Balance in the funds and accounts established under the Program Trust Agreement, the Local Agency Trust Agreement, and the Installment Sale Agreement.
3. An update to the table of the Official Statement entitled, "Historical Measure A Receipts [Reporting Local Agency]" for the most recently completed fiscal year.
4. An update to the table of the Official Statement entitled "Historical Gas Tax Revenues [Reporting Local Agency]" for the most recently completed fiscal year. [For the City of Desert Hot Springs and the City of Menifee only]
5. An update to the table of the Official Statement entitled, "[Reporting Local Agency] Projected Debt Service Coverage 2020 Installment Sale Payments."
6. An update to the table in Appendix B of the Official Statement entitled, "Reporting Local Agency] Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions."
7. Any material changes to the Reporting Local Agency's allocation of Measure A Receipts or with respect to its expectations with regard to the anticipated or projected Measure A Receipts.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Reporting Local Agency or related public entities, that are available to the public on the MSRB's Internet website or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Reporting Local Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Reporting Local Agency shall give, or cause to be given, not in excess of ten business days after the occurrence of any of the following events, notice of the occurrence of such event with respect to the Certificates:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to rights of security holders, if material.
8. Certificate calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayments of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of the Reporting Local Agency for this Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Reporting Local Agency 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 Reporting Local Agency, or if such jurisdiction has been assumed by leaving the existing governing 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 Reporting Local Agency.
13. Consummation of a merger, consolidation, or acquisition involving the Reporting Local Agency or the sale of all or substantially all of the assets of the Reporting Local Agency, 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, if material.
14. Appointment of a successor or additional trustee or the change of the name of a trustee, if material.
15. Incurrence of a financial obligation of the Reporting Local Agency if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a

financial obligation of the Reporting Local Agency, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Reporting Local Agency, any of which reflect financial difficulties.

(b) Upon and after the occurrence of a Listed Event listed under subsection (a)(2), (a)(7), (a)(8) (if the event is certificate call), (a)(10), (a)(13), (a)(14) or (a)(15) above, the Reporting Local Agency shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Reporting Local Agency determines that knowledge of the occurrence of such Listed Event would be material under applicable federal securities laws, the Reporting Local Agency shall file a notice of such occurrence with the MSRB, with a copy to the Certificate Trustee, and the Participating Underwriter, within ten business days after the occurrence of such Listed Event. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) Within ten business days after the occurrence of any Listed Event (other than a Listed Event listed under subsection (a)(2), (a)(7), (a)(8), (a)(10), (a)(13), (a)(14) above and (a)(15)), the Reporting Local Agency shall file a notice of such occurrence with the MSRB, with a copy to the Certificate Trustee, the Local Agency Trustee, and the Participating Underwriter. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(d) For purposes of Listed Events (a)(15) and (a)(16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Reporting Local Agency and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment, or payment in full of all of the Local Agency Certificates of the Reporting Local Agency. If such termination occurs prior to the final maturity of the Certificates, the Reporting Local Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Reporting Local Agency may from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Reporting Local Agency shall act as Dissemination Agent. The initial Dissemination Agent shall be _____.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Reporting Local Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Reporting Local Agency or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Certificates in the manner provided in the Program Trust Agreement for amendments to the Program Trust Agreement with the consent of holders, or (ii) does not, in the opinion of the Reporting Local Agency or nationally recognized bond counsel, materially impair the interest of Certificates owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Reporting Local Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Reporting Local Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Reporting Local Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Reporting Local Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Reporting Local Agency to comply with any provisions of this Disclosure Agreement any Participating Underwriter or any holder or beneficial owner of the Certificates, or the Certificate Trustee on behalf of the holders of the Certificates, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Reporting Local Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Program Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Reporting Local Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Reporting Local Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities

due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Reporting Local Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the Reporting Local Agency pursuant to this Disclosure Agreement. The Reporting Local Agency shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Reporting Local Agency, the Dissemination Agent, the Certificate Trustee, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: [Closing Date]

CITY OF _____

By: _____
Authorized Signatory

_____,
as Dissemination Agent

By: _____
Authorized Signatory

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

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.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

APPENDIX F

**CITY OF DESERT HOT SPRINGS
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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City of Desert Hot Springs

Desert Hot Springs, California

Independent Auditors' Reports and Basic Financial Statements

For the Year Ended June 30, 2019



City of Desert Hot Springs
Basic Financial Statements
For the Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
Independent Auditors’ Reports on Financial Statements	1
Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	22
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	28
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	34
Proprietary Fund Financial Statements:	
Statement of Net Position	37
Statement of Revenues, Expenses, and Changes in Net Position	38
Statement of Cash Flows	39
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	43
Statement of Changes in Fiduciary Net Position	44
Notes to the Basic Financial Statements	49
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedules:	
General Fund	95
Public Safety Special Revenue Fund	96
Capital Improvement Deposits Special Revenue Fund	97
Notes to the Budgetary Information	98
Schedule of the City’s Proportionate Share of the Net Pension Liabilities and Related Ratios	99
Schedule of the City’s Contributions – Pensions	100

City of Desert Hot Springs
Basic Financial Statements
For the Year Ended June 30, 2019

Table of Contents (Continued)

	<u>Page</u>
Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Capital Improvement Capital Projects Fund.....	105
City Debt Service Fund	106
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	109
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
<i>Nonmajor Special Revenue Funds:</i>	
Special Gas Tax Special Revenue Fund	119
SBI Road Maintenance and Rehabilitation Special Revenue Fund.....	120
Municipal Lighting / Landscaping Assessment District Special Revenue Fund	121
Measure A Special Revenue Fund.....	122
SCAQMD Grant Special Revenue Fund	123
Air Quality Control Special Revenue Fund.....	124
Art in Public Places Special Revenue Fund.....	125
Drainage Assessment District Special Revenue Fund	126
County Service Area 152 (CSA-152) Special Revenue Fund	127
Cabot's Museum Special Revenue Fund.....	128
Supplemental Law Enforcement Service (SLESF) Special Revenue Fund.....	129
Abandoned Vehicle Abatement Special Revenue Fund	130
Community Development Block Grant Fund.....	131
Housing Authority Special Revenue Fund	132
Assessment District 91-1 Capital Projects Fund.....	133
Assessment District 92-1 Capital Projects Fund.....	134
Assessment District 93-2 Capital Projects Fund.....	135
Internal Service Funds:	
Combining Statement of Net Position	139
Combining Statement of Revenues, Expenses, and Changes in Net Position	140
Combining Statement of Cash Flows	141
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities	145
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	146
Other Report:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	149



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California

Report on the 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 Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2019, 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.

Auditors' 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 of 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.

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 as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof 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, the Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios, and the Schedule of the City's Contributions - Pensions on pages 5 through 15 and pages 95 through 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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 Combining and Individual Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 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 Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 26, 2019

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Management's Discussion and Analysis (Unaudited)

The City of Desert Hot Springs is offering a narrative, overview and analysis of the financial activities for the fiscal year end June 30, 2019.

Overview of the Financial Statements

The City Executive Team of the City of Desert Hot Springs (City) offers readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2019. It has been designed in accordance with standards established by the Governmental Accounting Standards Board. Please read this overview in conjunction with the accompanying financial statements.

1. The Government-wide Financial Statements provide information about the overall financial condition of the City. The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* statements include *all* assets, deferred outflow and liabilities, deferred inflows of the City using the *accrual basis of accounting*, which is like the accounting used by most private sector companies.
2. The Fund Financial Statements provide additional information about the City's major funds, how services were financed in the short term and fund balances available for financing future projects.
3. The Notes to the Financial Statements provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, including budgetary comparison information on the City's General fund, which is intended to furnish additional detail to support the basic financial statements themselves.

Financial Highlights

- The City's total net position was \$47,958,627 as of June 30, 2019;
- Consolidated General Fund (including Public Safety Fund) revenues and transfers in totaled \$26,738,167
- Consolidated General Fund Expenditures totaled \$24,272,601
- The fund balance in the Consolidated General Fund increased by \$2,465,566;
- The City's Consolidated General Fund has a fund balance of over \$11 million for the first time in the City's history;
- The City utilizes a priority-based budgeting system;
- The City approved a biennial budget with a surplus for both years;
- A rolling seven - year cash-flow model was updated and presented to the City Council;
- Current staffing levels were increased by 6 positions in various departments and entered into a contract for a Cannabis Compliance Team consisting of 4 members; all of which helps the City to increase services to the citizens and will continue to make that a priority;
- Property value in the City's industrial area has rapidly increased due to demand generated from cultivators of marijuana;
- The City has implemented a vacation rental housing program to assist in registering and monitoring vacation rentals in the City;
- Large expenditure increases are expected for public safety services, CALPERS and insurance in the coming years but the City is estimating and budgeting increases;
- The City approved a three-year Capital Improvement Plan totaling \$19 million;
- The City has an Emergency Reserve in place for economic contingency that is set at 17% of the Consolidated General Fund annual appropriations which is funded by cannabis tax revenues and 20% reserve in place for the General Fund of which 15% is for natural or fiscal emergencies and 5% is for future operations and capital use;

- The City's Tax revenue received in 2018-2019 (not including cannabis related taxes) is up 14.7% over the prior fiscal year;
- First Southern California City to legalize large scale cultivation facilities;
- Marijuana related taxes increased by \$1,524,153 from FY 2017-2018 to FY 2018-2019 which is an increase over the prior year of 88%;
- There were 5 new cultivation businesses that opened during FY2018-2019 and 8 under construction or will be opening soon;
- City staff continues to budget conservatively and captures all known and anticipated expenses in the budget process;
- The City participates in the County Teeter Plan;
- The City restructured existing debt for the General Fund and the Successor Agency;
- The City issued a new bond and the funds from the bond proceeds are being used to construct the new City Hall facility which should be completed by Autumn 2020.

Government-wide Financial Statements and Financial Analysis

The Government-wide Financial Statements provide a broad overview of the City's activities and are comprised of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents information about the financial position of the City on the accrual basis, like that used in the private sector. It shows the City's assets, deferred outflow of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the City's net position are among indicators used to assess whether the financial condition of the City is improving or deteriorating. It is also important to consider other non-financial factors, such as changes in the City's property tax values and sales tax outlets and the condition of the City's infrastructure (i.e. parks and streets) to accurately assess the overall health of the City.

The *Statement of Activities* presents information about the City's revenues and all its expenses, also on the accrual basis, and explains in detail the change in net position for the 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.

Both government-wide financial statements distinguish 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, Public Works, Economic Development and Culture and Leisure.

The government-wide financial statements can be found on pages 20-23 of this report.

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 the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains five (5) major individual governmental funds; the General Fund (which is consolidated with the Health and Wellness Facility and the Marijuana Reserve Fund), Public Safety Special Revenue Fund, Capital Improvements Deposits Special Revenue Fund, Capital Improvement Capital Projects Fund, and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other 19 non-major governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts a two-year budget for its General Fund and other funds.

The following funds are included to make up the non-major governmental funds:

Special Revenue Funds: Special Gas Tax Fund, SB1 Road Maintenance and Rehab, Municipal Lighting and Landscaping Assessment Districts Funds (19), Measure A Fund, SCAQMD Grant Fund, Air Quality Control Fund, Art in Public Places Fund, Quimby Act Fund, Drainage Assessment Districts Funds (17), County Service Area 152 (CSA-152) Fund, Cabot's Museum Fund, Supplement Law Enforcement Services Account Fund (SLESA), Abandoned Vehicle Abatement Fund, Community Development Block Grant Fund (CDBG), and the Housing Authority Fund.

Capital Projects Funds: 2012 Street Bond Fund, Assessment District 91-1 Fund, Assessment District 92-1 Fund and Assessment District 93-2 Fund.

The governmental fund financial statements can be found on pages 28-34 of this report.

Proprietary Funds

Proprietary funds can be broken down into two different types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the Health & Wellness Center Foundation acquisition of real property and completion of the buildings and improvements at the Health and Wellness facility center. *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 the City's risk management and equipment replacement activities associated with City vehicles. Because these vehicle services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Internal service funds are used to allocate costs amount the City's various functions. The City has (3) internal service funds: equipment replacement, workers compensation insurance and general liability insurance.

The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently the City has two separate Fiduciary Funds reporting financial inflows and outflows for the Successor Agency, which is a private purpose trust fund, and one Agency Fund. The Agency Fund includes various funding (Community Services Agency Funds and the Community Facilities District Skyborne Agency Funds) which is controlled primarily through legal agreements and applicable State and Federal laws.

The basic fiduciary fund financial statements can be found on pages 43-44 of this report.

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. The notes to the basic financial statements can be found on page 49-91 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the General Fund and major special revenue funds. Required supplementary information can be found on pages 95-101 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 105-147 of this report.

Government-wide Financial Analysis

The City's financial position and outlook continues to improve over the last five years. A combination of a reduction in structural expenses and an improvement in economic development activity, cannabis projects and businesses and the passing of the Public Safety Tax Measure have stabilized the City's cash position.

In Fiscal Year 2017-2018, the City received cannabis taxes totaling \$1,724,752. In Fiscal Year 2018-2019 the City received marijuana taxes totaling \$3,248,905, which is an increase of 88% from the prior year. Within the upcoming years, staff expects such receipts to increase, respectively. The City is setting aside 25% cannabis tax revenues into an emergency reserve for economic uncertainties. The City will continue to set aside 25% of the cannabis tax revenues until the reserve balance reaches 17% of the Consolidated General Fund's annual appropriation. As of June 30, 2019, the balance of the emergency reserve was \$1,384,266.

Major revenue increases occurred during fiscal year 2018-2019 in the following areas;

- Property Taxes increased from \$1,299,147 in FY 2017-2018 to \$1,878,375 in FY 2018-2019 approximately 45% increase in tax revenue over the prior year. A significant portion of the increase was due to the City receiving its portion of the proceeds of the sale of property from the former Redevelopment Agency.
- Franchise Fees increased from \$1,505,206 in FY 2017-2018 to \$1,667,796 in FY 2018-2019 approximately 11% over the prior year.
- Sales taxes increased from \$3,623,448 in FY 2017-2018 to \$4,043,988 in FY 18-19 approximately 12% over the prior year.

In October 2018, the City issued \$6,850,000 in Lease Revenue Bonds (Series 2018). The purpose of these bonds is to finance the construction and other building costs for the new City Hall at 11999 Palm Drive. Due to the City's improving financial condition, the bonds were rated by S&P Global Ratings at "A+" enabling the City to save an estimated \$32,000 in interest over the life of the bonds.

The County as adopted the Alternative Method of Distribution of the Tax Levies and Collections and of the Tax Sale Proceeds (the "teeter Plan"), as approved for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each local participating local agency levying property taxes in the County, including the City, received the amount of uncollected taxes credited to it fund, in the same manner as of the account due from the taxpayers have been collected.

Although the City's finances have continued to improve, there remains several unfunded needs for the community and the organization. Equipment replacement, service levels and large capital projects have been reduced over the years. The City recognizes that as more revenue becomes available the City will allocate funds towards maintenance, capital projects and services levels and will continue to work on grant opportunities to fund these items.

The City continues to monitor the unfunded liability for CALPERS and pays all current contributions and unfunded liability contributions timely.

Net Position

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,958,627. as of June 30, 2019, in the Governmental activities and Business-type activities.

The largest portion of the City's net position, \$28.7 million (60%), are reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining (40%) of the City's net position, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Desert Hot Springs
Net Position
June 30, 2019

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 37,302,458	\$ 27,490,681	\$ 15,282,071	\$ 15,462,663	\$ 52,584,529	\$ 42,953,344
Capital assets	46,108,348	44,174,748	12,768,133	13,358,057	58,876,481	57,532,805
Total assets	\$ 83,410,806	\$ 71,665,429	\$ 28,050,204	\$ 28,820,720	\$ 111,461,010	\$ 100,486,149
Deferred outflow of resources	\$ 4,077,146	\$ 3,424,942	\$ -	\$ -	\$ 4,077,146	\$ 3,424,942
Total deferred outflow of resources	\$ 4,077,146	\$ 3,424,942	\$ -	\$ -	\$ 4,077,146	\$ 3,424,942
Current liabilities	\$ 5,411,787	\$ 4,599,745	\$ 887,278	\$ 70,850	\$ 6,299,065	\$ 4,670,595
Long-term liabilities	40,019,314	33,886,226	19,861,722	20,697,000	59,881,036	54,583,226
Total liabilities	\$ 45,431,101	\$ 38,485,971	\$ 20,749,000	\$ 20,767,850	\$ 66,180,101	\$ 59,253,821
Deferred inflow of resources	\$ 1,399,428	\$ 108,402	\$ -	\$ -	\$ 1,399,428	\$ 108,402
Total deferred inflow of resources	\$ 1,399,428	\$ 108,402	\$ -	\$ -	\$ 1,399,428	\$ 108,402
Net position						
Invested in capital assets	\$ 35,790,808	\$ 38,562,083	\$ (7,093,589)	\$ (7,338,943)	\$ 28,697,219	\$ 31,223,140
Restricted	15,137,323	14,118,710	-	-	15,137,323	14,118,710
Unrestricted	(10,270,708)	(16,184,795)	14,394,793	15,391,813	4,124,085	(792,982)
Total net position	\$ 40,657,423	\$ 36,495,998	\$ 7,301,204	\$ 8,052,870	\$ 47,958,627	\$ 44,548,868

An additional portion of the City's net position, \$15.1million (32%), represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of the net position is \$4,124,085.

Table 2
City of Desert Hot Springs
Changes in Net Position
June 30, 2019

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 4,317,324	\$ 5,322,295	\$ 104,000	\$ 104,000	\$ 4,421,324	\$ 5,426,295
Operating grants and contributions	4,355,634	4,455,191	-	-	4,355,634	4,455,191
Capital grants and contributions	5,933,447	4,863,198	-	-	5,933,447	4,863,198
General revenues						
Property taxes	1,878,375	1,299,147	-	-	1,878,375	1,299,147
Sales taxes	4,043,988	3,623,448	-	-	4,043,988	3,623,448
Transient occupancy taxes	2,235,629	2,169,988	-	-	2,235,629	2,169,988
Other taxes	5,010,479	1,555,907	-	-	5,010,479	1,555,907
Investment income	207,242	96,835	75,637	75,637	282,879	172,472
Miscellaneous	793,313	914,674	-	-	793,313	914,674
Transfers	75,400	75,400	(75,400)	(75,400)	-	-
Total revenues	\$ 28,850,831	\$ 24,376,083	\$ 104,237	\$ 104,237	\$ 28,955,068	\$ 24,480,320
Program expenses						
General government	\$ 7,391,029	\$ 6,084,434	\$ -	\$ -	\$ 7,391,029	\$ 6,084,434
Public safety	10,390,958	9,969,636	-	-	10,390,958	9,969,636
Public works	2,555,909	3,228,778	-	-	2,555,909	3,228,778
Economic development	2,025,941	2,001,519	-	-	2,025,941	2,001,519
Culture and leisure	1,035,644	1,405,176	-	-	1,035,644	1,405,176
Interest and fiscal charges	1,289,925	872,857	-	-	1,289,925	872,857
Health and wellness foundation	-	-	855,903	855,596	855,903	855,596
Total expenses	\$ 24,689,406	\$ 23,562,400	\$ 855,903	\$ 855,596	\$ 25,545,309	\$ 24,417,996
Change in net position	4,161,425	813,683	(751,666)	(751,359)	3,409,759	62,324
Net position – beginning of year	36,495,998	35,682,315	8,052,870	8,804,229	44,548,868	44,486,544
Net position – end of year	\$ 40,657,423	\$ 36,495,998	\$ 7,301,204	\$ 8,052,870	\$ 47,958,627	\$ 44,548,868

The City's governmental activities total revenues were almost \$28.9 million, while the total cost of all programs and services were approximately \$24.7 million. Capital grants and contributions were the City's largest resource at \$5.9 million (21% of the total revenue of the governmental activities). Other taxes were the second largest revenue source at \$5.0 million (17% of the total revenue of the governmental activities). Operating grants and contribution revenue was the third largest resource at \$4.4 million (15% of the total revenue of the governmental activities). Charges for services were the fourth largest revenue source at \$4.3 million (15% of the total revenue of the governmental activities).

Governmental activities

Public Safety expenses of \$10.4 million comprise the largest component of government activities (42% of the total cost of governmental activities).

General Government expenses of \$7.4 million (includes City Council, City Manager, City Attorney, City Clerk, Finance, Information Systems and Non-Departmental) were the second largest governmental activities (30% of the total cost of governmental activities).

Public Works expenses of \$2.6 million were the third largest governmental activities (10% of the total cost of governmental activities).

Economic Development expenses of \$2.0 million was the fourth largest governmental activities (8% of the total cost of governmental activities).

Business-type activities

Net position for Business-type activities of the City decreased by \$751,666 for the current year. The costs of the City's business-type activities for the Health and Wellness Foundation were primarily financed through reimbursement of interest income and support from Governmental activities.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The **General Fund** is the City's chief operating fund. At the end of 2018-2019, the City did not have unassigned fund balance while total fund balance was \$11,424,197.

The General Fund balance increased by \$2,456,144 in 2018-2019. Key Factors were:

- The City has implemented a number of effective budget practices such as a structural balanced budget, multi-year forecasting, use of one-time resources on one-time expenses, established a reserve, employee retention and recruitment, collecting appropriate fees for services and being more aggressive in obtaining grants.
- Marijuana revenues were budgeted very conservatively as they are new, and the City is still building the historical data for future budget years.
- When budgeting expenses the City uses inflators annually on all operating costs.
- Budget adjustments are done on an as-needed basis during the year.

Public Safety Special Revenue Fund

The Public Safety Special Revenue Fund accounts for the community safety activities of the City including Police, Fire and Animal Control. The major outside revenue sources for this fund are parcel taxes and utility user taxes. These taxes were enacted specifically for the support of public safety within the City. The single largest revenue source is an interfund transfer from the General Fund. The transfer from the General Fund is to support the operating expenses that exceeds the revenues earned in taxes, fines, fees, and other revenue items. Since this fund has a majority of its support from the General Fund, fund balance is kept at a minimum. Expenditures increased for the 2018-2019 fiscal year by over \$444,468. The increase was due mostly to increased personnel and maintenance costs. The additional expenses were covered by an increase in a transfer from the General Fund.

Capital Improvement Deposits Special Revenue Fund

This fund was established for the accumulation of resources that will provide equipment and capital improvements for fire, streets, traffic signals, facilities, police, and parks. The revenue sources are provided through development impact fees on all new commercial and residential construction. Development fees for the year was over \$108,354 which was an 8% increase over the previous year. The fund balance decreased by 3% to an ending balance of \$3,566,091.

Capital Improvement Capital Projects Fund

This fund is a consolidation of two capital improvement funds. The first in the Capital Improvement Projects fund which is used to record the expenditures of the funds for the City's general capital projects. The fund had several capital improvement projects being worked on during FY 2018-2019. The most notable projects are the Desert View Sidewalks improvement project with \$249,350 expended during the fiscal year; the installation of a new traffic signal & improvements at the intersection of Palm Drive and Camino Aventura with \$293,476 expended from this fund; and the start of the Palm Drive Traffic Signals and Street Lighting Improvement Project which expended \$39,368 during the fiscal year.

The second fund in the consolidation is the Capital Improvement Project Fund (222) City Hall Phase II. This fund is used to record the expenditures for the new City Hall project Phase 2 located at 11999 Palm Drive. The total funds expended since the inception of the project on parking lots, underground facilities, engineering and design, furniture and fixtures, and the start of construction costs totaled \$1,067,246. It is anticipated that in FY 2019-2020 that the new City Hall Site Phase 2 will be built out consisting of a 14,000 square foot building and infrastructure. We anticipate that the overall costs for this facility will be \$10.2 million.

Debt Service Funds

This fund is to account for the debt service payments on the City's Lease Revenue Bonds and Certificates of Participation. The debt service obligations are paid twice annually. The debt service obligations are funded by a utility user tax. For this fiscal year, \$450,000 was paid for the required principal payment and \$1,191,483 was paid out in interest expense. This fund also includes the proceeds and related expenses for the Series 2018 Bonds that were issued in October 2018 for \$6,850,000 to be used for the construction of the new City Hall. The fund balance at June 30, 2019 was \$9,359,197.

Capital Assets

At the end of FY 2018-2019, the City had invested \$58.9 million in a broad range of capital assets, net of depreciation. The investment in capital assets includes land, right of way, buildings and improvements, machinery and equipment, streets and bridges and construction in progress.

Table 3
City of Desert Hot Springs
Capital Assets
As of June 30, 2019

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,726,210	\$ 2,703,668	\$ 370,415	\$ 370,415	\$ 3,096,625	\$ 3,074,083
Construction in progress	5,819,823	4,229,913	-	-	5,819,823	4,229,913
Building and improvements, net of depreciation	12,648,765	11,939,051	12,365,027	12,905,071	25,013,792	24,844,122
Machinery and equipment, net of depreciation	1,017,701	772,281	32,691	82,571	1,050,392	854,852
Vehicles, net of depreciation	949,289	974,598	-	-	949,289	974,598
Infrastructure, net of depreciation	22,946,560	23,555,237	-	-	22,946,560	23,555,237
Total	\$ 46,108,348	\$ 44,174,748	\$ 12,768,133	\$ 13,358,057	\$ 58,876,481	\$ 57,532,805

For more information on Capital Asset Activity, please see Capital Assets Note 5 on page 67 and 68.

Long-term Debt

As of June 30, 2019, the City had total long-term liabilities outstanding of \$50.5 million in Certificates of participation debt, Lease revenue bonds debt, Claims and judgments payable debt, Compensated absences and Pension-related debt. For more detailed information on each long-term liabilities, please see Note 6 on pages 69-78. In comparison to last year the unfunded pension related debt has decreased by \$173,641. Overall debt increased by \$6,850,000 due to the issuance of the Series 2018 Bonds.

Table 4
City of Desert Hot Springs
Long-Term Liabilities
As of June 30, 2019

	Governmental activities		Business-type activities		Total	
	2019	2018	2018	2018	2019	2018
2012A certificates of participation	5,090,000	5,220,000	-	-	5,090,000	5,220,000
Lease revenue bonds series 2017A	13,725,000	13,805,000	-	-	13,725,000	13,805,000
Taxable lease revenue bonds series 2017A-T	695,000	895,000	-	-	695,000	895,000
Lease Revenue Bonds Series 2018	6,810,000	-	-	-	6,810,000	-
Bond discount - 2017A-T	(1,015)	(1,380)	-	-	(1,015)	(1,380)
Bond premium - 2012A COP	177,645	185,310	-	-	177,645	185,310
Bond premium - 2017A	167,537	173,742	-	-	167,537	173,742
Bond premium - 2018	288,352	-	-	-	288,352	-
Capital lease payment	262,004	385,000	-	-	262,004	385,000
Claims and judgments payable	230,843	333,550	-	-	230,843	333,550
Compensated absences	453,793	388,830	-	-	453,793	388,830
Pension-related debt	1,927,900	2,101,541	-	-	1,927,900	2,101,541
Promissory notes	-	-	20,697,000	20,697,000	20,697,000	20,697,000
Total	\$ 29,827,059	\$ 23,486,593	\$ 20,697,000	\$ 20,697,000	\$ 50,524,059	\$ 44,183,593

Cannabis Dispensary and Cultivation Revenues

The City collects taxes for the dispensary and cultivation of marijuana and marijuana products. In the past three years the City has seen a steady increase in dispensary and cultivation tax revenues for the fiscal years 2015 through 2018 and estimates that will continue for the next couple of years. The City received \$1.5 million in cannabis dispensary and cultivation tax revenues for 2018-2019 over 2017-2018.

Table 5
City of Desert Hot springs
Marijuana Revenues
As of June 30, 2019

	Dispensary		Cultivation		Total	
	2019	2018	2019	2018	2019	2018
Marijuana Dispensary Revenue	\$ 1,252,460	\$ 860,929	\$ -	\$ -	\$ 1,252,460	\$ 860,929
Marijuana Cultivation Revenue	-	-	1,996,445	863,823	1,996,445	863,823
Total	\$ 1,252,460	\$ 860,929	\$ 1,996,445	\$ 863,823	\$ 3,248,905	\$ 1,724,752

Economic Factors

- Development activity is increasing due to marijuana cultivation projects and other development within the City;
- Assessed property values increased by 8% this year;
- Home prices continue to rebound with an annual appreciation rate of 2.04%;
- Unemployment rate is down to 5.8% as of June 2019;
- Property Taxes increased by 44% this year;
- The City increased their reserves to 15% of annual general fund appropriations for natural and fiscal emergencies; 5% for future operational and capital uses. Additionally, there is an emergency reserve set up for financial and economic uncertainty funded by 25% of the cannabis tax revenues.

Request for Information

This financial report is designed to provide a general overview of the City of Desert Hot Springs finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Desert Hot Springs, Geoffrey Buchheim, Finance Director, 65950 Pierson Blvd, Desert Hot Springs, CA 92240 or by telephone at 760-329-6411 Ext 277.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 21,726,040	\$ 155,475	\$ 21,881,515
Receivables, net	7,977,697	15,126,596	23,104,293
Prepaid items	182,850	-	182,850
Property held for resale	85,090	-	85,090
Total current assets	<u>29,971,677</u>	<u>15,282,071</u>	<u>45,253,748</u>
Noncurrent assets:			
Cash and investments with fiscal agents	7,330,781	-	7,330,781
Capital assets:			
Not being depreciated	8,546,033	370,415	8,916,448
Being depreciated, net	<u>37,562,315</u>	<u>12,397,718</u>	<u>49,960,033</u>
Total noncurrent assets	<u>53,439,129</u>	<u>12,768,133</u>	<u>66,207,262</u>
Total assets	<u>83,410,806</u>	<u>28,050,204</u>	<u>111,461,010</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	148,926	-	148,926
Deferred outflows of resources related to pensions	<u>3,928,220</u>	<u>-</u>	<u>3,928,220</u>
Total deferred outflows of resources	<u>4,077,146</u>	<u>-</u>	<u>4,077,146</u>

City of Desert Hot Springs
Statement of Net Position (Continued)
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	\$ 2,574,486	\$ -	\$ 2,574,486
Accrued liabilities	333	-	333
Deposits	953,885	-	953,885
Interest payable	313,543	-	313,543
Unearned revenues	200,000	52,000	252,000
Long-term debt - due within one year	1,369,540	835,278	2,204,818
Total current liabilities	5,411,787	887,278	6,299,065
Noncurrent liabilities:			
Long-term debt - due in more than one year	28,457,518	19,861,722	48,319,240
Net pension liabilities	11,561,796	-	11,561,796
Total noncurrent liabilities	40,019,314	19,861,722	59,881,036
Total liabilities	45,431,101	20,749,000	66,180,101
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,399,428	-	1,399,428
Total deferred inflows of resources	1,399,428	-	1,399,428
NET POSITION			
Net investment in capital assets	35,790,808	(7,093,589)	28,697,219
Restricted for:			
Public safety	176,878	-	176,878
Street maintenance and capital improvement	5,950,139	-	5,950,139
Housing authority	3,548,740	-	3,548,740
Debt service	3,859,197	-	3,859,197
Lighting/Landscaping/Drainage	1,323,424	-	1,323,424
Assessment District 91-1	122,077	-	122,077
Assessment District 92-1	14,699	-	14,699
Assessment District 93-2	10,217	-	10,217
Other	131,952	-	131,952
Total restricted	15,137,323	-	15,137,323
Unrestricted (deficit)	(10,270,708)	14,394,793	4,124,085
Total net position	\$ 40,657,423	\$ 7,301,204	\$ 47,958,627

City of Desert Hot Springs
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 7,391,029	235,203	\$ -	\$ -	\$ 235,203
Public safety	10,390,958	800,181	2,555,423	2,332,554	5,688,158
Public works	2,555,909	1,057,960	1,104,448	3,600,893	5,763,301
Economic development	2,025,941	2,089,109	269,577	-	2,358,686
Culture and leisure	1,035,644	134,871	426,186	-	561,057
Interest and fiscal charges	1,289,925	-	-	-	-
Total governmental activities	24,689,406	4,317,324	4,355,634	5,933,447	14,606,405
Business-type activities:					
Health and Wellness Foundation	855,903	104,000	-	-	104,000
Total business-type activities	855,903	104,000	-	-	104,000
Total primary government	\$ 25,545,309	\$ 4,421,324	\$ 4,355,634	\$ 5,933,447	\$ 14,710,405

City of Desert Hot Springs
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (7,155,826)	\$ -	\$ (7,155,826)
Public safety	(4,702,800)	-	(4,702,800)
Public works	3,207,392	-	3,207,392
Economic development	332,745	-	332,745
Culture and leisure	(474,587)	-	(474,587)
Interest and fiscal charges	(1,289,925)	-	(1,289,925)
Total governmental activities	(10,083,001)	-	(10,083,001)
Business-type activities:			
Health and Wellness Foundation	-	(751,903)	(751,903)
Total business-type activities	-	(751,903)	(751,903)
Total primary government	(10,083,001)	(751,903)	(10,834,904)
General revenues:			
Taxes:			
Property taxes	1,878,375	-	1,878,375
Sales taxes	4,043,988	-	4,043,988
Dispensary taxes	1,252,460	-	1,252,460
Cultivator taxes	1,996,445	-	1,996,445
Vehicle in-lieu taxes	14,276	-	14,276
Utility users taxes	79,502	-	79,502
Franchise taxes	1,667,796	-	1,667,796
Transient occupancy taxes	2,235,629	-	2,235,629
Total taxes	13,168,471	-	13,168,471
Investment income	207,242	75,637	282,879
Miscellaneous	793,313	-	793,313
Transfers	75,400	(75,400)	-
Total general revenues and transfers	14,244,426	237	14,244,663
Change in net position	4,161,425	(751,666)	3,409,759
Net position - beginning of year	36,495,998	8,052,870	44,548,868
Net position - end of year	\$ 40,657,423	\$ 7,301,204	\$ 47,958,627

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - As the City's primary operating fund, it accounts for and reports all financial resources of the City, except those required to be accounted for and reported in another fund.

Public Safety Special Revenue Fund - To account for and report special taxes and grants for community safety expenditures including Police, Fire and Animal Control.

Capital Improvement Deposits Special Revenue Fund - To account for accumulated resources to be used to purchase the protection equipment and facilities, traffic signals, and parks. Financing is provided through a development fee on all new commercial and residential construction.

Capital Improvement Capital Projects Fund - To account for and report expenditures related to various capital projects identified in the City's 5-year CIP plan.

Debt Service Fund - To account for the debt service payments on the City's Lease Revenue Bonds and Certificate of Participation twice annually.

Nonmajor Governmental Funds - To account for the aggregate of all the nonmajor governmental funds.

City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2019

	Special Revenue Funds			
	General	Public Safety	Capital Improvement Deposits	Capital Improvement Capital Projects
ASSETS				
Cash and investments	\$ 10,920,698	\$ 228,532	\$ 3,914,291	\$ 1,783,304
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	2,896,275	516,076	326	626,556
Interest	23,705	-	7,037	-
Notes	-	-	-	-
Prepaid items	126,571	50,316	-	-
Due from other funds	160,597	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 14,127,846	\$ 794,924	\$ 3,921,654	\$ 2,409,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 970,229	\$ 619,151	\$ 131,963	\$ 315,517
Accrued liabilities	333	-	-	-
Due to other funds	-	-	223,600	41,954
Deposits	701,447	34,450	-	217,988
Unearned revenue	-	-	-	200,000
Total liabilities	1,672,009	653,601	355,563	775,459
Deferred Inflows of Resources:				
Unavailable revenues	1,031,640	131,874	-	333,556
Fund Balances:				
Nonspendable	126,571	-	-	-
Restricted	-	9,449	3,566,091	1,300,845
Committed	1,384,266	-	-	-
Assigned	9,913,360	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	11,424,197	9,449	3,566,091	1,300,845
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,127,846	\$ 794,924	\$ 3,921,654	\$ 2,409,860

City of Desert Hot Springs
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,889,225	\$ 2,608,018	\$ 21,344,068
Cash and investments with fiscal agents	7,330,781	-	7,330,781
Receivables:			
Accounts	135,868	320,577	4,495,678
Interest	3,323	4,484	38,549
Notes	-	3,389,172	3,389,172
Prepaid items	-	5,963	182,850
Due from other funds	-	223,600	384,197
Property held for resale	-	85,090	85,090
Total assets	\$ 9,359,197	\$ 6,636,904	\$ 37,250,385
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	-	479,441	2,516,301
Accrued liabilities	-	-	333
Due to other funds	-	118,643	384,197
Deposits	-	-	953,885
Unearned revenue	-	-	200,000
Total liabilities	-	598,084	4,054,716
Deferred Inflows of Resources:			
Unavailable revenues	-	66,901	1,563,971
Fund Balances:			
Nonspendable	-	5,963	132,534
Restricted	9,359,197	5,872,336	20,107,918
Committed	-	125,868	1,510,134
Assigned	-	-	9,913,360
Unassigned (deficit)	-	(32,248)	(32,248)
Total fund balances	9,359,197	5,971,919	31,631,698
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,359,197	\$ 6,636,904	\$ 37,250,385

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City of Desert Hot Springs
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 31,631,698

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, excluding the \$420,119 from the Internal Service Funds, used in governmental activities are not financial resources and are not reported in the funds:

Capital assets, not being depreciated	8,546,033	
Capital assets, being depreciated	37,142,196	45,688,229

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned.		1,563,971
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Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(313,543)
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Long-term liabilities, net of \$492,847 reported in Internal Service funds were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.

Deferred loss on refunding	148,926	
Long-term liabilities	(29,334,212)	(29,185,286)

Net pension liability is not due and payable in the current period; therefore, is not reported in the governmental funds. Deferred outflows of resources and deferred inflows of resources related to pensions are also not reported in the governmental funds.

Deferred outflows of resources	3,928,220	
Net pension liabilities	(11,561,796)	
Deferred inflows of resources	(1,399,428)	(9,033,004)

Internal service funds are used by management to charge the costs of general liability, workers' compensation and equipment replacement to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Government-Wide Statement of Net Position.		305,358
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Net Position of Governmental Activities		\$ 40,657,423
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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds			
	General	Public Safety	Capital Improvement Deposits	Capital Improvement Capital Projects
REVENUES:				
Taxes	\$ 12,716,933	\$ 4,352,952	\$ -	\$ -
Permits and fees	2,392,332	89,857	1,523,921	-
Intergovernmental	-	31,417	-	482,727
Licenses	214,266	17,771	-	-
Interest	146,152	-	21,288	-
Miscellaneous	1,100,850	405,720	-	-
Total revenues	16,570,533	4,897,717	1,545,209	482,727
EXPENDITURES:				
Current:				
General government	5,103,292	-	-	-
Public safety	80,263	9,635,139	-	-
Public works	223,880	-	-	-
Economic development	1,994,247	-	-	-
Culture and leisure	518,826	-	-	-
Capital outlay	757,944	203,675	1,501,396	1,942,374
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	8,678,452	9,838,814	1,501,396	1,942,374
REVENUES OVER (UNDER) EXPENDITURES	7,892,081	(4,941,097)	43,813	(1,459,647)
OTHER FINANCING SOURCES (USES):				
Issuance of lease revenue bonds	-	-	-	-
Issuance premium	-	-	-	-
Transfers in	182,582	5,087,335	-	2,617,000
Transfers out	(5,618,519)	(136,816)	(150,000)	-
Total other financing sources (uses)	(5,435,937)	4,950,519	(150,000)	2,617,000
NET CHANGES IN FUND BALANCES	2,456,144	9,422	(106,187)	1,157,353
FUND BALANCES:				
Beginning of year	8,968,053	27	3,672,278	143,492
End of year	<u>\$ 11,424,197</u>	<u>\$ 9,449</u>	<u>\$ 3,566,091</u>	<u>\$ 1,300,845</u>

City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2019

	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 1,100,984	\$ 1,008,121	\$ 19,178,990
Permits and fees	-	42,949	4,049,059
Intergovernmental	-	2,339,723	2,853,867
Licenses	-	-	232,037
Interest	61,189	15,474	244,103
Miscellaneous	-	3,536	1,510,106
Total revenues	<u>1,162,173</u>	<u>3,409,803</u>	<u>28,068,162</u>
EXPENDITURES:			
Current:			
General government	-	-	5,103,292
Public safety	-	13,717	9,729,119
Public works	1,248	1,867,324	2,092,452
Economic development	-	25,023	2,019,270
Culture and leisure	-	200,751	719,577
Capital outlay	-	901,653	5,307,042
Debt service:			
Principal retirement	450,000	-	450,000
Interest and fiscal charges	1,191,483	-	1,191,483
Total expenditures	<u>1,642,731</u>	<u>3,008,468</u>	<u>26,612,235</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(480,558)</u>	<u>401,335</u>	<u>1,455,927</u>
OTHER FINANCING SOURCES (USES):			
Issuance of lease revenue bonds	6,850,000	-	6,850,000
Issuance premium	295,100	-	295,100
Transfers in	1,033,726	563,982	9,484,625
Transfers out	(2,427,000)	(1,096,524)	(9,428,859)
Total other financing sources (uses)	<u>5,751,826</u>	<u>(532,542)</u>	<u>7,200,866</u>
NET CHANGES IN FUND BALANCES	5,271,268	(131,207)	8,656,793
FUND BALANCES:			
Beginning of year	4,087,929	6,103,126	22,974,905
End of year	<u>\$ 9,359,197</u>	<u>\$ 5,971,919</u>	<u>\$ 31,631,698</u>

City of Desert Hot Springs
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 8,656,793

Amounts reported for governmental activities in the Statement of Activities are different because:

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

Capital outlay, less \$45,733 reported in Internal Service Fund	5,038,464	
Effect on disposal of capital assets	(23,151)	

Depreciation expense on capital assets, net of internal service fund depreciation expense of \$201,496 was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.		(2,925,950)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		707,269
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The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.		(96,527)
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Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the decrease in long-term compensated absences was not reported as an expenditure in the governmental funds.		(64,963)
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Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Proceeds from lease revenue bonds	(6,850,000)	
Issuance premium	(295,100)	
Principal repayments of long-term debt	450,000	
Changes in pension-related debt	173,641	
	173,641	(6,521,459)

Amortization expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds.		
Amortization of premium/discount	20,253	
Amortization of deferred charges on refunding	(8,348)	
	(8,348)	11,905

Certain pension 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, net of \$1,407,681 pension contribution made after measurement date.		(488,575)
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Internal service funds were used by management to charge the costs of certain activities, such as insurance to individual funds. The net loss of the internal service funds was reported with governmental activities.		(132,381)
		(132,381)

Change in Net Position of Governmental Activities		\$ 4,161,425
		\$ 4,161,425

PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds are used to account and report activities for which fees are charges to external users for goods and/or services.

Health & Wellness Foundation Enterprise Fund - To account for the acquisition of real property and completion of buildings and improvements to be operated as a health and wellness center to promote the physical and psychological health and well-being of residents of the City and surrounding area.

Internal Service Funds - To account for the City's risk management and equipment replacement activities, which are goods and services provided to other Funds of the City.

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City of Desert Hot Springs
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities	Governmental Activities
	Health & Wellness Foundation Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 155,475	\$ 381,972
Accounts receivable	-	54,298
Interest receivable	2	-
Total current assets	<u>155,477</u>	<u>436,270</u>
Noncurrent assets:		
Notes receivable	15,126,594	-
Capital assets, not being depreciated	370,415	-
Capital assets, being depreciated, net	12,397,718	420,119
Total capital assets, net	<u>12,768,133</u>	<u>420,119</u>
Total noncurrent assets	<u>27,894,727</u>	<u>420,119</u>
Total assets	<u>28,050,204</u>	<u>856,389</u>
LIABILITIES		
Current liabilities:		
Accounts payable	-	58,185
Unearned revenue	52,000	-
Notes payable - due within one year	835,278	-
Capital lease payable - due within one year	-	128,262
Claims payable - due within one year	-	230,842
Total current liabilities	<u>887,278</u>	<u>417,289</u>
Noncurrent liabilities:		
Notes payable - due in more than one year	19,861,722	-
Capital lease payable - due in more than one year	-	133,742
Total noncurrent liabilities	<u>19,861,722</u>	<u>133,742</u>
Total liabilities	<u>20,749,000</u>	<u>551,031</u>
NET POSITION		
Net investment in capital assets	(7,093,589)	158,115
Unrestricted	14,394,793	147,243
Total net position	<u>\$ 7,301,204</u>	<u>\$ 305,358</u>

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities <u>Health & Wellness Foundation Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 104,000	\$ -
Insurance recovery	-	195,403
Total operating revenues	<u>104,000</u>	<u>195,403</u>
OPERATING EXPENSES:		
Insurance claims	-	131,977
General and administrative	162,494	-
Vehicle maintenance	-	125
Depreciation	589,924	201,496
Total operating expenses	<u>752,418</u>	<u>333,598</u>
OPERATING (LOSS)	<u>(648,418)</u>	<u>(138,195)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	75,637	-
Interest expense	(103,485)	(13,820)
Total nonoperating revenues (expenses)	<u>(27,848)</u>	<u>(13,820)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(676,266)</u>	<u>(152,015)</u>
TRANSFERS:		
Transfers in	-	136,816
Transfers out	(75,400)	(117,182)
Total transfers	<u>(75,400)</u>	<u>19,634</u>
Changes in net position	(751,666)	(132,381)
NET POSITION:		
Beginning of year	8,052,870	437,739
End of year	<u>\$ 7,301,204</u>	<u>\$ 305,358</u>

City of Desert Hot Springs
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities	Governmental Activities
	Health & Wellness Foundation Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 104,000	\$ -
Receipts from claims and recoveries	-	151,105
Payments to suppliers for goods and services	(181,344)	45,609
Payments for insurance claims	-	(246,285)
Net cash (used in) operating activities	(77,344)	(49,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in from other funds	-	136,816
Transfers out to other funds	(75,400)	(117,182)
Net cash provided by (used in) noncapital financing activities	(75,400)	19,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(45,733)
Principal payments on capital lease	-	(122,996)
Interest paid	(103,485)	(13,820)
Net cash (used in) capital and related financing activities	(103,485)	(182,549)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	94,543	-
Net cash provided by investing activities	94,543	-
Net decrease in cash and cash equivalents	(161,686)	(212,486)
CASH AND CASH EQUIVALENTS:		
Beginning of year	317,161	594,458
End of year	<u>\$ 155,475</u>	<u>\$ 381,972</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Operating (loss)	\$ (648,418)	\$ (138,195)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	589,924	201,496
(Increase) decrease in accounts receivables	-	(44,298)
Increase (decrease) in accounts payable	(18,850)	34,133
Increase (decrease) in claims payable	-	(102,707)
Total adjustments	<u>571,074</u>	<u>88,624</u>
Net cash (used in) operating activities	\$ (77,344)	\$ (49,571)

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FIDUCIARY FUND FINANCIAL STATEMENTS

Successor Agency Private-Purpose Trust Fund - To account for the balances and transactions of the Successor Agency to the former Redevelopment Agency of the City of Desert Hot Springs.

Agency Funds - To account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

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City of Desert Hot Springs
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Successor Agency Private - Purpose Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments	\$ 3,016,854	\$ 3,127,444
Accounts receivable	-	4,139
Interest receivable	-	1,903
Total current assets	3,016,854	3,133,486
Noncurrent assets:		
Investments with fiscal agents	3,234,383	180,156
Prepaid Expense	841	
Notes receivable	16,294	-
Property held for resale	417,252	-
Total noncurrent assets	3,668,770	180,156
Total assets	6,685,624	\$ 3,313,642
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refundings	1,351,085	
Total deferred outflows of resources	1,351,085	
LIABILITIES		
Current liabilities:		
Accounts payable	10,085	\$ 82,136
Deposits payable	88,648	2,112,835
Interest payable	488,271	-
Bonds payable - due within one year	2,192,595	-
Due to bondholders	-	1,118,671
Total current liabilities	2,779,599	3,313,642
Noncurrent liabilities:		
Bonds payable - due in more than one year	27,939,214	-
Total noncurrent liabilities	27,939,214	-
Total liabilities	30,718,813	\$ 3,313,642
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refundings	2,322	
Total deferred outflows of resources	2,322	
NET POSITION (DEFICIT)		
Held in trust	\$ (22,684,426)	

City of Desert Hot Springs
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Successor Agency Private - Purpose Trust Fund
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 3,618,104
Use of money and property	106,949
Other revenue	19,439
Total additions	3,744,492
DEDUCTIONS:	
Interest expenses	1,514,012
Administration	307,261
Pass through payments	3,186,324
Investment loss	22,150
Loss on sale of land held for resale	78,146
Total deductions	5,107,893
Change in net position	(1,363,401)
NET POSITION:	
Beginning of year	(21,321,025)
End of year	\$ (22,684,426)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Desert Hot Springs
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	49
A. Financial Reporting Entity	49
B. Basis of Accounting and Measurement Focus	50
C. Cash, Cash Equivalents and Investments	53
D. Cash and Investments with Fiscal Agents	54
E. Fair Value Measurement	54
F. Prepaid Items	54
G. Interfund Transactions	54
H. Property Held for Resale	54
I. Capital Assets	55
J. Interest Payable	55
K. Unearned Revenue	55
L. Compensated Absences	55
M. Pensions	56
N. Deferred Outflows and Inflows of Resources	56
O. Long-Term Debt	56
P. Claims and Judgments	57
Q. Property Taxes	57
R. Net Position	57
S. Fund Balances	58
T. Spending Policy	58
U. Use of Estimates	59
V. Accounting Changes	59
Note 2 – Cash and Investments	59
A. Demand Deposits	60
B. Investments	60
C. Fair Value Measurement	61
D. Risk Disclosures	62
E. Investments in Local Agency Investment Fund	64
Note 3 – Notes Receivable	64
A. Governmental Fund Financial Statements	64
B. Proprietary Fund Financial Statements	65
Note 4 – Interfund Transactions	65
A. Due From/To Other Funds	65
B. Transfers In/Out	65
Note 5 – Capital Assets	67
A. Governmental Activities	67
B. Business-Type Activities	68

City of Desert Hot Springs
Index to the Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

	<u>Page</u>
Note 6 – Long-Term Liabilities	69
A. Governmental Activities.....	69
B. Business-Type Activities.....	73
C. Fiduciary Activities.....	77
Note 7 – Non-City Obligation Debt.....	79
Note 8 – Risk Management.....	79
A. Coverage.....	79
B. Claims Activity	80
C. Adequacy of Protection.....	80
Note 9 – Defined Benefit Pension Plan	80
A. General Information about the Pension Plan.....	80
B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.....	82
Note 10 – Jointly Governed Organization.....	87
Note 11 – Classification of Fund Balances	88
Note 12 – Related Party Transactions	89
Note 13 – Contingencies and Commitments	89
A. Lawsuits	89
B. Federal and State Grant Programs.....	89
C. Dispute with State of California Regarding Use of Gas Tax Monies	90
D. Expiration of the New Market Tax Credit Financing.....	90
Note 14 – Subsequent Event	91

City of Desert Hot Springs
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Desert Hot Springs, California (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

A. Financial Reporting Entity

The City was incorporated on September 17, 1963 as a charter city under the laws of the State of California and enjoys all the rights and privileges allowed by its charter. The City is governed by an elected five-member council.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

City of Desert Hot Springs Financing Corporation (the “Corporation”) – The Corporation is a nonprofit public benefit corporation formed for the purpose of providing public facility financing to the City. The Corporation’s Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. The Corporation holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to the Corporation in an amount equal to the periodic principal and interest payments due on the Certificates. The Corporation does not issue separate financial statements.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Units (Continued):

Desert Hot Springs Public Financing Authority (the “Authority”) – the Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated May 1, 1993, between the City and the Redevelopment Agency of the City which has been succeeded by the Successor Agency of the City. The Authority is governed by the Board of Directors. The Chairperson, Vice-Chairperson, Executive Director, and Secretary of the Authority consist of the Mayor, Mayor Pro Tem, City Manager, and City Clerk of the City, respectively. The Authority does not issue separate financial statements.

Desert Hot Springs Housing Authority (the “Housing Authority”) – The Housing Authority was formed on January 18, 2011 and operates as a public authority whose primary goal is to provide decent, safe and sanitary housing in a suitable living environment for families that cannot afford private housing that comply with housing quality standards. The Housing Authority does not issue separate financial statements.

Desert Hot Springs Health & Wellness Foundation (the “Foundation”) – The Foundation is a California nonprofit public benefit corporation which was incorporated on December 1, 2011 as a result of the joint effort of the City of Desert Hot Springs (the “City”) and the Desert Healthcare District (the “District”). Funding of the Foundation came from the New Market Tax Credit which closed on July 13, 2012. The purpose of the Foundation was to embark upon a project consisting of the acquisition of real property and completion of buildings and improvements to be operated as a health and wellness center in conjunction with other public agencies and nonprofit organizations to promote the physical and psychological health and well-being of residents of the City and surrounding area. The Foundation is governed by a Board of Directors of five members. Three of the board members were appointed by the City Council of Desert Hot Springs, one of the board members was appointed by the District, and one board member by the PSUSD. Separate financial statements can be obtained from the City Hall.

These component units are included in the primary government because of the significance of their financial and operational relationship and due to the governing bodies being appointed by the City Council or the same as City Council.

The City has no discretely presented component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, 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. City 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.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The following interfund activities have been eliminated:

- Due from/to other funds
- Transfers in/out

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources, are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

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 these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, citations, intergovernmental revenues, other taxes and abatement receivables. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

- ***General Fund*** – This fund is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- ***Public Safety Special Revenue Fund*** – This fund was established to account for special taxes and grants for public safety expenditures.
- ***Capital Improvement Deposits Special Revenue Fund*** – This fund is to account for accumulated resources to be used to purchase the protection equipment and facilities, traffic signals, and parks. Financing is provided through a development fee on all new commercial and residential construction.
- ***Capital Improvement Capital Projects Fund*** – This fund is to account for and report expenditures related to various capital projects identified in the City’s 5-Year CIP plan.
- ***Debt Service Fund*** – This fund was established to account for the debt service payments of the City.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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 proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The City’s internal service funds include two individual funds which provide services directly to other City funds, which include risk management (combining general liability and workers’ compensation activities) and equipment replacement.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

The City reports the following major proprietary fund:

- ***Health & Wellness Foundation Enterprise Fund*** – This fund was established to account for 1) the acquisition of real property and completion of buildings and improvements to be operated as a health and wellness center to promote the physical and psychological health and well-being of residents of the City and surrounding area and 2) various funding received for the completion of the health and wellness center as a result of the New Market Tax Credit.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and a private-purpose trust fund. Both the agency funds and the private-purpose trust fund are accounted for on the full accrual basis of accounting.

Fiduciary fund types are accounted for according to the nature of the fund. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities. The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the former Redevelopment Agency of the City of Desert Hot Springs. Its results of operations are presented in the Statement of Changes of Fiduciary Net Position.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified, including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Fair Value Measurement

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 - Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets and liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

F. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is nonspendable.

G. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund balances.”

H. Property Held for Resale

Property held for resale is carried at the lower of cost or net realized value, but not greater than the estimated net realizable value.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 (including infrastructure assets). Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Building and improvements	30 years
Vehicles, machinery and equipment	3-10 years
Infrastructure	20 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities, such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type activities as part of the asset cost.

J. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized, as the liability is incurred, for governmental activities and business-type activities. In the fund financial statements, only proprietary fund and private-purpose trust fund types recognize the interest payable when the liability is incurred.

K. Unearned Revenue

Unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services.

L. Compensated Absences

Permanent City employees earn vacation and sick leave hours per pay period with rates depending on their length of employment. Upon separation from employment, the employees are paid for any unused vacation leave accrual balance. The City allows employees to accrue up to a maximum of 300 hours of vacation leave. There is no maximum on the number of sick leave hours that can be accrued. The amount of compensated absences at June 30 is accrued when incurred in the government-wide financial statements. Compensated absences are primarily liquidated by the General Fund.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Deferred Outflows/Inflows of Resources

The Statement of Net Position and Balance Sheet report separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

O. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. 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. Bond issuance costs are expensed when incurred.

In the fund financial statements, with the exception of advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long term debt is shown as a reconciling item in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Claims and Judgments

When it is probable that a claim or judgment liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. The City is self-insured and has insurance coverage in excess of the self-insured amounts as a member of the Public Entity Risk Management Authority (“PERMA”).

Q. Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California (“County”) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. No allowance for doubtful accounts was considered necessary.

R. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets, net of unspent debt proceeds, and the capital debt related deferred outflows and inflows of resources.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances are items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager or designee for that purpose.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

T. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. Accounting Changes

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 6 for long-term liabilities disclosures.

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2019:

	Government-Wide Statement of Net Position				
	Governmental Activities	Business-Type Activities	Total	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 21,726,040	\$ 155,475	\$ 21,881,515	\$ 6,144,298	\$ 28,025,813
Cash and investments with fiscal agents	7,330,781	-	7,330,781	3,414,539	10,745,320
Total cash and investments	\$ 29,056,821	\$ 155,475	\$ 29,212,296	\$ 9,558,837	\$ 38,771,133

Cash and investments consisted of the following at June 30, 2019:

Cash:	
Petty cash	\$ 8,000
Demand deposits	17,148,229
Cash with fiscal agent:	1,159,154
Total cash and cash equivalents	18,315,383
Investments	10,869,583
Investments with fiscal agents	9,586,167
Total investments	20,455,750
Total cash and investments	\$ 38,771,133

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$17,148,229 at June 30, 2019. Bank balances at that date were \$17,376,943, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name as discussed below. The difference between the carrying amount and bank balances represents outstanding checks, deposits in transit, and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City’s deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”).

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Investments Authorized by the City’s Investment Policy

The City annually adopts an investment policy to provide guidelines for the deposit and investment of public monies. The investment policy was consistent with the terms and provisions of California Government Code Section 53600 et seq.

Authorized Investment Type	Maximum Maturity *	Percentage of Portfolio *	Investment in One Issuer *
United States Treasury Obligations	5 years	80%	Total amount invested
U.S. Sponsored Enterprise Securities	5 years	80%	Total amount invested
Bankers' Acceptances	180 days	40%	40%
Commercial paper	270 days	25%	10%
Negotiable Certificates of deposit	5 years	30%	N/A
Local Agency Investment Fund ("LAIF")	N/A	No Limit	\$50 million
Medium-term notes	5 years	30%	N/A
Money Market Mutual Funds	N/A	20%	10%

N/A - Not Applicable

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by Debt Agreement

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. Authorized investments held by bond trustee are the same as those authorized by the City’s investment policy identified above.

C. Fair Value Measurement

At June 30, 2019, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

Investment Type	Value	Fair Value Measurement		Uncategorized
		Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	
Local Agency Investment Fund (LAIF)	\$ 7,405,653	\$ -	\$ -	\$ 7,405,653
Certificates of deposits	1,441,146	-	1,441,146	-
Money market funds	70,486	-	-	70,486
US Treasury obligations	650,679	650,679	-	-
US government sponsored enterprise securities	872,106	-	872,106	-
Corporate bonds	429,513	-	429,513	-
Investments held with fiscal agents:				
Local Agency Investment Fund (LAIF)	5,500,000	-	-	5,500,000
US Treasury notes	1,353,848	1,353,848	-	-
US government sponsored enterprise securities	174,200	-	174,200	-
Corporate bonds	314,972	-	314,972	-
Foreign government bonds	324,534	-	324,534	-
Money market mutual funds	1,918,613	-	-	1,918,613
Total	\$ 20,455,750	\$ 2,004,527	\$3,556,471	\$ 14,894,752

Level 2 investments are valued based on institutional bond quotes or matrix pricing.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2019, the City’s investments had the following maturities:

Investment Type	Amount	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund (LAIF)	\$ 7,405,653	\$ 7,405,653	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	1,441,146	598,965	596,827	200,202	45,152	-
Money market funds	70,486	70,486	-	-	-	-
US Treasury obligations	650,679	249,035	99,371	50,176	252,097	-
US government sponsored enterprise securities	872,106	346,870	125,242	245,405	154,589	-
Corporate bonds	429,513	-	151,041	75,239	203,233	-
Investments held with fiscal agents:						
Local Agency Investment Fund (LAIF)	5,500,000	5,500,000	-	-	-	-
US Treasury notes	1,353,848	-	671,675	-	682,173	-
US government sponsored enterprise securities	174,200	79,000	-	95,200	-	-
Corporate bonds	314,972	314,972	-	-	-	-
Foreign government bonds	324,534	-	-	324,534	-	-
Money market mutual funds	1,918,613	1,918,613	-	-	-	-
Total	\$ 20,455,750	\$ 16,483,594	\$1,644,156	\$ 990,756	\$ 1,337,244	\$ -

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To be eligible to receive City money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate income neighborhoods. The City's investments are rated by the nationally recognized statistical rating organizations as follows:

Investment Type	Fair Value	Minimum Legal Credit Rating	Credit Rating	Percentage of Investments with Credit Rate Risk
Local Agency Investment Fund (LAIF)	\$ 7,405,653	N/A	Not Rated	68.13%
Certificates of deposits	1,441,146	A	A1	13.26%
Money market funds	70,486	N/A	Aaa	0.65%
US Treasury obligations	650,679	N/A	Aaa	5.99%
US government sponsored enterprise securities	872,106	N/A	Aaa	8.02%
Corporate bonds	429,513	N/A	Aaa	3.95%
Investments held with fiscal agents:				
Local Agency Investment Fund (LAIF)	5,500,000	N/A	Not Rated	N/A
US Treasury notes	1,353,848	Aaa	Aaa	N/A
US government sponsored enterprise securities	174,200	N/A	Aaa	N/A
Corporate bonds	314,972	N/A	Aaa	N/A
Foreign government bonds	324,534	N/A	Not Rated	N/A
Money market mutual funds	1,918,613	N/A	Aaa	N/A
Total	<u>\$ 20,455,750</u>			

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through these of mutual funds or government investment pools (such as LAIF).

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

E. Investments in Local Agency Investment Fund

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2019, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: Generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$7,405,653 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2019 at amortized cost, which approximates fair value.

Note 3 – Notes Receivable

A. Governmental Fund Financial Statements

Notes receivable, which amounted to \$3,389,172, are reported in the nonmajor governmental funds (Housing Authority Special Revenue Fund) as follows:

Housing Rehabilitation Loan Program	\$ 939,172
Owner Participation and Loan Agreement:	
Low and Moderate Income Housing Units	750,000
Multifamily Residential Housing	1,700,000
Total	\$ 3,389,172

The former Redevelopment Agency of the City of Desert Hot Springs (“Redevelopment Agency”) operated a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership.

On October 6, 2009, the former Redevelopment Agency entered into an Owner Participation and Loan Agreement for \$750,000 with a developer to provide sixty low to moderate income housing units. The term of the loan is 55 years.

The former Redevelopment Agency entered into another \$1,700,000 Owner Participation and Grant Agreement with the Coachella Valley Housing Coalition on March 16, 2010 to provide 62-unit multifamily residential housing. The term of the grant agreement is 55 years.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Notes Receivable (Continued)

B. Proprietary Fund Financial Statements

On July 13, 2012, the City entered into a Fund Loan Agreement with Desert Hot Springs Investment Fund, LLC, a Missouri limited liability company (the “Investment Fund”) and provided \$15,126,594 to the Investment Fund. The proceeds were used to fund the Investment Fund’s equity investments in New Market Community Capital X, LLC, a Delaware limited liability company (“NMCC”), and LCD New Market Fund XII, LLC, a Delaware limited liability company (“LCD”) in the amount of \$8,300,000 and \$13,000,000, respectively. The note bears an interest rate of 0.5% with maturity date of July 1, 2048. Interest is payable quarterly commencing on October 1, 2012 while principal is not due until January 1, 2020. As of June 30, 2019, the outstanding balance for the note receivable was in the amount of \$15,126,594.

Note 4 – Interfund Transactions

A. Due From/To Other Funds

At June 30, 2019, the City had the following short-term interfund receivable/payable:

Due to Other Funds	Due from Other Funds		
	General Fund	Nonmajor Governmental Funds	Total
Capital Improvement Deposits Special Revenue Fund	\$ -	\$ 223,600	\$ 223,600
Capital Improvement Capital Project Fund	41,954	-	41,954
Nonmajor Governmental Funds	118,643	-	118,643
Total	<u>\$ 160,597</u>	<u>\$ 223,600</u>	<u>\$ 384,197</u>

The interfund balances resulted from temporary reclassifications made at June 30, 2019 to cover cash shortfalls and repayment amount for Quimby Act Fund.

B. Transfers In/Out

For the year ended June 30, 2019, the City had the following transfers in/out which arise in the normal course of operations:

Transfers Out	Transfers In						Total
	General Fund	Public Safety Special Revenue Fund	Capital Improvement Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 4,913,315	\$ -	\$ 141,222	\$ 563,982	\$ -	\$ 5,618,519
Public Safety Special Revenue Fund	-	-	-	-	-	136,816	136,816
Capital Improvement Deposits Special Revenue Fund	-	-	150,000	-	-	-	150,000
Debt Service Fund	-	-	2,427,000	-	-	-	2,427,000
Nonmajor Governmental Funds	-	174,020	30,000	892,504	-	-	1,096,524
Health & Wellness Foundation Enterprise Fund	75,400	-	-	-	-	-	75,400
Internal Service Fund	107,182	-	10,000	-	-	-	117,182
Total	<u>\$ 182,582</u>	<u>\$ 5,087,335</u>	<u>\$ 2,617,000</u>	<u>\$ 1,033,726</u>	<u>\$ 563,982</u>	<u>136,816</u>	<u>\$ 9,621,441</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 4 – Interfund Transactions (Continued)

B. Transfers In/Out (Continued)

The transfer of \$4,913,315 from General Fund to the Public Safety Special Revenue Fund was to fund public safety expenditures during the year in which there were insufficient revenues to cover. The Transfers of \$141,222 to the Debt Service Fund was to fund debt service payments. The transfers of \$563,982 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of CDBG, Cabot's Museum and Municipal Lighting and Maintenance District.

The transfer of \$138,816 from the Public Safety Special Revenue Fund to the Internal Service funds relates to the annual lease payment for Police Department vehicles.

The transfer of \$150,000 from the Capital Improvement Deposits Special Revenue Fund to Capital Improvement Capital Projects Fund relates to the funding of capital projects.

The transfers of \$2,427,000 from Debt Service Fund to the Capital Improvement Capital Projects Fund relates to the bond proceeds for construction of the City Hall from the 2017A Lease Revenue Bonds and the 2018 Lease Revenue Bonds.

The transfers of \$174,020 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relates to assistance in funding public safety expenditures. Transfers of \$400,444 from the Nonmajor Governmental Fund to the Debt Service Fund were to cover the debt service payments. Transfers of \$492,060 from the Nonmajor Governmental Funds to the Debt Service Fund was to transfer the remaining fund balance of the 2012 Street Bonds Fund as the capital projects have been completed and the only activity remaining in the fund is debt service related. Transfers of \$30,000 to the Capital Improvements Capital Projects Fund related to the construction of the City Hall.

The transfers of \$107,182 from the Internal Service Fund to the General Fund relates to provide funding for vehicle purchases. Transfers of \$10,000 from the Internal Service Fund to the Capital Improvements Capital Project Fund relate to the purchase of software licenses.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets

A. Governmental Activities

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2019 is as follows:

	Governmental Activities			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 2,703,668	\$ 22,542	\$ -	\$ 2,726,210
Construction in progress	4,229,913	1,589,910	-	5,819,823
Total nondepreciable assets	<u>6,933,581</u>	<u>1,612,452</u>	<u>-</u>	<u>8,546,033</u>
Depreciable assets:				
Building and improvements	18,639,925	1,266,869	-	19,906,794
Machinery and equipment	8,247,088	541,275	-	8,788,363
Vehicles	2,486,907	314,351	(29,555)	2,771,703
Infrastructure	39,158,541	1,349,250	-	40,507,791
Total capital assets, being depreciated	<u>68,532,461</u>	<u>3,471,745</u>	<u>(29,555)</u>	<u>71,974,651</u>
Less accumulated depreciation:				
Building and improvements	(6,700,874)	(557,155)	-	(7,258,029)
Machinery and equipment	(7,474,807)	(295,855)	-	(7,770,662)
Vehicles	(1,512,309)	(316,509)	6,404	(1,822,414)
Infrastructure	(15,603,304)	(1,957,927)	-	(17,561,231)
Total accumulated depreciation	<u>(31,291,294)</u>	<u>(3,127,446)</u>	<u>6,404</u>	<u>(34,412,336)</u>
Total depreciable assets, net	<u>37,241,167</u>	<u>344,299</u>	<u>(23,151)</u>	<u>37,562,315</u>
Governmental activities capital assets, net	<u>\$ 44,174,748</u>	<u>\$ 1,956,751</u>	<u>\$ (23,151)</u>	<u>\$ 46,108,348</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2019 as follows:

General government	\$ 2,206,192
Public safety	432,265
Public works	175,299
Culture and leisure	313,690
Total depreciation expense	<u>\$ 3,127,446</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2019 is as follows:

	Business-Type Activities			June 30, 2019
	July 1, 2018	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 370,415	\$ -	\$ -	\$ 370,415
Total nondepreciable assets	370,415	-	-	370,415
Depreciable assets:				
Building and improvements	15,781,082	-	-	15,781,082
Furniture and fixtures	349,172	-	-	349,172
Total depreciable assets	16,130,254	-	-	16,130,254
Less accumulated depreciation:				
Building and improvements	(2,876,011)	(540,044)	-	(3,416,055)
Furniture and fixtures	(266,601)	(49,880)	-	(316,481)
Total accumulated depreciation	(3,142,612)	(589,924)	-	(3,732,536)
Total depreciable assets, net	12,987,642	(589,924)	-	12,397,718
Business-type activities capital assets, net	\$ 13,358,057	\$ (589,924)	\$ -	\$ 12,768,133

Depreciation expense was charged to functions/programs of business-type activities for the fiscal year ended June 30, 2019 as follows:

Heath and Wellness Foundation	<u><u>\$ 589,924</u></u>
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City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
2012A Certificates of Participation	5,220,000	-	(130,000)	5,090,000	135,000	4,955,000
Lease Revenue Bonds Series 2017A	13,805,000	-	(80,000)	13,725,000	80,000	13,645,000
Taxable Lease Revenue Bonds						
Series 2017A-T	895,000	-	(200,000)	695,000	205,000	490,000
Lease Revenue Bonds Series 2018	-	6,850,000	(40,000)	6,810,000	115,000	6,695,000
Subtotal	19,920,000	6,850,000	(450,000)	26,320,000	535,000	25,785,000
Add/(less) deferred amounts:						
Bond premium - 2012A COP	185,310	-	(7,665)	177,645	7,665	169,980
Bond discount - 2017A-T	(1,380)	-	365	(1,015)	(365)	(650)
Bond premium - 2017A	173,742	-	(6,205)	167,537	6,205	161,332
Bond premium - 2018	-	295,100	(6,748)	288,352	10,220	278,132
Total bonds payable	20,277,672	7,145,100	(470,253)	26,952,519	558,725	26,393,794
Capital lease payable	385,000	-	(122,996)	262,004	128,262	133,742
Claims and judgments payable	333,550	147,179	(249,886)	230,843	230,843	-
Compensated absences	388,830	693,105	(628,142)	453,793	136,138	317,655
Pension-related debt	2,101,541	-	(173,641)	1,927,900	315,573	1,612,327
Total	\$ 23,486,593	\$ 7,985,384	\$ (1,644,918)	\$ 29,827,059	\$ 1,369,541	\$ 28,457,518

California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) – Original Issue \$5,925,000

In February 2012, the City entered into a trust agreement with the California Statewide Communities Development Authority (the “Authority”), and issued the Certificates of Participation, Series 12A (the “2012A Certificates”) in the amount of \$5,925,000. The purpose of the Certificates was to: 1) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects (the “Project”) within the City, 2) fund a reserve subaccount within the reserve fund for the Certificates, and 3) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. The Project was to be sold by the Authority to the City pursuant to a 2012 Installment Sale Agreement dated February 1, 2012. The City is required to make installment sale payments to the Authority, which are payable from Gas Tax revenues and Measure A receipts.

The 2012A Certificates accrue interest at rates between 2.00% and 6.00%, payable semiannually on June 1 and December 1, and mature through June 1, 2042.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) – Original Issue \$5,925,000 (Continued)

At June 30, 2019, the outstanding balance of the Certificates was \$5,090,000. The annual debt service requirements on the Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 135,000	\$ 266,544	\$ 401,544
2021	135,000	262,494	397,494
2022	140,000	258,275	398,275
2023	145,000	253,375	398,375
2024	150,000	248,300	398,300
2025-2029	850,000	1,146,300	1,996,300
2030-2034	1,060,000	936,400	1,996,400
2035-2039	1,410,000	583,200	1,993,200
2040-2042	1,065,000	130,200	1,195,200
Total	<u>\$ 5,090,000</u>	<u>\$ 4,085,088</u>	<u>\$ 9,175,088</u>

Lease Revenue Bonds, Series 2017A and the Taxable Lease Revenue Bonds, Series 2017A-T

In March 2017, the Desert Hot Springs Public Financing Authority (the “Authority”) issued the Lease Revenue Bonds, Series 2017A (the “Tax-Exempt Bonds”) and the Taxable Lease Revenue Bonds, Series 2017A-T (the “Taxable Bonds” in amount of \$13,895,000 and \$1,105,000, respectively. The purpose of the bonds is to (i) current refund the Certificates of Participation (Interim Cash Flow Financing) and Judgment Obligation Bonds, (ii) finance a new City Hall, (iii) make a deposit into a debt service reserve fund and (iv) pay the costs of issuing the Bonds. The aggregate difference in debt service as result of refinancing were \$477,856 for the Tax Exemption Bonds and \$222,211 for the Taxable Bonds, and economic gain on the refinancing were \$963,667 and \$43,838, respectively.

The Bonds accrue interest at rates between 2.000% and 3.750%, payable semiannually on March 1 and September 1, commencing September 1, 2017 and the principals are due annually on March 1.

The Tax-Exempt Bonds maturing on or before March 1, 2027 are not subject to optional redemption prior to their stated maturity. The Tax-Exempt Bonds maturing on or after March 1, 2028 are subject to redemption, as a whole or in part at a redemption price equal to 100% of the principal amount of Tax-Exempt Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Taxable Bonds are not subject to optional redemption prior to their stated maturity.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Lease Revenue Bonds, Series 2017A and the Taxable Lease Revenue Bonds, Series 2017A-T (Continued)

At June 30, 2019, the outstanding balance of the Tax Exempt Bonds and the Taxable Bonds were \$13,725,000 and 695,000, respectively. The annual debt service requirements on the Bonds are as follows:

Year Ending June 30,	Tax Exempt Bonds		Taxable Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 80,000	\$ 556,506	\$ 205,000	\$ 20,530	\$ 285,000	\$ 577,036
2021	80,000	552,906	215,000	15,098	295,000	568,004
2022	90,000	549,306	215,000	8,755	305,000	558,061
2023	255,000	545,256	60,000	1,875	315,000	547,131
2024	330,000	533,781			330,000	533,781
2025-2029	1,890,000	2,428,481	-	-	1,890,000	2,428,481
2030-2034	2,355,000	1,964,781	-	-	2,355,000	1,964,781
2035-2039	2,830,000	1,502,725	-	-	2,830,000	1,502,725
2040-2044	3,415,000	900,400	-	-	3,415,000	900,400
2045-2047	2,400,000	194,400	-	-	2,400,000	194,400
Total	\$ 13,725,000	\$ 9,728,543	\$ 695,000	\$ 46,258	\$ 14,420,000	\$ 9,774,801

Lease Revenue Bonds, Series 2018

In October 2018 the Authority issued the Lease Revenue Bonds, Series 2018 (the “2018 bonds”) in the amount of \$6,850,000. The purpose of the bonds is to (i) finance a portion of the New City Hall being constructed by the City (ii) make a deposit into a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the bonds.

The bonds accrue interest at rates between 3.0% and 5.0%, payable semiannually on March 1 and September 1, commencing March 1, 2019 and principals are due annually on March 1.

At June 30, 2019, the outstanding balance of the 2018 bonds were \$6,810,000. The annual debt service requirements on the 2018 bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 115,000	\$ 299,956	\$ 414,956
2021	120,000	295,356	415,356
2022	125,000	289,356	414,356
2023	130,000	283,106	413,106
2024	140,000	276,606	416,606
2025-2029	795,000	1,272,280	2,067,280
2030-2034	1,025,000	1,051,780	2,076,780
2035-2039	1,280,000	789,450	2,069,450
2040-2044	1,570,000	495,400	2,065,400
2045-2047	1,510,000	154,000	1,664,000
	\$ 6,810,000	\$ 5,207,290	\$ 12,017,290

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Capital Lease Payable

The City entered into a capital lease agreement during the year ended June 30, 2018 for the acquisition of 10 police vehicles in the amount of \$504,160. The lease repayments are due on monthly basis and bears interest at 4.2% annum. The accumulated depreciation for the leased vehicles at June 30, 2019 was \$82,670. The future minimum lease payment is as follow:

Year Ending June 30,			
2020	\$	136,815	
2021		136,815	
Subtotal		273,630	
Less: Interest		(11,626)	
Present value of future minimum lease payments	\$	262,004	

Claims and Judgments Payable

The amount of claims and judgments payable at June 30, 2019 was \$230,843. The Risk Management Internal Service Fund has been used to liquidate the liability for claims and judgments payable. See Note 8 for details.

Compensated Absences

The City’s liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounted to \$453,793. The General Fund has been used to liquidate the majority of the liability for compensated absences.

Pension-Related Debt

As of June 30, 2003, the California Public Employees’ Retirement System (“CalPERS”) implemented a risk pool for the City’s multiple-employer public employee defined benefit pension plan. The City’s Miscellaneous and Safety Plans converted from agent multiple-employer plans to cost-sharing multiple employer plans. In addition to the actuarially determined contributions (see Note 9), the City is also required to make annual payments on a Side Fund, which was created when the City entered the risk pool to account for the difference between the funded status of the pool and the funded status of the City’s plans. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the risk pool. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt, which are included in the retirement expenditures in the City’s various functions.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Pension-Related Debt (Continued)

The amount of pension-related debt outstanding at June 30, 2019 totaled \$1,927,900, including \$386,907 for the Miscellaneous Plan and \$1,540,993 for the Safety Plan. The future payment requirements are as follows:

Year Ending June 30,	Miscellaneous	Safety	Total
2020	\$ 106,797	\$ 208,776	\$ 315,573
2021	108,923	212,596	321,519
2022	111,918	218,442	330,360
2023	59,269	224,450	283,719
2024	-	230,622	230,622
2025-2026	-	446,107	446,107
	<u>\$ 386,907</u>	<u>\$ 1,540,993</u>	<u>\$ 1,927,900</u>

B. Business-Type Activities

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
LCD - Promissory Note A-1	\$ 9,207,621	\$ -	\$ -	\$ 9,207,621	\$ 487,888	\$ 8,719,733
NMCC - Promissory Note A-2	3,960,000	-	-	3,960,000	299,684	3,660,316
LCD - Promissory Note B-1	3,272,379	-	-	3,272,379	24,335	3,248,044
NMCC - Promissory Note B-2	1,958,973	-	-	1,958,973	10,609	1,948,364
NMCC - Promissory Note C-2	2,298,027	-	-	2,298,027	12,762	2,285,265
Total long-term debt	<u>\$20,697,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,697,000</u>	<u>\$ 835,278</u>	<u>\$19,861,722</u>

In order to finance 1) the required lump sum payment for the ground lease in the amount of \$1,108,168 upon execution of the ground lease agreement, 2) the purchase of 26,000 square foot health and wellness facility upon execution of the Agreement of Purchase and Sale, and 3) the construction of the health and wellness facility, the Foundation entered into loan agreements with NMCC and LCD on July 13, 2012 and executed five promissory notes with NMCC and LCD. The loans constitute “qualified low-income community investment” within the of §45D(d) of the Internal Revenue Code (the “Code”). As a result of such loans, the Investment Fund is expected to generate “new markets tax credits” pursuant to §45D of the Code due to its investments in NMCC and LCD as 99.99% equity owner.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

LCD – Promissory Note A-1

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. A one-time principal payment of \$411,163 is due on January 1, 2020, and thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2019, the outstanding balance of the LCD – Promissory Note A-1 was \$9,207,621.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 487,888	\$ 45,132	\$ 533,020
2021	146,676	43,324	190,000
2022	147,412	42,588	190,000
2023	148,149	41,851	190,000
2024	148,892	41,108	190,000
2025-2029	951,290	192,210	1,143,500
2030-2034	1,192,929	165,571	1,358,500
2035-2039	1,440,679	132,821	1,573,500
2040-2044	1,694,700	93,800	1,788,500
2045-2049	1,955,150	48,350	2,003,500
2050-2052	893,856	5,224	899,080
Total	<u>\$ 9,207,621</u>	<u>\$ 851,979</u>	<u>\$ 10,059,600</u>

NMCC – Promissory Note A-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. One time principal payment of \$271,350 is due on January 1, 2020. Thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2019, the outstanding balance of the NMCC – Promissory Note A-2 was \$3,960,000.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

NMCC – Promissory Note A-2 (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 299,684	\$ 19,216	\$ 318,900
2021	53,799	18,201	72,000
2022	54,070	17,930	72,000
2023	54,338	17,662	72,000
2024	54,611	17,389	72,000
2025-2029	372,703	81,797	454,500
2030-2034	488,386	71,114	559,500
2035-2039	606,998	57,502	664,500
2040-2044	728,611	40,889	769,500
2045-2049	853,298	21,202	874,500
Total	<u>\$ 3,960,000</u>	<u>\$ 365,203</u>	<u>\$ 3,929,400</u>

LCD – Promissory Note B-1

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2019, the outstanding balance of the LCD – Promissory Note B-1 was \$3,272,379.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 24,335	\$ 16,345	\$ 40,680
2021	48,852	16,149	65,001
2022	49,096	15,904	65,000
2023	49,342	15,658	65,000
2024	49,590	15,410	65,000
2025-2029	333,563	72,437	406,000
2030-2034	433,079	62,921	496,000
2035-2039	535,110	50,890	586,000
2040-2044	639,726	36,274	676,000
2045-2049	746,989	19,011	766,000
2050-2052	362,697	2,200	364,897
Total	<u>\$ 3,272,379</u>	<u>\$ 323,199</u>	<u>\$ 3,595,578</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

NMCC – Promissory Note B-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2019, the outstanding balance of the NMCC – Promissory Note B-2 was \$1,958,973.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 10,609	\$ 9,789	\$ 20,398
2021	21,298	9,702	31,000
2022	21,405	9,595	31,000
2023	21,512	9,488	31,000
2024	21,620	9,380	31,000
2025-2029	173,408	44,592	218,000
2030-2034	248,635	39,365	288,000
2035-2039	325,763	32,237	358,000
2040-2044	404,842	23,158	428,000
2045-2049	485,922	12,078	498,000
2050-2052	223,959	1,298	225,257
Total	<u>\$ 1,958,973</u>	<u>\$ 200,682</u>	<u>\$ 2,159,655</u>

NMCC – Promissory Note C-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2019, the outstanding balance of the NMCC – Promissory Note C-2 was \$2,298,027.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 12,762	\$ 11,484	\$ 24,246
2021	25,620	11,380	37,000
2022	25,750	11,250	37,000
2023	25,880	11,120	37,000
2024	26,008	10,992	37,000
2025-2029	204,781	52,219	257,000
2030-2034	290,917	46,083	337,000
2035-2039	379,235	37,765	417,000
2040-2044	469,789	27,211	497,000
2045-2049	562,633	14,367	577,000
2050-2052	274,652	1,657	276,309
Total	<u>\$ 2,298,027</u>	<u>\$ 235,528</u>	<u>\$ 2,533,555</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Activities

A summary of changes in long-term liabilities for the fiduciary fund for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
2008 Tax Allocation Bonds A-1	\$10,450,000	\$ -	\$ (1,460,000)	\$ 8,990,000	\$ 1,565,000	\$ 7,425,000
2017 Tax Allocation Refunding Bonds	20,020,000	-	(575,000)	19,445,000	590,000	18,855,000
Subtotal	30,470,000	-	(2,035,000)	28,435,000	2,155,000	26,280,000
Add/(less) deferred amounts:						
Bond discount - 2008 TAB A-1	(304,988)	-	58,765	(246,223)	(58,765)	(187,458)
Bond premium - 2017 Tax Allocation Refunding Bonds	2,039,392	-	(96,360)	1,943,032	96,360	1,846,672
Total bonds payable	\$32,204,404	\$ -	\$ (2,072,595)	\$30,131,809	\$ 2,192,595	\$27,939,214

Tax Allocation Bonds Series 2008A-1 (Taxable) – Original Issue \$19,965,000

In April 2008, the former Redevelopment Agency issued Tax Allocation Bonds, Series 2008A-1 (Taxable) (the “Series 2008A-1 Bonds”) in the amount of \$19,965,000. The purpose of the Series 2008A-1 Bonds was to: 1) provide funds to finance redevelopment activities including, without limitation, the acquisition of property for the benefit of the Merged Project Area, 2) to fund the reserve account, and 3) to pay certain costs of issuance of the Series 2008A-1 Bonds.

The Series 2008A-1 Bonds are 7% term bonds due September 1, 2023, with interest payable semiannually on September 1 and March 1 of each year. The 2008A-1 Bonds are subject to optional redemption, on any date prior to their maturity, in whole or in part, with maturities to be designated by the Successor Agency, at a redemption price equal to 100 percent of the principal amount of such 2008A-1 Bonds plus the Make-Whole Premium, if any, plus the accrued interest, if any, thereon to the redemption date. The Series 2008A-1 Bonds maturing on September 1, 2023 are also subject to redemption prior to their stated maturity, in part, pro rata, from sinking account installments deposited in the sinking account on September 1 of each year commencing September 1, 2009, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Series 2008A-1 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-1 Bonds on September 1, 2023 or early retirement of the Series 2008A-1 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$2,140,400 and total net revenue reported by the Successor Agency was \$3,618,104. The ratio of net revenues to the debt service payments due during the year ended June 30, 2019 was 1.69 (169%).

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Activities (Continued)

Tax Allocation Bonds Series 2008A-1 (Taxable) – Original Issue \$19,965,000 (Continued)

The amount of Series 2008A-1 Bonds outstanding at June 30, 2019 totaled \$8,990,000 in the Successor Agency Private-Purpose Trust Fund.

The annual debt service requirements on the Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,565,000	\$ 574,525	\$ 2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 8,990,000</u>	<u>\$ 1,658,300</u>	<u>\$ 10,648,300</u>

Tax Allocation Refunding Bonds, Series 2017 – Original Issue \$20,020,000

In May 2017, the Successor Agency issued 2017 Subordinate Tax Allocation Refunding Bonds in the amount of \$20,020,000. The purpose of the bonds was to current refund 2006 Tax Allocation Refunding Bonds, 2008 Tax Allocation Bonds A-2, and 2009 Tax Allocation Bonds, and to fund the reserve account by purchasing the reserve policy and to pay the costs of issuing the 2017 Bonds. The aggregate difference in debt service as result of the refinancing were \$7,728,181 and economic gain on the refinancing were \$3,736,520. The 2017 Bonds are secured by a pledge of, security interest in and lien on all of the Tax, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund.

The Bonds accrue interest at rates between 2.000% and 5.000%, payable semiannually on March 1 and September 1, commencing September 1, 2017 and the principals are due annually on September 1. The 2017 Bonds are subject to optional redemption and mandatory sinking account redemption prior to maturity.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 590,000	\$ 835,512	\$ 1,425,512
2021	740,000	823,712	1,563,712
2022	800,000	794,112	1,594,112
2023	840,000	754,112	1,594,112
2024	880,000	712,112	1,592,112
2025-2029	5,050,000	2,915,763	7,965,763
2030-2034	5,945,000	1,564,563	7,509,563
2035-2039	4,415,000	478,713	4,893,713
2040	185,000	6,475	191,475
Total	<u>\$ 19,445,000</u>	<u>\$ 8,885,074</u>	<u>\$ 28,330,074</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Non-City Obligation Debt

The City of Desert Hot Springs Community Facilities District No. 2006-1 (the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds, in conjunction with special tax collections, will be used to finance certain public facilities and fees within the City necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City as they are secured by the special tax revenues levied by the District on real property within the boundaries of the Improvement Area 1. In August 2010, the District issued \$2,285,000 Improvement Area 1 Special Tax Refunding Bonds, Series 2010 and redeemed the Improvement Area 1 Special Tax Bonds, Series 2008A. The outstanding balance for the Improvement Area 1 Special Tax Refunding Bonds, Series 2010, at June 30, 2019 was \$1,960,000.

Note 8 – Risk Management

A. Coverage

The City retains a level of risk for both general liability and workers’ compensation. The insurance coverage in excess of the self-insured amount is provided by the Public Entity Risk Management Authority (“PERMA”), a public entity risk pool consisting of cities and other public agencies in Southern California established under the provisions of California Government Code Section 65000 et seq. Costs are shared amongst the members based upon deposit premium contributions. PERMA publishes its own annual financial reports, which can be obtained from PERMA at 36-951 Cook Street, Suite 101, Palm Desert, CA 92211.

General Liability

The City is self-insured for the first \$10,000 on each general liability claim against the City. The City pays an annual premium to PERMA for its excess general liability insurance coverage of \$50,000,000, including errors and omissions and auto liability.

Workers’ Compensation and Employers’ Liability

The City is self-insured for the first \$50,000 of each occurrence. The insurance coverage in excess of the self-insured amount is provided by PERMA. As a member of PERMA, all participating members share any losses in excess of the City’s self-insured amount up to statutory limits for workers’ compensation and \$5,000,000 per accident for employers’ liability.

Other Coverage

The City also has coverage for other risks of loss, including property insurance, auto physical damage insurance, crime coverage and employment practices liability. The City’s property insurance has a \$100,000,000 limit of coverage, including \$2,500,000 for flood, with a \$5,000 deductible per occurrence, except for \$100,000 for flood. The City’s auto physical damage insurance has a \$100,000,000 limit of coverage, with a \$2,500 deductible for all vehicles, except for \$10,000 for fire trucks valued over \$200,000. The City’s crime coverage has limits of coverage of \$5,000,000 with a \$2,500 deductible. The City’s cyber liability has a \$2,000,000 limit of coverage, including \$250,000 for privacy notification costs, with a \$50,000 deductible per claim. The City is self-insured for the first \$25,000 of each occurrence for employment practices liability, with excess insurance coverage up to a \$1,000,000 limit.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Risk Management (Continued)

B. Claims Activity

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2019, the amount of these liabilities was \$230,843 and was the City’s best estimate based on available information.

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

Year Ended June 30,	Claims Payable July 1	Claims Incurred during the Fiscal Year	Claims Pay ments	Year Ended June 30
2017	\$ 715,762	\$ 73,555	\$ (371,136)	\$ 418,181
2018	418,181	121,980	(206,611)	333,550
2019	333,550	147,179	(249,886)	230,843

C. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note 9 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined benefit pension plan, for its miscellaneous and safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS’ annual financial report may be obtained from its website at <https://www.calpers.ca.gov/page/forms-publications>.

Employees Covered by Benefit Terms

At valuation date of June 30, 2017, the following employees were covered by the benefit terms:

	Miscellaneous Plans			Safety Police Plans		
	1st Tier	2nd Tier	PEPRA	1st Tier	2nd Tier	PEPRA
Active employees	17	2	22	6	3	15
Transferred and terminated employees	29	2	2	27	3	3
Separated	41	1	4	10	-	2
Retired Employees and Beneficiaries	45	-	1	59	1	1
Total	132	5	29	102	7	21

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation.

Following are the benefit provisions for each plan:

- Miscellaneous First Tier: 2.0% or 2.7% (at age 55) of the highest paid consecutive 12 months' compensation
- Miscellaneous Second Tier: 2.0% (at age 60) of the highest paid consecutive 12 months' compensation
- Miscellaneous PEPRA: 2.0% (at age 62) of the highest paid consecutive 36 months' compensation
- Safety Police First Tier: 3.0% (at age 50) of the highest paid consecutive 12 months' compensation
- Safety Police Second Tier: 3.0% (at age 55) of the highest paid consecutive 12 months' compensation
- Safety PEPRA: 2.7% (at age 57) of the highest paid consecutive 36 months' compensation

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018, the contribution rates were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Miscellaneous First Tier	8.000%	11.675%
Miscellaneous Second Tier	7.000%	0.000%
Miscellaneous PEPRA	6.250%	6.533%
Safety Police First Tier	9.000%	22.694%
Safety Police Second Tier	9.000%	19.942%
Safety Police PEPRA	13.500%	13.406%

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Change of Assumption

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

1 In the CalPERS's CAFR, Fixed Income is included in Global Debt Securities;

Liquidity is included in Short-term Investments;

Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

2 An expected inflation of 2.00% used for this period.

3 An expected inflation of 2.92% used for this period.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan’s Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	- 1% (6.15%)	Rate (7.15%)	+ 1% (8.15%)
Miscellaneous Plan	\$ 5,252,070	\$ 3,269,715	\$ 1,633,314
Safety Plan	\$ 12,588,583	\$ 8,292,081	\$ 4,771,867

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total	Plan Fiduciary	Net Pension
	Pension	Net	Net Pension
	Liability	Position	Liability/(Asset)
Miscellaneous Plan			
Balance at: 6/30/17 (Valuation date)	\$ 11,294,068	\$ 7,892,980	\$ 3,401,088
Balance at: 6/30/18 (Measurement date)	12,258,586	8,988,871	3,269,715
Net Changes during 2017-2018	964,518	1,095,891	(131,373)
Safety Plan			
Balance at: 6/30/17 (Valuation date)	\$ 27,289,480	\$ 18,986,873	\$ 8,302,607
Balance at: 6/30/18 (Measurement date)	29,611,506	21,319,425	8,292,081
Net Changes during 2017-2018	2,322,026	2,332,552	(10,526)

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-2018).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of net pension liability at the measurement date.

The City’s proportionate share of the net pension liability was as follows:

	Plans	
	Miscellaneous	Safety
June 30, 2017	0.03429%	0.08372%
June 30, 2018	0.03393%	0.08605%
Change - (Decrease)	-0.00036%	0.002330%

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

For the year ended June 30, 2019, the City recognized pension expense in the amounts of \$638,248 and \$1,258,008 for the miscellaneous and safety plans, respectively.

The amortization period differs depending on the source of the gain or loss for the miscellaneous and safety plans, respectively. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2017-2018 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after measurement date	\$ 496,387	\$ -	\$ 911,294	\$ -	\$ 1,407,681	\$ -
Changes of assumptions	946,262	(231,911)	813,598	(109,769)	1,759,860	(341,680)
Difference between expected and actual experience	318,469	(108,374)	178,168	(677)	496,637	(109,051)
Difference between projected and actual earning on pension plan investments	41,035	-	56,142	-	97,177	-
Adjustment due to differences in proportions	44,333	(812,211)	-	(40,707)	44,333	(852,918)
Difference between City contributions and proportionate share of contributions	95,540	-	26,992	(95,779)	122,532	(95,779)
Total	\$ 1,942,026	\$ (1,152,496)	\$ 1,986,194	\$ (246,932)	\$ 3,928,220	\$ (1,399,428)

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of	
	Miscellaneous	Safety
2020	\$ 590,107	\$ 725,314
2021	237,956	407,663
2022	(460,265)	(247,573)
2023	(74,655)	(57,436)
	\$ 293,143	\$ 827,968

Note 10 – Jointly Governed Organization

Eastern Riverside County Interoperable Communications Authority

The City is a member of the Eastern Riverside County Interoperable Communications Authority (“ERICA”), a Joint Powers Authority, created to establish and operate a consolidated communications system which provides emergency call receiving and dispatching services. Other members of ERICA include the Cities of Beaumont, Cathedral City, Indio, and Palm Springs. The members, including the City, are responsible for funding the operations of ERICA through annual assessments. The annual assessments are based on percentages calculated for each member. The City contributed \$210,440 during the year ended June 30, 2019. The Audited financial statements of ERICA can be obtained at 100 Civic Center Mall, Indio, CA 92201.

On April 10, 2009, ERICA and three member agencies, including Indio, Palm Springs, and the City, entered into a reimbursement agreement relating to a municipal lease purchase agreement with Motorola, Inc., in the aggregate principal amount of \$5,557,603. The agreement obligates the three member agencies to pay 33.3% of the annual lease payments, as set forth in the municipal lease purchase agreement with Motorola, Inc. ERICA also entered into a reimbursement agreement with all member agencies, which obligates each member agency to pay 20% of the annual lease payments for a master logging recorder, in the aggregate principal amount of \$222,562.

The following represents the City’s obligation for future lease payments:

Year Ending June 30,	Motorola Lease Reimbursement	Master Logging Recorder Reimbursement	Lease Reimbursement
2020	\$ 134,334	\$ 4,059	\$ 138,393
2021	134,334	4,059	138,393
2022	134,334	4,059	138,393
2023	134,334	4,059	138,393
2024	134,334	4,059	138,393
	\$ 671,670	\$ 20,295	\$ 691,965

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Classification of Fund Balances

At June 30, 2019, fund balances are classified as follows:

	Major Funds						Total	
	General Fund	Special Revenue Funds		Capital Improvement Projects Fund		Debt Service Fund		Nonmajor Governmental Funds
		Public Safety	Capital Improvement Deposits	Capital Improvement Projects Fund	Capital Improvement Projects Fund			
Nonspendable:								
Prepaid items	\$ 126,571	\$ -	\$ -	\$ -	\$ -	\$ 5,963	\$ 132,534	
Total nonspendable	<u>126,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,963</u>	<u>132,534</u>	
Restricted:								
Housing and economic development	-	-	-	-	-	3,548,740	3,548,740	
Public safety	-	9,449	-	-	-	31,686	41,135	
Public works/projects	-	-	3,566,091	1,300,845	-	708,134	5,575,070	
City hall construction	-	-	-	-	5,500,000	-	5,500,000	
Culture and leisure	-	-	-	-	-	124,208	124,208	
Debt service	-	-	-	-	3,859,197	-	3,859,197	
Air quality	-	-	-	-	-	26,513	26,513	
Lighting/Landscaping/ Drainage	-	-	-	-	-	1,286,062	1,286,062	
Assessment District 91-1	-	-	-	-	-	122,077	122,077	
Assessment District 92-1	-	-	-	-	-	14,699	14,699	
Assessment District 93-2	-	-	-	-	-	10,217	10,217	
Total restricted	<u>-</u>	<u>9,449</u>	<u>3,566,091</u>	<u>1,300,845</u>	<u>9,359,197</u>	<u>5,872,336</u>	<u>20,107,918</u>	
Committed:								
Emergency Reserve	1,384,266	-	-	-	-	-	1,384,266	
Art in public places	-	-	-	-	-	125,868	125,868	
Total assigned	<u>1,384,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,868</u>	<u>1,510,134</u>	
Assigned:								
Operations	9,913,360	-	-	-	-	-	9,913,360	
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,248)</u>	<u>(32,248)</u>	
Total	<u>\$11,424,197</u>	<u>\$ 9,449</u>	<u>\$3,566,091</u>	<u>\$1,300,845</u>	<u>\$9,359,197</u>	<u>\$5,971,919</u>	<u>\$31,631,698</u>	

The City Council adopted resolution No. 2015-050 to commit 25% of cannabis tax revenue for emergency reserve. The funds can only be used when the City is unable to pay for its general obligations within the next 60 days and that such condition jeopardizes the health, safety, or well-being of the residents of the City.

The assigned fund balance totaling \$9,913,360 is being held in the General Fund to fund the operations of the City for the fiscal year ending 2019-2020. Assigned fund balances encompass the portion of the net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has authorized the City Manager or designee for that purpose.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Related Party Transactions

On July 13, 2012, the Foundation entered into ground lease agreement with the City consisting of 6.631 acres of land located in the City for a period of ninety-nine years, commencing July 13, 2012 and ending July 13, 2111. The land was appraised at \$1,108,168. The lease payment in the amount of \$1,108,168 was paid in full upon the execution of the lease. The lease payment and the capitalization of land was eliminated in the accompanying financial statements.

The City entered into this lease for the purpose of providing the land for development of the health and wellness center. The City had commenced the development project prior to execution of the ground lease agreement and expended \$8,460,675 on the 26,000 square foot health and wellness facility. As part of the ground lease agreement and a separate executed Agreement of Purchase and Sale (the “facility sale agreement”) between the City and the Foundation, the City sold the 26,000 square foot health and wellness facility that was still under construction to the Foundation in the amount of \$8,460,675 on July 13, 2012.

The Desert Healthcare District (the “District”) also provided \$5,167,048 grant funding for the construction of the facility and equipment for the health and wellness center.

In addition to the ground lease agreement and facility sale agreement, the City and the Foundation entered into “Development Agreement” on July 13, 2012. The Foundation appointed the City to provide development service for the Foundation with respect to supervising, managing, and overseeing the remaining development of the health and wellness center. In anticipation of the development agreement, the City had begun providing the development service for the health and wellness center on December 1, 2011. The agreed upon development fee was in the amount of \$1,038,883. One third of the development fee in the amount of \$346,294 was paid on July 13, 2012, and the remaining two thirds was paid upon placement in service of the health and wellness center and receipt of a final and unconditional certificate of occupancy on October 9, 2013.

Note 13 – Contingencies and Commitments

A. *Lawsuits*

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City, except for the lawsuit described below. Additionally, City management believes that the City’s insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. *Federal and State Grant Programs*

The City participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Uniform Guidance and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 – Contingencies and Commitments (Continued)

C. Dispute with State of California Regarding Use of Gas Tax Monies

The City is involved in a dispute with the State of California regarding the State Gas Tax Compliance Audit (“audit”) that was performed during the year ended June 30, 2014. The audit was conducted by the State Controller’s Office for the City’s Gas Tax activities for the years ended June 30, 2009 through June 30, 2013. There was an audit finding that the City used gas tax monies for an ineligible expenditure for the debt service payment of \$119,000 for the 2012A Certificates (refer to Note 6A). Per the State’s draft audit report dated September 2014, the debt service payment is not an eligible use of gas tax monies under the Street and Highway Code Section 2107.4, as the bonds were not voter-approved and the term of the bond exceeds 25 years. The \$119,000 used for the debt service payment in the year ended June 30, 2013 was requested to be reimbursed to the Gas Tax Special Revenue Fund.

The City disputes the finding and responded within the requested time period that the monies were properly used, as the 2012A Certificates are certificates of participation with installment payments and are not bonds. Therefore, the City determined that this debt service payment does not fall under the requirement to meet the voter-approved and 25 year term limit requirements per the State’s audit report. In addition, the City responded that the time limit for the State to dispute the use of gas tax monies has passed as determined by the original judgment when the 2012A Certificates were originally approved. There has been no further progress on this dispute that the City is aware of.

D. Expiration of the New Market Tax Credit Financing

Funding of the Foundation came from the New Market Tax Credit Financing (the “NMTC Financing”) under Internal Revenue Code Section 45D, which closed on July 13, 2012, when the City entered into an Investment Fund Put and Call Agreement (the “Agreement”) with USB NMTC Fund 2012-1 LLC (“USB Fund”). USB Fund is the sole member of the Investment Fund (See Note 6B). As part of the agreement, the USB Fund has an option to put USB Fund’s interest in Investment Fund (“USB Fund’s Interest”) to the City, and the City has an option to call for the sale to the City of USB Fund’s Interest.

The Investment Fund Put option requires the City to purchase all of USB Fund’s Interest upon the occurrence of put availability event: 1) the first day following the end of the tax credit investment period on July 13, 2019, the seventh anniversary of the issue of NMCC and LCD loans or 2) a NMTC Recapture Event. The USB Fund has 120 days following receipt of City’s written notice of the put availability event to exercise the Investment Fund Put. The purchase price for USB Fund’s interest is sum of 1) \$1,000; 2) transfer taxes and closing costs, 3) amounts due and owing from the City, the Foundation or any of its affiliates to the Investment Fund, NMCC or LCD, and 4) amounts due and owing from the Foundation or any of its affiliates to U.S. Bancorp Community Development Corporation (“USBCDC”) or USB Fund in connection with certain executed tax credit indemnity.

In the event that USB Fund has not exercised the Investment Fund Put, the Investment Fund Call option gives the City right to purchase all of USB Fund’s Interest for 240 days following the expiration of the put exercise period provided that 1) the Foundation has paid in full all principal and interest due to NMCC and LCD, 2) no amounts are then due and owing from the City, the Foundation or any of its affiliates to the Investment Fund, NMCC and LCD, and 3) no amounts are due and owing from the City, the Foundation or any of its affiliates to USBCDC or USB Fund in connection with the tax credit indemnity. The purchase price for USB Fund’s Interest is the fair market value of USB Fund’s Interest.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Contingencies and Commitments (Continued)

D. Expiration of the New Market Tax Credit Financing (Continued)

During the year ended June 30, 2019, USB Fund notified the City its intend to sell its membership interest in the Investment Fund to the City. On June 18, 2019, the City Council approved the exit of the NMTC Financing arrangement and the Membership Interest Purchase Agreement with USB Fund.

Note 14 – Subsequent Event

On July 16, 2019, the City completed the purchase of USB Fund's membership interest in the Investment Fund for \$1,000, paid by the Foundation. As part of the purchase agreement, NMCC and LCD assigned their rights to the promissory notes (See Note 6) to the Investment Fund, resulting in the City, through its ownership of the Investment Fund, controlling the outstanding debt in the amount of \$20,697,000. On October 22, 2019, the City filed Notice of Winding Up for Limited Liability Company with the State of Missouri for the Investment Fund.

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**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

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City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
General Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 11,071,277	\$ 11,774,374	\$ 12,716,933	\$ 942,559
Permits and fees	2,654,700	2,679,739	2,392,332	(287,407)
Licenses	212,160	212,160	214,266	2,106
Interest	15,010	50,010	146,152	96,142
Miscellaneous	661,279	1,253,567	1,100,850	(152,717)
Total revenues	<u>14,614,426</u>	<u>15,969,850</u>	<u>16,570,533</u>	<u>600,683</u>
EXPENDITURES:				
Current:				
General government	4,899,287	5,443,332	5,103,292	340,040
Public safety	55,332	86,718	80,263	6,455
Public works	213,710	238,223	223,880	14,343
Economic development	1,824,583	2,039,211	1,994,247	44,964
Culture and leisure	577,550	577,550	518,826	58,724
Capital outlay	428,367	937,318	757,944	179,374
Total expenditures	<u>7,998,829</u>	<u>9,322,352</u>	<u>8,678,452</u>	<u>643,900</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,615,597</u>	<u>6,647,498</u>	<u>7,892,081</u>	<u>1,244,583</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	566,071	579,732	182,582	(397,150)
Transfers out	(1,965,571)	(1,209,525)	(5,618,519)	(4,408,994)
Total other financing sources (uses)	<u>(1,399,500)</u>	<u>(629,793)</u>	<u>(5,435,937)</u>	<u>(4,806,144)</u>
Net changes in fund balance	<u>\$ 5,216,097</u>	<u>\$ 6,017,705</u>	2,456,144	<u>\$ (3,561,561)</u>
FUND BALANCE:				
Beginning of year			<u>8,968,053</u>	
End of year			<u>\$ 11,424,197</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules (Continued)
Public Safety Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 4,425,050	\$ 4,391,050	\$ 4,352,952	\$ (38,098)
Permits and fees	69,500	69,500	89,857	20,357
Intergovernmental	30,000	57,000	31,417	(25,583)
Licenses	2,000	2,000	17,771	15,771
Miscellaneous	355,940	355,940	405,720	49,780
Total revenues	<u>4,882,490</u>	<u>4,875,490</u>	<u>4,897,717</u>	<u>22,227</u>
EXPENDITURES:				
Current:				
Public safety	10,377,432	9,903,674	9,635,139	268,535
Capital outlay	-	130,097	203,675	(73,578)
Total expenditures	<u>10,377,432</u>	<u>10,033,771</u>	<u>9,838,814</u>	<u>194,957</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,494,942)</u>	<u>(5,158,281)</u>	<u>(4,941,097)</u>	<u>217,184</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	110,000	174,021	5,087,335	4,913,314
Transfers out	(136,816)	(136,816)	(136,816)	-
Total other financing sources (uses)	<u>(26,816)</u>	<u>37,205</u>	<u>4,950,519</u>	<u>4,913,314</u>
Net changes in fund balance	<u>\$ (5,521,758)</u>	<u>\$ (5,121,076)</u>	9,422	<u>\$ 5,130,498</u>
FUND BALANCE:				
Beginning of year			<u>27</u>	
End of year			<u>\$ 9,449</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules (Continued)
Capital Improvement Deposits Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Permits and fees	\$ 1,198,247	\$ 1,251,247	\$ 1,523,921	\$ 272,674
Interest	2,400	2,400	21,288	18,888
Total revenues	<u>1,200,647</u>	<u>1,253,647</u>	<u>1,545,209</u>	<u>291,562</u>
EXPENDITURES:				
Capital outlay	<u>2,261,021</u>	<u>2,601,390</u>	<u>1,501,396</u>	<u>1,099,994</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,060,374)</u>	<u>(1,347,743)</u>	<u>43,813</u>	<u>1,391,556</u>
OTHER FINANCING (USES):				
Transfers out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (1,060,374)</u>	<u>\$ (1,497,743)</u>	<u>(106,187)</u>	<u>\$ 1,391,556</u>
FUND BALANCE:				
Beginning of year			<u>3,672,278</u>	
End of year			<u>\$ 3,566,091</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2019

Budgetary Information

A. General Budget Policies

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Budgets are developed in accordance with U.S. GAAP. The City Council approves each year's budget, submitted by the City Manager, prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Budgeted amounts transferred between accounts are approved by the Administrative Services Director. Budgeted amounts transferred between departments are approved by the City Manager. Supplemental appropriations, where required during the period, are approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. At fiscal year-end, all unencumbered operating budget appropriations lapse, with the exception of continuing appropriations. There is no adopted budget for the Quimby fund and as such there were no expenditures from this fund.

On June 5, 2018, the City Council approved and adopted a two-year budget for fiscal years 2018-19 and 2019-20.

B. Continuing Appropriations

At fiscal year-end, all unencumbered appropriations lapse, however, certain unexpended capital funds are carried over into the next fiscal year's budget.

C. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, special revenue, and similar governmental funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.033931%	0.034925%	0.034970%	0.037816%	0.035817%
City's Proportionate Share of the Net Pension Liability	\$ 3,269,715	\$ 3,401,088	\$ 3,025,986	\$ 2,595,635	\$ 2,228,699
City's Covered Payroll	\$ 2,388,548	\$ 2,120,646	\$ 1,539,232	\$ 1,377,634	\$ 1,617,185
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>136.89%</u>	<u>160.38%</u>	<u>196.59%</u>	<u>188.41%</u>	<u>137.81%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.33%</u>	<u>69.89%</u>	<u>70.33%</u>	<u>73.82%</u>	<u>76.24%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.086051%	0.083719%	0.084890%	0.090361%	0.090082%
City's Proportionate Share of the Net Pension Liability	\$ 8,292,081	\$ 8,302,607	\$ 7,345,645	\$ 6,202,312	\$ 5,642,660
City's Covered Payroll	\$ 2,107,816	\$ 1,834,204	\$ 1,749,649	\$ 1,523,928	\$ 1,772,829
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>393.40%</u>	<u>452.65%</u>	<u>419.84%</u>	<u>407.00%</u>	<u>318.29%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.00%</u>	<u>69.58%</u>	<u>69.57%</u>	<u>73.79%</u>	<u>73.76%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions - Pensions
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year	2018-19 ¹
Actuarially Determined Contribution	\$ 496,387
Contribution in Relation to the Actuarially Determined Contribution	(496,387)
Contribution Deficiency (Excess)	\$ -
Covered Payroll ²	\$ 2,460,204
Contributions as a Percentage of Covered Payroll	20.18%

California Public Employees' Retirement System ("CalPERS") Safety Plan

Fiscal year	2018-19 ¹
Actuarially Determined Contribution	\$ 911,294
Contribution in Relation to the Actuarially Determined Contribution	(911,294)
Contribution Deficiency (Excess)	\$ -
Covered Payroll ²	\$ 2,171,050
Contributions as a Percentage of Covered Payroll	41.97%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

² Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2017-18.

Notes to Schedule

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 423,598	\$ 355,494	\$ 313,565	\$ 217,165	\$ 310,127
Contribution in Relation to the Actuarially Determined Contribution	(423,598)	(355,494)	(313,565)	(217,165)	(310,127)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,388,548	\$ 2,120,646	\$ 1,539,232	\$ 1,377,634	\$ 1,617,185
Contributions as a Percentage of Covered Payroll	17.73%	16.76%	20.37%	15.76%	19.18%

California Public Employees' Retirement System ("CalPERS") Safety Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 769,408	\$ 688,645	\$ 639,246	\$ 380,758	\$ 765,202
Contribution in Relation to the Actuarially Determined Contribution	(769,408)	(688,645)	(639,246)	(380,758)	(765,202)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,107,816	\$ 1,834,204	\$ 1,749,649	\$ 1,523,928	\$ 1,772,829
Contributions as a Percentage of Covered Payroll	36.50%	37.54%	36.54%	24.99%	43.16%

Notes to Schedule

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptiong December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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SUPPLEMENTARY INFORMATION

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City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 3,524,112	\$ 3,549,112	\$ 482,727	\$ (3,066,385)
Interest	350	350	-	(350)
Total revenues	<u>3,524,462</u>	<u>3,549,462</u>	<u>482,727</u>	<u>(3,066,735)</u>
EXPENDITURES:				
Capital outlay	<u>7,373,793</u>	<u>7,578,793</u>	<u>1,942,374</u>	<u>5,636,419</u>
Total expenditures	<u>7,373,793</u>	<u>7,578,793</u>	<u>1,942,374</u>	<u>5,636,419</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,849,681)</u>	<u>(4,029,681)</u>	<u>(1,459,647)</u>	<u>2,570,034</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>2,690,000</u>	<u>2,617,000</u>	<u>2,617,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>\$ (1,159,681)</u>	<u>\$ (1,412,681)</u>	<u>1,157,353</u>	<u>\$ 2,570,034</u>
FUND BALANCE:				
Beginning of year			<u>143,492</u>	
End of year			<u>\$ 1,300,845</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
City Debt Service Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,061,735	\$ 1,061,735	\$ 1,100,984	\$ 39,249
Interest	27,500	27,500	61,189	33,689
Total revenues	<u>1,089,235</u>	<u>1,089,235</u>	<u>1,162,173</u>	<u>72,938</u>
EXPENDITURES:				
Current:				
Public works	798	798	1,248	(450)
Debt service:				
Principal retirement	410,000	450,000	450,000	-
Interest and fiscal charges	882,881	1,208,640	1,191,483	17,157
Total expenditures	<u>1,293,679</u>	<u>1,659,438</u>	<u>1,642,731</u>	<u>16,707</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(204,444)</u>	<u>(570,203)</u>	<u>(480,558)</u>	<u>89,645</u>
OTHER FINANCING SOURCES (USES):				
Issuance of lease revenue bonds	-	6,850,000	6,850,000	-
Issuance premium	-	295,100	295,100	-
Transfers in	400,444	541,666	1,033,726	492,060
Transfers out	(1,400,000)	(2,427,000)	(2,427,000)	-
Total other financing sources (uses)	<u>(999,556)</u>	<u>5,259,766</u>	<u>5,751,826</u>	<u>492,060</u>
NET CHANGES IN FUND BALANCE	<u>\$ (1,204,000)</u>	<u>\$ 4,689,563</u>	5,271,268	<u>\$ 581,705</u>
FUND BALANCE:				
Beginning of year			<u>4,087,929</u>	
End of year			<u>\$ 9,359,197</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Gas Tax Special Revenue Fund - To account for street maintenance activity. The source of funds is the State gasoline tax and related sales tax. Expenditures are restricted to construction, improvement and maintenance of public streets.

SBI Road Maintenance and Rehabilitation Special Revenue Fund - To account for revenue received from the State under the Road Repair and Accountability Act of 2017. The funding is used for street maintenance and rehabilitation needs.

Municipal Lighting / Landscaping Assessment District Special Revenue Fund - To account for street lighting activity and landscaping maintenance. Financing is provided by assessments against all parcels of real property within the City and landscape assessment district. Expenditures provide for street and palm tree lights citywide, maintenance of park buildings and equipment, and maintenance of all city parkland as designated.

Measure A Special Revenue Fund - To account for one-half cent sales tax collected in Riverside County and distributed to local agencies. Funds are restricted and can only be used for street maintenance and the construction of new streets.

SCAQMD Grant Special Revenue Fund - To account for grants for building solar, CNG Fueling Station and CNG vehicles, and PM-10 Mitigation/Cabot's Parking Lot Paving.

Air Quality Control Special Revenue Fund - To account for resources designated by South Coast Air Quality Management District through the collection of motor vehicle registration fees. These funds can be used for equipment, street sweeping and purchase of vehicles as related to the reduction of air pollution.

Art in Public Places Special Revenue Fund - To account for development fees paid in lieu of acquisition and installation of approved artworks in a development with expenditures restricted to acquisition, installation, maintenance and repair or artworks at approved sites.

Quimby Act Special Revenue Fund - To account for the accumulation of developer fees received under the provision of the Quimby Act for park development and improvements.

Drainage Assessment District Special Revenue Fund - To account for taxes assessed on property owners within the drainage assessment districts for the maintenance of the drainage systems.

NONMAJOR

GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (Continued):

County Service Area 152 (CSA-152) Special Revenue Fund - To account for funding received through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

Cabot's Museum Special Revenue Fund - To account for various fees and operational costs associated with a museum that was gifted to the City.

Supplemental Law Enforcement Service (SLESF) Special Revenue Fund - To account for funds received in connection with the Citizens Option for Public Safety Program (COPS), which supplements expenditures for "front line municipal police services".

Abandoned Vehicle Abatement Special Revenue Fund - To account for a portion of DMV registration fees that the City receives from the Riverside County Abandoned Vehicle Abatement Service Authority as reimbursement to the City for costs incurred for the administration, removal, and abatement of nuisance vehicles within city limits.

Community Development Block Grant (CDBG) Special Revenue Fund - To account for resources that are restricted for a wide variety of unique community development needs.

Housing Authority Special Revenue Fund - To account for and report funds set aside for development and improvements of the City's housing activity and operations.

CAPITAL PROJECTS FUNDS:

2012 Street Bonds Capital Projects Fund - To account for expenditures related to the design, acquisition, and construction of specified projects within the City in accordance with the 2012 Street Bonds official statement.

Assessment District 91-1 Capital Projects Fund - To account for improvements to the Assessment District 91-1, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

Assessment District 92-1 Capital Projects Fund - To account for improvements to the Assessment District 92-1, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

Assessment District 93-2 Capital Projects Fund - To account for improvements to the Assessment District 93-2, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

City of Desert Hot Springs
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
ASSETS				
Cash and investments	\$ -	\$ 530,292	\$ 744,587	\$ 205,056
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	49,404	51,133	53,434	84,946
Interest	-	916	1,257	265
Notes	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	2,947	-	3,016	-
Property held for resale	-	-	-	-
Total assets	\$ 52,351	\$ 582,341	\$ 802,294	\$ 290,267
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 59,478	\$ -	\$ 99,318	\$ 175,000
Due to other funds	19,248	-	-	-
Total liabilities	78,726	-	99,318	175,000
Deferred Inflows of Resources:				
Unavailable revenue	-	-	37,362	-
Fund Balances:				
Nonspendable	2,947	-	3,016	-
Restricted	-	582,341	662,598	115,267
Committed	-	-	-	-
Unassigned (deficit)	(29,322)	-	-	-
Total fund balances	(26,375)	582,341	665,614	115,267
Total liabilities, deferred inflows of resources, and fund balances	\$ 52,351	\$ 582,341	\$ 802,294	\$ 290,267

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	SCAQMD Grant	Air Quality Control	Art in Public Places	Quimby Act
ASSETS				
Cash and investments	\$ -	\$ 25,851	\$ 155,696	\$ -
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	10,001	-	-
Interest	-	53	310	-
Notes	-	-	-	-
Due from other funds	-	-	-	223,600
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ -	\$ 35,905	\$ 156,006	\$ 223,600
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 9,392	\$ 30,138	\$ -
Due to other funds	-	-	-	99,395
Total liabilities	-	9,392	30,138	99,395
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	26,513	-	124,205
Committed	-	-	125,868	-
Unassigned (deficit)	-	-	-	-
Total fund balances	-	26,513	125,868	124,205
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 35,905	\$ 156,006	\$ 223,600

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Drainage Assessment District	County Service Area 152	Cabot's Museum	SLESF
ASSETS				
Cash and investments	\$ 627,735	\$ 20,835	\$ 5,255	\$ -
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	16,251	30,133	-	-
Interest	1,223	11	-	75
Notes	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 645,209	\$ 50,979	\$ 5,255	\$ 75
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 21,745	\$ 25,453	\$ 5,252	\$ -
Due to other funds	-	-	-	-
Total liabilities	21,745	25,453	5,252	-
Deferred Inflows of Resources:				
Unavailable revenue	-	15,000	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	623,464	10,526	3	75
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	623,464	10,526	3	75
Total liabilities, deferred inflows of resources, and fund balances	\$ 645,209	\$ 50,979	\$ 5,255	\$ 75

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			Capital Projects
	Abandoned Vehicle Abatement	Community Development Block Grant	Housing Authority	2012 Street Bonds
ASSETS				
Cash and investments	\$ 23,251	\$ 48,723	\$ 74,337	\$ -
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	14,245	10,670	-	-
Interest	-	-	141	-
Notes	-	-	3,389,172	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Property held for resale	-	-	85,090	-
Total assets	\$ 37,496	\$ 59,393	\$ 3,548,740	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,016	\$ 51,649	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	2,016	51,649	-	-
Deferred Inflows of Resources:				
Unavailable revenue	3,869	10,670	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	31,611	-	3,548,740	-
Committed	-	-	-	-
Unassigned (deficit)	-	(2,926)	-	-
Total fund balances	31,611	(2,926)	3,548,740	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,496	\$ 59,393	\$ 3,548,740	\$ -

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Capital Projects			Total Nonmajor Governmental Funds
	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	
ASSETS				
Cash and investments	\$ 121,844	\$ 14,617	\$ 9,939	\$ 2,608,018
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	82	278	320,577
Interest	233	-	-	4,484
Notes	-	-	-	3,389,172
Due from other funds	-	-	-	223,600
Prepaid items	-	-	-	5,963
Property held for resale	-	-	-	85,090
Total assets	\$ 122,077	\$ 14,699	\$ 10,217	\$ 6,636,904
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 479,441
Due to other funds	-	-	-	118,643
Total liabilities	-	-	-	598,084
Unavailable revenue	-	-	-	66,901
Fund Balances:				
Nonspendable	-	-	-	5,963
Restricted	122,077	14,699	10,217	5,872,336
Committed	-	-	-	125,868
Unassigned (deficit)	-	-	-	(32,248)
Total fund balances	122,077	14,699	10,217	5,971,919
Total liabilities, deferred inflows of resources, and fund balances	\$ 122,077	\$ 14,699	\$ 10,217	\$ 6,636,904

(Concluded)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
REVENUES:				
Taxes	\$ -	\$ -	\$ 768,912	\$ -
Permits and fees	-	-	-	-
Intergovernmental	612,594	535,593	-	522,385
Interest	4	1,917	3,354	497
Miscellaneous	-	-	985	-
Total revenues	<u>612,598</u>	<u>537,510</u>	<u>773,251</u>	<u>522,882</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Public works	478,495	-	1,072,839	-
Economic development	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay	-	89,427	-	286,002
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>478,495</u>	<u>89,427</u>	<u>1,072,839</u>	<u>286,002</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>134,103</u>	<u>448,083</u>	<u>(299,588)</u>	<u>236,880</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	325,000	-
Transfers out	(200,444)	-	-	(200,000)
Total other financing sources (uses)	<u>(200,444)</u>	<u>-</u>	<u>325,000</u>	<u>(200,000)</u>
NET CHANGES IN FUND BALANCES	(66,341)	448,083	25,412	36,880
FUND BALANCES:				
Beginning of year	39,966	134,258	640,202	78,387
End of year	<u>\$ (26,375)</u>	<u>\$ 582,341</u>	<u>\$ 665,614</u>	<u>\$ 115,267</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	SCAQMD Grant	Air Quality Control	Art in Public Places	Quimby Act
REVENUES:				
Taxes	\$ -	\$ 38,577	\$ -	\$ -
Permits and fees	-	-	28,974	13,975
Intergovernmental	101,863	-	-	-
Interest	-	144	925	-
Miscellaneous	-	-	-	-
Total revenues	<u>101,863</u>	<u>38,721</u>	<u>29,899</u>	<u>13,975</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Public works	-	37,981	-	-
Economic development	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay	101,955	-	38,772	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>101,955</u>	<u>37,981</u>	<u>38,772</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(92)</u>	<u>740</u>	<u>(8,873)</u>	<u>13,975</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(92)	740	(38,873)	13,975
FUND BALANCES:				
Beginning of year	92	25,773	164,741	110,230
End of year	<u>\$ -</u>	<u>\$ 26,513</u>	<u>\$ 125,868</u>	<u>\$ 124,205</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Drainage Assessment District	County Service Area 152	Cabot's Museum	SLESF
REVENUES:				
Taxes	\$ 200,272	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-
Intergovernmental	-	123,358	-	148,747
Interest	3,302	11	-	238
Miscellaneous	-	-	-	-
Total revenues	<u>203,574</u>	<u>123,369</u>	<u>-</u>	<u>148,985</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Public works	204,281	73,728	-	-
Economic development	-	-	-	-
Culture and leisure	-	-	115,251	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>204,281</u>	<u>73,728</u>	<u>115,251</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(707)</u>	<u>49,641</u>	<u>(115,251)</u>	<u>148,985</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	115,254	-
Transfers out	-	-	-	(174,020)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>115,254</u>	<u>(174,020)</u>
NET CHANGES IN FUND BALANCES	(707)	49,641	3	(25,035)
FUND BALANCES:				
Beginning of year	624,171	(39,115)	-	25,110
End of year	<u>\$ 623,464</u>	<u>\$ 10,526</u>	<u>\$ 3</u>	<u>\$ 75</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			Capital Projects
	Abandoned Vehicle Abatement	Community Development Block Grant	Housing Authority	2012 Street Bonds
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-
Intergovernmental	20,858	274,325	-	-
Interest	-	-	4,439	-
Miscellaneous	-	-	-	-
Total revenues	<u>20,858</u>	<u>274,325</u>	<u>4,439</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public Safety	13,717	-	-	-
Public works	-	-	-	-
Economic development	-	-	25,023	-
Culture and leisure	-	-	85,500	-
Capital outlay	-	385,497	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>13,717</u>	<u>385,497</u>	<u>110,523</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,141</u>	<u>(111,172)</u>	<u>(106,084)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	123,728	-	-
Transfers out	-	-	-	(492,060)
Total other financing sources (uses)	<u>-</u>	<u>123,728</u>	<u>-</u>	<u>(492,060)</u>
NET CHANGES IN FUND BALANCES	7,141	12,556	(106,084)	(492,060)
FUND BALANCES:				
Beginning of year	24,470	(15,482)	3,654,824	492,060
End of year	<u>\$ 31,611</u>	<u>\$ (2,926)</u>	<u>\$ 3,548,740</u>	<u>\$ -</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Capital Projects			Total Nonmajor Governmental Funds
	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	
	-	-	-	
REVENUES:				
Taxes	\$ -	\$ 82	\$ 278	\$ 1,008,121
Permits and fees	-	-	-	42,949
Intergovernmental	-	-	-	2,339,723
Interest	643	-	-	15,474
Miscellaneous	-	1,186	1,365	3,536
Total revenues	643	1,268	1,643	3,409,803
EXPENDITURES:				
Current:				
Public Safety	-	-	-	13,717
Public works	-	-	-	1,867,324
Economic development	-	-	-	25,023
Culture and leisure	-	-	-	200,751
Capital outlay	-	-	-	901,653
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	3,008,468
REVENUES OVER (UNDER) EXPENDITURES	643	1,268	1,643	401,335
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	563,982
Transfers out	-	-	-	(1,096,524)
Total other financing sources (uses)	-	-	-	(532,542)
NET CHANGES IN FUND BALANCES	643	1,268	1,643	(131,207)
FUND BALANCES:				
Beginning of year	121,434	13,431	8,574	6,103,126
End of year	<u>\$ 122,077</u>	<u>\$ 14,699</u>	<u>\$ 10,217</u>	<u>\$ 5,971,919</u>

(Concluded)

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Gas Tax Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	-	-	-	-
Intergovernmental	\$ 742,661	\$ 742,661	\$ 612,594	\$ (130,067)
Interest	100	100	4	(96)
Total revenues	<u>742,761</u>	<u>742,761</u>	<u>612,598</u>	<u>(130,163)</u>
EXPENDITURES:				
Current:				
Public works	<u>542,317</u>	<u>542,317</u>	<u>478,495</u>	<u>63,822</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>200,444</u>	<u>200,444</u>	<u>134,103</u>	<u>(66,341)</u>
OTHER FINANCING (USES):				
Transfers out	<u>(200,444)</u>	<u>(200,444)</u>	<u>(200,444)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(66,341)</u>	<u>\$ (66,341)</u>
FUND BALANCE:				
Beginning of year			<u>39,966</u>	
End of year			<u>\$ (26,375)</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
SB1 Road Maintenance and Rehabilitation Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	483,419	483,419	\$ 535,593	\$ 52,174
Interest	100	100	1,917	1,817
Total revenues	<u>483,519</u>	<u>483,519</u>	<u>537,510</u>	<u>53,991</u>
EXPENDITURES:				
Capital outlay	480,000	480,000	89,427	390,573
NET CHANGES IN FUND BALANCE	<u>\$ 3,519</u>	<u>\$ 3,519</u>	448,083	<u>\$ 444,564</u>
FUND BALANCE:				
Beginning of year			<u>134,258</u>	
End of year			<u>\$ 582,341</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Municipal Lighting / Landscaping Assessment District Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 785,941	\$ 785,941	\$ 768,912	\$ (17,029)
Interest	344	344	3,354	3,010
Miscellaneous	1,500	1,500	985	(515)
Total revenues	<u>787,785</u>	<u>787,785</u>	<u>773,251</u>	<u>(14,534)</u>
EXPENDITURES:				
Current:				
Public Works	<u>1,112,581</u>	<u>1,337,581</u>	<u>1,072,839</u>	<u>264,742</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(324,796)</u>	<u>(549,796)</u>	<u>(299,588)</u>	<u>250,208</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>100,000</u>	<u>325,000</u>	325,000	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>\$ (224,796)</u>	<u>\$ (224,796)</u>	25,412	<u>\$ 250,208</u>
FUND BALANCE:				
Beginning of year			<u>640,202</u>	
End of year			<u>\$ 665,614</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Measure A Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 477,000	\$ 489,423	\$ 522,385	\$ 32,962
Interest	25	25	497	472
Total revenues	<u>477,025</u>	<u>489,448</u>	<u>522,882</u>	<u>33,434</u>
EXPENDITURES:				
Current				
Public works	20,320	21,241	-	21,241
Capital outlay	254,000	265,502	286,002	(20,500)
Total expenditures	<u>274,320</u>	<u>286,743</u>	<u>286,002</u>	<u>741</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>202,705</u>	<u>202,705</u>	<u>236,880</u>	<u>34,175</u>
OTHER FINANCING (USES):				
Transfers out	(200,000)	(200,000)	(200,000)	-
NET CHANGES IN FUND BALANCE	<u>\$ 2,705</u>	<u>\$ 2,705</u>	36,880	<u>\$ 34,175</u>
FUND BALANCE:				
Beginning of year			78,387	
End of year			<u>\$ 115,267</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
SCAQMD Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 496,050	\$ 496,050	\$ 101,863	\$ (394,187)
EXPENDITURES:				
Capital outlay	496,050	496,050	101,955	394,095
NET CHANGES IN FUND BALANCE	\$ -	\$ -	(92)	\$ (92)
FUND BALANCE:				
Beginning of year			92	
End of year			\$ -	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Air Quality Control Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 37,200	\$ 38,577	\$ 38,577	\$ -
Interest	10	10	144	134
Total revenues	<u>37,210</u>	<u>38,587</u>	<u>38,721</u>	<u>134</u>
EXPENDITURES:				
Current:				
Public works	<u>37,210</u>	<u>38,243</u>	<u>37,981</u>	<u>262</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>344</u>	<u>740</u>	<u>396</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ 344</u>	<u>740</u>	<u>\$ 396</u>
FUND BALANCE:				
Beginning of year			<u>25,773</u>	
End of year			<u>\$ 26,513</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Art in Public Places Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Permits and fees	\$ 70,000	\$ 70,000	\$ 28,974	\$ (41,026)
Interest	40	40	925	885
Total revenues	70,040	70,040	29,899	(40,141)
EXPENDITURES:				
Capital Outlay	60,000	55,000	38,772	16,228
REVENUES OVER (UNDER) EXPENDITURES	10,040	15,040	(8,873)	(23,913)
OTHER FINANCING USES:				
Transfers out	-	(30,000)	(30,000)	-
NET CHANGES IN FUND BALANCE	\$ 10,040	\$ (14,960)	(38,873)	\$ (23,913)
FUND BALANCE:				
Beginning of year			164,741	
End of year			\$ 125,868	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Drainage Assessment District Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 205,617	\$ 205,617	\$ 200,272	\$ (5,345)
Interest	137	137	3,302	3,165
Total revenues	<u>205,754</u>	<u>205,754</u>	<u>203,574</u>	<u>(2,180)</u>
EXPENDITURES:				
Current:				
Public works	<u>387,220</u>	<u>389,150</u>	<u>204,281</u>	<u>184,869</u>
NET CHANGES IN FUND BALANCE	<u>\$ (181,466)</u>	<u>\$ (183,396)</u>	(707)	<u>\$ 182,689</u>
FUND BALANCE:				
Beginning of year			<u>624,171</u>	
End of year			<u>\$ 623,464</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
County Service Area 152 Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 133,721	\$ 133,721	\$ 123,358	\$ (10,363)
Interest	25	25	11	(14)
Total revenues	<u>133,746</u>	<u>133,746</u>	<u>123,369</u>	<u>(10,377)</u>
EXPENDITURES:				
Current:				
Public works	<u>128,700</u>	<u>74,611</u>	<u>73,728</u>	<u>883</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,046</u>	<u>59,135</u>	<u>49,641</u>	<u>(9,494)</u>
OTHER FINANCING (USES):				
Transfers out	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>\$ 46</u>	<u>\$ 59,135</u>	<u>49,641</u>	<u>\$ (9,494)</u>
FUND BALANCE:				
Beginning of year			<u>(39,115)</u>	
End of year			<u>\$ 10,526</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Cabot's Museum Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Culture and leisure	\$ 100,000	115,254	\$ 115,251	\$ 3
OTHER FINANCING SOURCES:				
Transfers in	100,000	115,254	115,254	-
NET CHANGES IN FUND BALANCE	\$ -	\$ -	3	\$ 3
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 3	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
SLESF Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 148,747	\$ 48,747
Interest	5	5	238	233
Total revenues	<u>100,005</u>	<u>100,005</u>	<u>148,985</u>	<u>48,980</u>
OTHER FINANCING USES:				
Transfers out	(100,000)	(174,021)	(174,020)	1
NET CHANGES IN FUND BALANCE	<u>\$ 5</u>	<u>\$ (74,016)</u>	(25,035)	<u>\$ 48,981</u>
FUND BALANCE:				
Beginning of year			<u>25,110</u>	
End of year			<u>\$ 75</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Abandoned Vehicle Abatement Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 10,000	\$ 15,000	\$ 20,858	\$ 5,858
EXPENDITURES:				
Current:				
Public Safety	-	15,000	13,717	1,283
REVENUES OVER (UNDER) EXPENDITURES	<u>10,000</u>	<u>-</u>	<u>7,141</u>	<u>7,141</u>
OTHER FINANCING (USES)				
Transfers out	(10,000)	-	-	-
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>7,141</u>	<u>\$ 7,141</u>
FUND BALANCE:				
Beginning of year			24,470	
End of year			<u>\$ 31,611</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 212,867	\$ 261,770	\$ 274,325	\$ 12,555
EXPENDITURES:				
Capital outlay	212,867	385,498	385,497	1
REVENUES OVER (UNDER) EXPENDITURES	-	(123,728)	(111,172)	12,556
OTHER FINANCING SOURCES:				
Transfers in	-	123,728	123,728	-
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	12,556	<u>\$ 12,556</u>
FUND BALANCE:				
Beginning of year			(15,482)	
End of year			<u>\$ (2,926)</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Housing Authority Special Revenue Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 4,439	\$ 4,439
EXPENDITURES:				
Current:				
Economic development	7,060	7,060	25,023	(17,963)
Culture and leisure	-	-	85,500	(85,500)
Total expenditures	<u>7,060</u>	<u>7,060</u>	<u>110,523</u>	<u>(103,463)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,060)</u>	<u>(7,060)</u>	<u>(106,084)</u>	<u>(99,024)</u>
OTHER FINANCING (USES):				
Transfers out	-	(7,000)	-	7,000
NET CHANGES IN FUND BALANCE	<u>\$ (7,060)</u>	<u>\$ (14,060)</u>	<u>(106,084)</u>	<u>\$ (92,024)</u>
FUND BALANCE:				
Beginning of year			<u>3,654,824</u>	
End of year			<u>\$ 3,548,740</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Assessment District 91-1 Capital Projects Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ 25	\$ 25	\$ 643	\$ 618
Total revenues	<u>25</u>	<u>25</u>	<u>643</u>	<u>618</u>
EXPENDITURES:				
Public Works	60,900	60,900	-	60,900
REVENUES OVER (UNDER) EXPENDITURES	<u>(60,875)</u>	<u>(60,875)</u>	<u>643</u>	<u>61,518</u>
NET CHANGES IN FUND BALANCE	<u>\$ (60,875)</u>	<u>\$ (60,875)</u>	643	<u>\$ 61,518</u>
FUND BALANCE:				
Beginning of year			<u>121,434</u>	
End of year			<u>\$ 122,077</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Assessment District 92-1 Capital Projects Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 82	\$ 82
Miscellaneous	-	-	1,186	1,186
Total revenues	<u>-</u>	<u>-</u>	<u>1,268</u>	<u>1,268</u>
EXPENDITURES:				
Current:				
Economic development	13,300	13,300	-	13,300
Total expenditures	<u>13,300</u>	<u>13,300</u>	<u>-</u>	<u>13,300</u>
NET CHANGES IN FUND BALANCE	<u>\$ (13,300)</u>	<u>\$ (13,300)</u>	1,268	<u>\$ 14,568</u>
FUND BALANCE:				
Beginning of year			13,431	
End of year			<u>\$ 14,699</u>	

City of Desert Hot Springs
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Assessment District 93-2 Capital Projects Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 278	\$ 278
Miscellaneous	-	-	1,365	1,365
Total revenues	<u>-</u>	<u>-</u>	<u>1,643</u>	<u>1,643</u>
EXPENDITURES:				
Current:				
Economic development	8,200	8,200	-	8,200
Total expenditures	<u>8,200</u>	<u>8,200</u>	<u>-</u>	<u>8,200</u>
NET CHANGES IN FUND BALANCE	<u>\$ (8,200)</u>	<u>\$ (8,200)</u>	1,643	<u>\$ 9,843</u>
FUND BALANCE:				
Beginning of year			<u>8,574</u>	
End of year			<u>\$ 10,217</u>	

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INTERNAL SERVICE FUNDS

The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Risk Management Fund - To account for payment of the City's different types of insurance for general liability, workers' compensation, property, automobile, and earthquake coverage.

Equipment Replacement Fund - To account for equipment purchases.

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City of Desert Hot Springs
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Risk Management	Equipment Replacement	Total
ASSETS			
Current assets:			
Cash and investments	\$ 368,563	\$ 13,409	\$ 381,972
Accounts receivable	12,631	41,667	54,298
Total current assets	381,194	55,076	436,270
Capital assets:			
Depreciable, net	-	420,119	420,119
Total capital assets	-	420,119	420,119
Total assets	381,194	475,195	856,389
LIABILITIES			
Current liabilities:			
Accounts payable	12,451	45,734	58,185
Capital lease payable - due within one year	-	128,262	128,262
Claims payable - due within one year	230,842	-	230,842
Total current liabilities	243,293	173,996	417,289
Noncurrent liabilities:			
Capital lease payable - due in more than one year	-	133,742	133,742
Total noncurrent liabilities	-	133,742	133,742
Total liabilities	243,293	307,738	551,031
NET POSITION			
Net investment in capital assets	-	158,115	158,115
Unrestricted	137,901	9,342	147,243
Total net position	\$ 137,901	\$ 167,457	\$ 305,358

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Risk Management	Equipment Replacement	Total
OPERATING REVENUES:			
Insurance recovery	\$ 153,736	\$ 41,667	\$ 195,403
Total operating revenues	153,736	41,667	195,403
OPERATING EXPENSES:			
Insurance and claims	131,977	-	131,977
Vehicle maintenance	-	125	125
Depreciation	-	201,496	201,496
Total operating expenses	131,977	201,621	333,598
OPERATING INCOME (LOSS)	21,759	(159,954)	(138,195)
NONOPERATING (EXPENSES):			
Interest expenses	-	(13,820)	(13,820)
Total nonoperating (expenses)	-	(13,820)	(13,820)
INCOME (LOSS) BEFORE TRANSFERS	21,759	(173,774)	(152,015)
TRANSFERS:			
Transfers in	-	136,816	136,816
Transfers out	(107,182)	(10,000)	(117,182)
Total transfers	(107,182)	126,816	19,634
Changes in net position	(85,423)	(46,958)	(132,381)
NET POSITION:			
Beginning of year	223,324	214,415	437,739
End of year	\$ 137,901	\$ 167,457	\$ 305,358

City of Desert Hot Springs
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Risk Management	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from claims recoveries	\$ 151,105	\$ -	\$ 151,105
Payments for vendor for goods and services	-	45,609	45,609
Payments for insurance claims	(246,285)	-	(246,285)
Net cash provided by (used in) operating activities	(95,180)	45,609	(49,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in from other funds	-	136,816	136,816
Transfers out to other funds	(107,182)	(10,000)	(117,182)
Net cash provided by (used in) noncapital financing activities	(107,182)	126,816	19,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(45,733)	(45,733)
Principal paid on capital leases	-	(122,996)	(122,996)
Interest paid on capital leases	-	(13,820)	(13,820)
Net cash used in capital and related financing activities	-	(182,549)	(182,549)
Net decrease in cash and cash equivalents	(202,362)	(10,124)	(212,486)
CASH AND CASH EQUIVALENTS:			
Beginning of year	570,925	23,533	594,458
End of year	\$ 368,563	\$ 13,409	\$ 381,972
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 21,759	\$ (159,954)	\$ (138,195)
Depreciation	-	201,496	201,496
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(2,631)	(41,667)	(44,298)
Increase (decrease) in accounts payable	(11,601)	45,734	34,133
Increase (decrease) in claims payable	(102,707)	-	(102,707)
Total adjustments	(116,939)	4,067	(112,872)
Net cash provided by (used in) operating activities	\$ (95,180)	\$ 45,609	\$ (49,571)

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AGENCY FUNDS

Community Services Fund - this fund was established to account for donations received for various community programs. The monies are held in a bank account until used for the designated purpose.

Community Facilities District Skyborne Fund - this fund was established to account for payments of principal and interest for the Community Facilities District municipal bonds related to the Skyborne area of the City.

Community Facilities District Fund - these funds are established to account for special tax funding that allows for the financing of the installation, operation and maintenance of public improvements. There are a total of 31 zones.

Gang Task Force Fund - this fund was established to account for all revenues and expenses received from various agencies supporting the Gang Task Force. The City is only working with the task force to manage their funding for a period of time.

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City of Desert Hot Springs
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

	Agency Funds				Total
	Community Services Fund	Community Facilities District Skyborne Fund	Community Facilities District Fund	Gang Task Force Fund	
ASSETS					
Cash and investments	\$ 1,993,224	\$ 672,206	\$ 290,806	\$ 171,208	\$ 3,127,444
Cash with fiscal agent	-	180,156	-	-	180,156
Accounts receivable	-	2,289	1,850	-	4,139
Interest receivable	-	1,169	406	328	1,903
Total assets	\$ 1,993,224	\$ 855,820	\$ 293,062	\$ 171,536	\$ 3,313,642
LIABILITIES					
Accounts payable	\$ 71,954	\$ 2,251	\$ 1,049	\$ 6,882	\$ 82,136
Deposits payable	1,918,181	-	30,000	164,654	2,112,835
Due to bondholders	3,089	853,569	262,013	-	1,118,671
Total liabilities	\$ 1,993,224	\$ 855,820	\$ 293,062	\$ 171,536	\$ 3,313,642

City of Desert Hot Springs
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Community Services Fund</u>				
Assets:				
Cash and investments	\$ 226,572	\$ 4,088,478	\$ (2,321,826)	\$ 1,993,224
Accounts receivable	7,531	-	(7,531)	-
Total assets	\$ 234,103	\$ 4,088,478	\$ (2,329,357)	\$ 1,993,224
Liabilities:				
Accounts payable	\$ 12,280	\$ 1,092,191	\$ (1,032,517)	\$ 71,954
Deposits payable	221,823	2,876,666	(1,180,308)	1,918,181
Due to bondholders	-	5,090	(2,001)	3,089
Total liabilities	\$ 234,103	\$ 3,973,947	\$ (2,214,826)	\$ 1,993,224
<u>Community Facilities District Skyborne Fund</u>				
Assets:				
Cash and investments	\$ 622,851	\$ 293,629	\$ (244,274)	\$ 672,206
Cash with fiscal agent	176,420	169,657	(165,921)	180,156
Accounts receivable	3,381	2,289	(3,381)	2,289
Interest receivable	515	1,169	(515)	1,169
Total assets	\$ 803,167	\$ 466,744	\$ (414,091)	\$ 855,820
Liabilities:				
Accounts payable	\$ 2,251	\$ 177,780	\$ (177,780)	\$ 2,251
Due to bondholders	800,916	234,467	(181,814)	853,569
Total liabilities	\$ 803,167	\$ 412,247	\$ (359,594)	\$ 855,820
<u>Community Facilities District Fund</u>				
Assets:				
Cash and investments	\$ 77,243	\$ 257,222	\$ (43,659)	\$ 290,806
Accounts receivable	-	1,850	-	1,850
Interest receivable	69	415	(78)	406
Total assets	\$ 77,312	\$ 259,487	\$ (43,737)	\$ 293,062
Liabilities:				
Accounts payable	\$ 21,006	19,748	\$ (39,705)	\$ 1,049
Deposits payable	10,000	38,000	(18,000)	30,000
Due to bondholders	46,306	222,215	(6,508)	262,013
Total liabilities	\$ 77,312	\$ 279,963	\$ (64,213)	\$ 293,062

(Continued)

City of Desert Hot Springs
Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)
Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Gang Task Force Fund</u>				
Assets:				
Cash and investments	\$ 184,095	\$ 3,882	\$ (16,769)	\$ 171,208
Interest receivable	168	328	(168)	328
Total assets	\$ 184,263	\$ 4,210	\$ (16,937)	\$ 171,536
Liabilities:				
Accounts payable	\$ -	\$ 23,651	\$ (16,769)	\$ 6,882
Deposits payable	184,263	4,042	(23,651)	164,654
Total liabilities	\$ 184,263	\$ 27,693	\$ (40,420)	\$ 171,536
<u>Total All Agency Funds</u>				
Assets:				
Cash and investments	\$ 1,110,761	\$ 4,643,211	\$ (2,626,528)	\$ 3,127,444
Cash with fiscal agent	176,420	169,657	(165,921)	180,156
Accounts receivable	10,912	4,139	(10,912)	4,139
Interest receivable	752	1,912	(761)	1,903
Total assets	\$ 1,298,845	\$ 4,818,919	\$ (2,804,122)	\$ 3,313,642
Liabilities:				
Accounts payable	\$ 35,537	\$ 1,313,370	\$ (1,266,771)	\$ 82,136
Deposits payable	416,086	2,918,708	(1,221,959)	2,112,835
Due to bondholders	847,222	461,772	(190,323)	1,118,671
Total liabilities	\$ 1,298,845	\$ 4,693,850	\$ (2,679,053)	\$ 3,313,642

(Concluded)

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
November 26, 2019

APPENDIX G

**CITY OF MENIFEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2019

**CITY OF MENIFEE
CALIFORNIA**

CITY OF MENIFEE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

Prepared by:
Finance Department

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CITY OF MENIFEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Listing of Elected Officials	vi
Organizational Chart	vii
GFOA Award of Financial Reporting Achievement	viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government - Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Net Position - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	19
Notes to Financial Statements	20

CITY OF MENIFEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	52
Budgetary Comparison Schedule - Development Impact Fees	53
Schedule of the City’s Proportionate Share of the Plan’s Net Pension Liability and Related Ratios as of the Measurement Date	54
Schedule of the Plan’s Contributions	55
Schedule of Changes in the Net OPEB Liability and Related Ratios	56
Schedule of OPEB Contributions	57
 COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Non-major Governmental Funds Descriptions	58
Combining Balance Sheet - Non-major Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	65
Budgetary Comparison Schedules - Special Revenue Funds	
Gas Tax	69
SB 1	70
Measure A	71
Air Quality Management District	72
Grants	73
Landscape and Lighting Maintenance District	74
Community Facilities District - Audie Murphy Ranch	75
Community Facilities District - Hidden Hills	76
Community Facilities District - 2014-1 Town Center	77
Community Facilities District - 2014-2 Commerce Point.....	78
Community Facilities District - 2015-2 Citywide	79
Community Facilities District - 2017-1 Maintenance Services	80
County Service Areas (CSA).....	81
 Budgetary Comparison Schedule - Capital Projects Fund	
Capital Projects Fund	82
 Budgetary Comparison Schedule - Debt Service Fund	
Debt Service	83
 Fiduciary Fund - Agency Fund	
Statement of Changes in Assets and Liabilities	84

CITY OF MENIFEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Page
Number

STATISTICAL SECTION

Statistical Section Descriptions	85
Net Position	86
Changes in Net Position	88
Fund Balances of Governmental Funds	90
Changes in Fund Balances of Governmental Funds	92
Major Revenues by Source - Governmental Funds	94
Assessed Value and Estimated Actual Value of Taxable Property	95
Assessed Value and Estimated Actual Value of Taxable Property by Use Category.....	96
Direct and Overlapping Property Tax Rates	97
Principal Property Tax Payers	98
Property Tax Levies and Collections	99
Ratio of Outstanding Debt by Type	100
Ratio of General Bonded Debt Outstanding	101
Direct and Overlapping Bonded Debt	102
Legal Debt Margin Information	103
Demographic and Economic Statistics	104
Principal Employers	105
Full and Part-time City Employees by Function	106
Capital Asset Statistics by Function/Program	107
Operating Indicators by Function/Program	108
Miscellaneous Statistics	109
Taxable Sales by Category	110
Top 25 Sales Tax Producers	111

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INTRODUCTORY SECTION

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December 5, 2019

Honorable Mayor, Members of the City Council & Citizens of the City of
Menifee, California

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Menifee (City) for the fiscal year ended June 30, 2019. The City annually issues a report on its financial position and activity, audited by an independent firm of certified public accountants. The City's Finance Department prepared this report in accordance with generally accepted accounting principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB) and other sources. This CAFR also conforms to GASB Statement No. 34 financial report standards, providing the reader a dual-perspective financial report. The report contains a citywide view of all governmental activities, as well as a focus on the financial position and operating results of the City's major funds.

Responsibility for the accuracy of the data, and the completeness and fairness of the presentations including disclosures, rests with the City. To provide a reasonable basis for making these presentations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. 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, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Also, all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, have issued an unmodified opinion on the City of Menifee's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Generally accepted accounting principles requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditors.

-i-

Profile of the City of Menifee

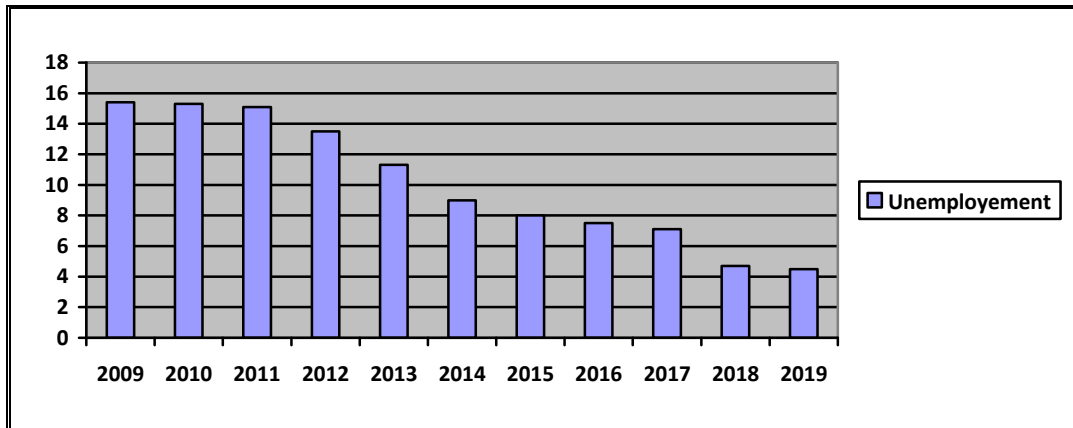
The City of Menifee is located approximately 80 miles southeast of Los Angeles in the southwestern portion of Riverside County. The City incorporated on October 1, 2008 as a general law City. The City has slightly more than 90,000 residents and covers an area of over 46 square miles. As a general law city, Menifee is governed by a five-member City Council operating under the Council/Manager form of government. Beginning with the November 2012 election, the Council consists of four Council Members elected by district who serve a four year term on a staggering basis, and a Mayor elected at large who serves a four year term. The City Council is responsible for passing City ordinances, resolutions, adopting the annual budget, appointing commissions and committees, and setting policy. The City Council appoints the City Attorney and City Manager who in turn appoints the heads of the various departments and other city staff.

The City provides a wide range of services including planning, building, public works, engineering, parks and recreation, and general administrative activities. Services are also provided to the City and its citizens by contract and by the direct services of other government agencies and organizations. These services include police, animal control and fire protection through contract with the County of Riverside, library services through the County of Riverside, water and sewer service through the Eastern Municipal Water District, franchise agreements for electricity service through Southern California Edison, natural gas through Sempra Utilities (So. Cal. Gas), refuse collection through Waste Management, public transit through the Riverside Transit Agency, and cable service through state franchise agreements with Mediacom, Charter and Frontier.

Although the City is distinctively residential in character, the City has the potential for a strong economic base and staff is working diligently to enhance this opportunity. Currently the major commercial bases are anchored by the Countryside Marketplace, Town Center Marketplace, Menifee Lakes Plaza, Shoppes at the Lakes and other key focal points near the I-215, Newport Road and McCall Blvd. Within the last fiscal year, the City welcomed several new businesses including See's Candy, Baron's Market, Kahoots Pet Store, Blitzer's Frozen Yogurt, Creamistry, Jamba Juice, The Coffee Bean & Tea Leaf, Sapporo Sushi, Schools First Credit Union, Zesty Shawarma and Grill, Mountain Mike's Pizza, Nothing Bundt Cakes, Tommy's Express Car Wash, Raising Cane's Chicken Fingers, Dunkin' Donuts, Café Rio, Wolfee Donuts, Firehouse Subs, Blaze Pizza, Tuesday Morning and Good Year. Expectations are high as the City looks to the future and anticipated new key retailers such as Bright Now Dental, Fairfield Inn & Suites, Pokebowl, Bushfire Kitchen, Moe's Southwest Grill, Navy Federal Credit Union, Sprouts Farmers Market, Olive Garden, Chronic Tacos, WellQuest Living, Paragon Framing and RV SuperCenter to name just a few. Other future development projects expected include amenities such as entertainment venues, restaurants and other retail, offices, and lodging.

Local Economy

Mirroring the national, state and regional economies, the City of Menifee's economy continues to be strong. The unemployment rate improved from the prior year from 4.7% to 4.5%. The City and local region have been enjoying a marked increase in new construction, which has led to increased assessed valuations. The number of building permits issued increased by 20.3% (from 5179 to 6232), while the number of planning applications decreased by 19.7% (from 259 to 208).



Retail sales continued to experience strong growth, with receipts for local point of sale activity up 3.1% in the second quarter of 2019 from the same period in the prior year. Bradley Burns Sales tax collections increased from \$8,044,068 in fiscal year 2017-18 to \$8,968,068 in fiscal year 2018-19, an 11.5% increase primarily due to new retail shops. Measure DD Sales Tax collections increased from \$9,961,049 in fiscal year 2017-18 to \$11,416,810 in fiscal year 2018-19, a 14.6% increase. This was the second full year of collection of this 1% additional sales tax that was passed by the voters in November 2016.

As part of the State of California's Fiscal Year 11-12 Budget, the Governor signed Senate Bill 89 (SB 89), which shifted millions of Vehicle License Fee (VLF) revenues to fund state law enforcement grants. This legislation particularly impacted newly incorporated cities such as Menifee, which received a special allocation from VLF revenues. The impact due to SB 89 for the City of Menifee in Fiscal Year 16-17 was estimated to be a loss of approximately \$4.3 million, which the City addressed through budgetary measures. In the State of California budget for fiscal year 2017-18 SB 130 was introduced, signed and made into law. With SB 130 the City of Menifee's annual VLF revenues were restored. In fiscal year 2017-18 the City received \$6,110,514 and fiscal year 2018-19 the City received \$6,880,540, an increase of 9.3%

Budget Process

The City's operating budget and five-year capital improvement plan is adopted annually by the City Council no later than the close of the prior fiscal year and serves as the foundation for planning and controlling the City's finances. The budget process begins early in spring and encompasses budget workshops with the public and City Council in order to promote transparency and to develop goals and objectives with the community's best interest at heart. As the City of Menifee is still relatively new and growing, the primary goal for the City continues to be maintaining a good balance between augmenting City staff and services, and utilizing existing resources efficiently as well as minimizing costs as much as possible. Additional budget objectives included:

- Continue the process of setting up the City of Menifee's Municipal Police Department
- Continue expanding the Economic Development program in order to continue to generate revenues to sustain current and future City services, as well as attracting new economic development and jobs to the City.
- Seek additional revenue sources such as grant funding.
- Expand carefully only as resources allow.

During the year, supplemental appropriations are made to the adopted budget and approved by City Council as necessary. The City Manager is authorized to approve operating transfers between departments within a fund without limits and may reduce expenditure appropriations within a fund as a method of fiscal control. The Finance Director may decrease revenue estimates to reflect changes in the economy within the fiscal year. Annually, staff prepares and presents mid-year budget adjustments to City Council for their approval. This process incorporates updating beginning fund balances per the annual audit report and adjusting the budget as dictated by changes in the City's goals and objectives or due to economic or legislative changes.

Long-term Financial Planning

The City has adopted a fund balance policy in compliance with GASB Statement No. 54, which sets the goal for maintaining the General Fund "fund balance" in an amount equal to twenty-five percent (25%) of general fund expenditures. Of these reserves, 10% are committed or set aside for use specifically in the case of the declaration of a state or federal emergency, or a local emergency as defined in Menifee Municipal Code 1.10.010. The City's Finance Committee, made up of two City Councilmembers and Finance staff, has made it a priority to work with staff to develop necessary and appropriate fiscal policies to guide the City's future operations. The Finance Committee and City staff will also be working together on the development of a long term financial plan for the City.

Annually, during the City's budget process, the City's engineering staff takes a five year capital project budget to City Council for adoption. For fiscal year 2019-20 in the five year capital project budget there was a total of 29 projects identified with requested funding totaling \$26,682,128, from various sources. These 29 projects consist of four transportation projects, four traffic signal projects, four street rehabilitation projects, one drainage project, two facility projects and fourteen parks/trails projects. Construction on the Scott Road & I-215 Interchange began in fiscal year 2018-19 and will be completed in the fiscal year 2019-20. Other future projects of note are the Holland Road Overpass, the Bradley Road Bridge and the widening of Scott Road west to Bundy Canyon Road. As these three projects are vital to alleviate traffic congestion and improve safety, the City is aggressively seeking various methods of funding and is also looking into local, regional and state collaborations.

The City conducted a development impact fee (DIF) study. This study was conducted to establish impact fees that are compatible to today's construction costs and meet the future needs of the City. These fees will be imposed on new construction and will bring much needed financial relief to the City by expanding current and future roadways and constructing new public facilities. City Council adopted the new schedule of DIF fees on December 20, 2017 to be implemented with a two year phase-in beginning July 1, 2018.

In April 2015 the City adopted its first city-wide Community Facility District (CFD) for facility maintenance. This city-wide CFD will provide maintenance services such as street lighting, street sweeping, landscape maintenance and storm drainage maintenance to those residential and commercial projects that annex into the maintenance CFD. This maintenance CFD will assess only new construction to help minimize the fiscal impact in which expanding development impose on the City. The formation of the new CFDs will allow the City to continue to provide quality services that our residents and community expect, and the level of services that make the City of Menifee one of the premier cities in Riverside County.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City its Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2018. Since incorporation, the City has been bestowed this prestigious award every year that has been submitted. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes that the current CAFR continues to meet the high standards associated with the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City's CAFR was prepared through the combined efforts of City staff. Special recognition is due to the Finance Department. With their support and coordination, the entire department assisted in closing the books for the year and ensuring timely and accurate reporting. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Armando G. Villa
City Manager



Rochelle Clayton
Deputy City Manager

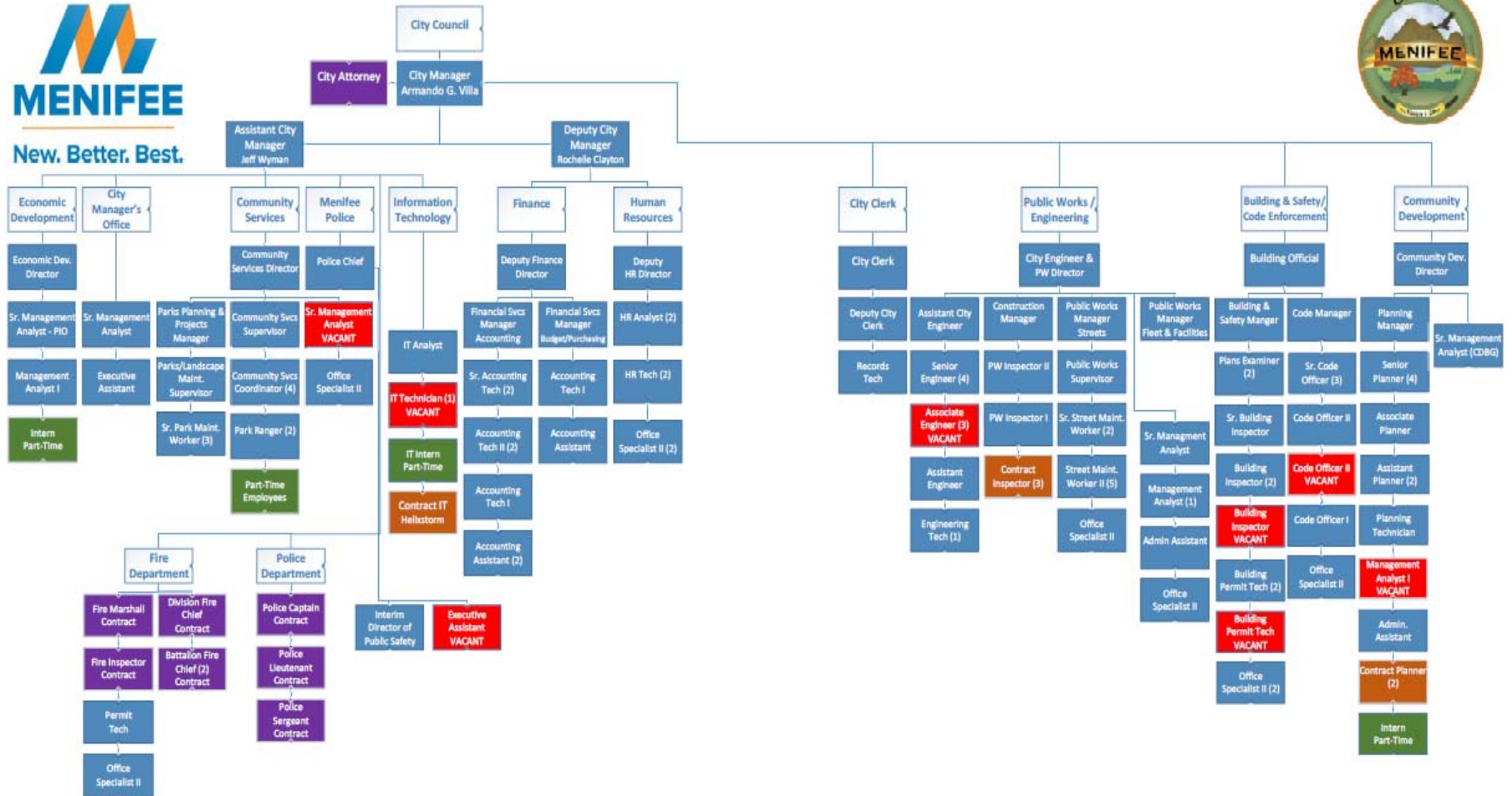


Wendy Preece
Deputy Finance Director

CITY OF MENIFEE

Elected Officials as of June 30, 2019

Bill Zimmerman – Mayor
Greg August – Mayor Pro Tem
Matthew Liesemeyer – Councilmember
Lisa A. Sobek – Councilmember
Dean Deines – Councilmember





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Menifee
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Menifee, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA

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California Society of
Certified Public Accountants



A Worldwide Alliance of Independent
Accounting, Law and Consulting Firms

Report on the 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 Menifee (the City), California, as of and for the year ended June 30, 2019, 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 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.

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 City as of June 30, 2019, and the respective changes in financial position thereof 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 management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the plans' net pension liability and related ratios as of the measurement date, schedule of the pension plan's contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions, as listed in the table of contents, 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, supplemental 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 non-major fund financial statements and the budgetary comparison 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 non-major fund financial statements and budgetary comparison 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 5, 2019

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CITY OF MENIFEE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Menifee, California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information beyond what we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City exceeded its liabilities, at June 30, 2019, by \$246.2 million (*net position*). Of this amount, \$59.3 million is restricted for public works, future capital projects and debt service.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$94.5 million.
- At June 30, 2019, the Unassigned fund balance for the General Fund was \$18.0 million or 36.2% of General Fund expenditures, the Committed fund balance for the General Fund for use in the event of an emergency was \$3.3 million or 6.6% of General Fund expenditures, the Assigned fund balance for the General Fund for economic uncertainty was also \$3.3 million or 6.6% of General Fund expenditures, as well as an additional \$250,000 for the construction of a future City Hall. Council action in 2012 set fund balance requirements at Committed of 10%, Assigned of 10% and Unassigned Fund Balance of 5% for a total required Fund Balance of 25%, with actuals being 70.3% of total General Fund expenditures. The fund balance amounts are reviewed each year as part of the budget process.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The City's Basic Financial Statements consist of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 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 government'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 present information about the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, engineering and public works, public safety, and community services.

The Government-wide Financial Statements can be found in the Table of Contents under the heading Basic Financial Statements.

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 fund financial statements provide detailed information about the individual funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Menifee uses primarily *governmental funds* and two *fiduciary funds* for accounting and reporting purposes.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near-term financing requirements.

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*.

The City maintains various individual governmental funds. Information 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 and the Development Impact Fees Fund, which are considered to be major funds, and are presented in individual columns in the fund statements. Data from other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The Governmental Fund Financial Statements can be found in the Table of Contents under the heading Basic Financial Statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Menifee's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds – the Agency Fund, which is used to hold deposits that the City holds on behalf of outside parties, and the Veteran's Memorial Private Purpose Trust Fund. The Fiduciary Funds Financial Statements can be found in the Table of Contents under the heading Basic Financial Statements.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found in the Table of Contents under the heading Notes to Financial Statements.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole

For fiscal year ending June 30, 2019, the City of Menifee's total net position increased 39.8% from \$176.09 million for fiscal year ending 2018, to \$246.21 million for fiscal year ending 2019. The largest portion of the City's net position, \$156.77 million or 63.8 percent, reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress); less any related debt used to acquire those assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the city's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Of the remaining total, \$59.4 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties

Summary of Net Position
June 30, 2019 and 2018

	Governmental Activities	
	2018	2019
Assets:		
Current and other assets	\$ 78,862,927	\$ 99,430,107
Restricted assets	8,588,841	14,908,017
Capital assets	129,509,521	174,915,496
Total assets	216,961,289	289,253,620
Deferred Outflows of Resources:		
OPEB related	521	775
Pension related	1,823,097	2,304,740
Total deferred outflows of resources	1,823,618	2,305,515
Liabilities:		
Other liabilities	23,487,617	20,049,218
Long-term liabilities	19,189,635	25,226,898
Total liabilities	42,677,252	45,276,116
Deferred Inflows of Resources:		
OPEB related	-	12,806
Pension related	22,311	55,066
Total deferred inflows of resources	22,311	67,872
Net Position:		
Net investment in capital assets	110,924,809	156,771,192
Restricted	39,108,459	59,379,342
Unrestricted	26,052,076	30,064,613
Total net position	\$ 176,085,344	\$ 246,215,147

As shown above, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$246.21 million at June 30, 2019. Deferred outflows is defined as "a consumption of net assets by the government that is applicable to a future reporting period" and deferred inflows is defined as "an acquisition of net assets by the government that is applicable to a future reporting period". For further information on the deferred outflows and inflows, see Notes 8 and 9 in the Basic Financial Statements section of this report.

Overall, Citywide governmental fund revenues for the fiscal year ending June 30, 2019, totaled \$133.2 million. This figure compares with the prior year total of \$107.5 million, a 23.9% increase.

- Total program revenues of \$85.7 million were 64.4 percent of total revenues
- Total general revenues of \$47.4 million were 35.7 percent of total revenues.

Total related current year expenses accumulated to \$63.05 million, compared with prior year expenses of \$46.72 million. Public Safety expenses accounted for 43.8% of total current expenses. Engineering and Public Works expenses, which accounts for 26.9% of the total expenses, were used primarily for street maintenance costs and design costs. The next largest category, General Government, includes expenses related to the management and administration of the City, such as finances, management, and legal expense services, accounted for 13.0% of total expenses.

Summary of Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	Governmental Activities	
	<u>2018</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 27,218,239	\$ 33,823,689
Operating grants and contributions	4,722,133	5,141,336
Capital grants and contributions	33,885,278	46,785,288
General revenues:		
Sales taxes	18,005,117	20,384,878
Property taxes	12,814,111	14,134,926
Other taxes	3,924,169	4,003,439
Motor vehicle in-lieu (unrestricted)	6,110,514	6,680,540
Use of money & property	613,165	2,011,031
Other revenues	166,682	211,335
Total revenues	<u>107,459,408</u>	<u>133,176,462</u>
Expenses		
General government	6,265,963	8,177,727
Public safety	25,497,233	27,595,237
Community development	4,925,868	5,347,196
Recreation services	3,034,270	4,082,858
Engineering and public works	6,082,233	16,979,928
Interest expense	917,342	863,713
Total expenses	<u>46,722,909</u>	<u>63,046,659</u>
Change in Net Position	60,736,499	70,129,803
Net position, beginning of year, restated	115,348,845	176,085,344
Net position, end of year	<u><u>\$ 176,085,344</u></u>	<u><u>\$ 246,215,147</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Below, the Statement of Revenues, Expenditures, and Change in Fund Balances shows the governmental activities fund balances for the two fiscal years ending June 30, 2019 and 2018. *Governmental funds* are divided into two categories consisting of major and non-major funds. During the year ending June 30, 2019, two funds were classified as major governmental funds, consisting of the General Fund and the Development Impact Fees Fund. All other funds were classified as non-major funds. A major fund is any individual fund that meets the criteria of the following combined two tests: 1) a fund is classified as a major fund if the corresponding total revenues, expenses or (expenditures), assets or liability for all funds of that category are at least 10 percent of total aggregate for all funds and; 2) at least 5 percent of the total aggregate for all funds combined. The General Fund is always classified as a major fund while all other funds must meet the qualifications to be a major fund.

**Summary of Statement of Revenues, Expenditures, and Changes in
Fund Balances Governmental Funds**
For the Years Ended June 30, 2019 and 2018

Fiscal Year 2018-2019	General	Development Impact Fees	Other Governmental Funds	Total Governmental Funds
Total revenues:	\$ 61,101,247	\$ 14,364,378	\$ 13,266,751	\$ 88,732,376
Total expenditures:	49,959,120	3,665,154	11,106,228	64,730,502
Revenues over (under) expenditures	11,142,127	10,699,224	2,160,523	24,001,874
Total other financing sources (uses)	(861,290)	-	7,411,290	6,550,000
Net Change in Fund Balances	10,280,837	10,699,224	9,571,813	30,551,874
Fund balances, beginning	24,855,435	21,993,240	17,115,065	63,963,740
Fund balances, ending	<u>\$ 35,136,272</u>	<u>\$ 32,692,464</u>	<u>\$ 26,686,878</u>	<u>\$ 94,515,614</u>
Fiscal Year 2017-2018	General	Development Impact Fees	Other Governmental Funds	Total Governmental Funds
Total revenues:	\$ 55,729,807	\$ 9,134,704	\$ 10,543,135	\$ 75,407,646
Total expenditures:	43,591,505	3,118,984	8,847,842	55,558,331
Revenues over (under) expenditures	12,138,302	6,015,720	1,695,293	19,849,315
Total other financing sources (uses)	99,624	-	(99,624)	-
Net Change in Fund Balances	12,237,926	6,015,720	1,595,669	19,849,315
Fund balances, beginning	12,617,509	15,977,520	15,519,396	44,114,425
Fund balances, ending	<u>\$ 24,855,435</u>	<u>\$ 21,993,240</u>	<u>\$ 17,115,065</u>	<u>\$ 63,963,740</u>

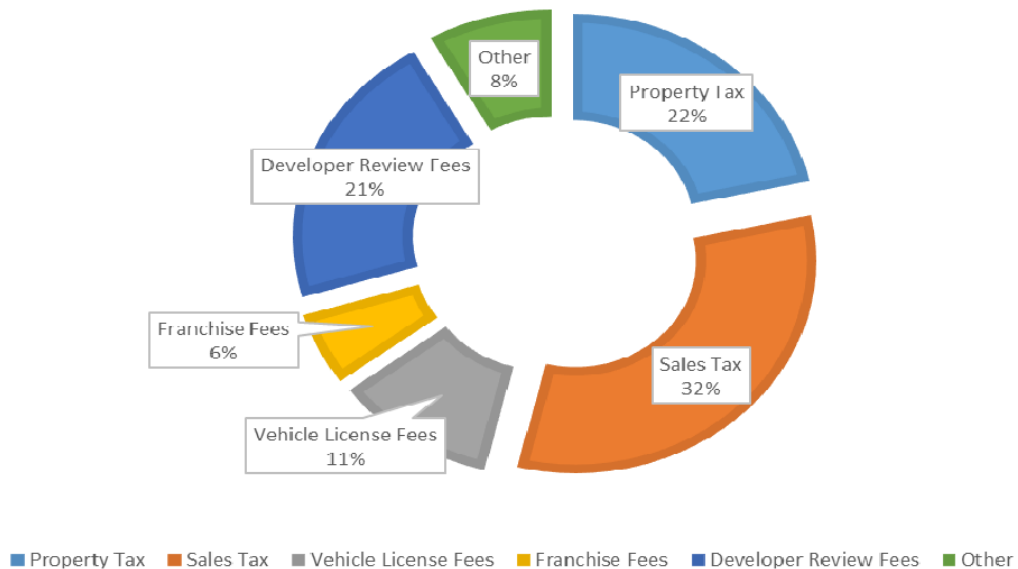
As of fiscal year ending 2019, the City's total governmental funds reported a combined ending fund balance of \$94.52 million, an increase of \$30.55 million from the prior fiscal year. This increase is primarily from the continued increase in both property and sales tax and also the sustained high volume of development. The General Fund, which is the chief operating fund of the City, had a fund balance of \$35.14 million as of June 30, 2019. This is an increase of \$10.28 million over the prior year. This increase is also due primarily as a result of an increase in sales tax along with the added Measure DD sales tax, the restored vehicle license fee revenues and the number of development permits processed.

As mentioned earlier, the City's total governmental funds ending fund balances, is \$94.52 million of which \$18.1 million represents *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance, \$76.4 million, is either *restricted* (to indicate that it be spent only for the specific purposes stipulated by constitution, enabling legislation or external providers); *committed* (can be used only for specific purposes determined by formal action of a government's legislative body); or *assigned* (intended to be used for specific purposes but does not meet the higher criteria of restricted or committed).

As of June 30, 2019, unassigned fund balance of the General Fund is \$18.1 million, with an additional \$3.3 million *committed* by Council action for emergencies and \$250,000 for a future City Hall; \$3.3 million is *assigned* for economic uncertainty, \$195,068 for fire safety, \$705,119 for general plan update, \$2.9 million for police department, \$895,486 for capital projects, \$1.4 million for capital equipment, \$15,000 for insurance deductibles and \$4.1 million is for general operations.

Overall, General Fund revenues for the fiscal year ending June 30, 2019 totaled \$61.1 million, compared to \$55.73 million for the previous year. General Fund revenues can be broken down into six major categories shown below. By far, sales tax is the City's single largest source of revenue. Sales tax revenues have increased 13.2% over prior year. Until fiscal year ending June 30, 2018 when the City's 1% Measure DD sales tax initiative was passed by the voters, property taxes were the City's largest source of revenue. Now property tax revenue is the City's second largest source of revenue. Property taxes have increased 10.3% from prior year. Both property and sales tax revenues combined represent 56.5% of the City's total General Fund revenues and have increased as a result of the City's Measure DD 1% sales tax increase and growth in the local economy. Development review fees (building, planning and engineering permits and fees) increased 55.0% from the prior year as new construction has stayed strong again during fiscal year 2018/19

GENERAL FUND REVENUES



General fund expenditures totaled \$49.96 million for the fiscal year ending June 30, 2019, compared to \$43.59 million for the previous year. This increase of \$6.37 million was due primarily to increases in public safety costs (\$1,989,302) and salaries and benefits with an additional 34.22 full time employees, not including an additional 73 full time employees with the start-up of The City of Menifee Police Department.

General Fund Budgetary Highlights

Total General Fund revenues were \$2.7 million greater than expected primarily due to the second year of collections of the City’s Measure DD 1% sales tax increase along with increased sales and an increase in development review fees as a result of increased permit fees. Interest income was also higher due to higher investment interest rates. Total General Fund expenditures were approximately \$7.5 million less than the original adopted budget mostly due to unfilled authorized positions.

The budget for capital items that were budgeted but incomplete at year end will be rolled into the subsequent year’s budget, while any operating budget carryovers will require council approval for addition to the next budget.

Capital Asset and Debt Administration

Capital Assets

The City’s investment in capital assets for its governmental activities as of June 30, 2019, totals \$174.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

**Summary of Changes in Capital Assets
June 30, 2019**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,270,663	\$ 1,030,079	\$ -	\$ 18,300,742
Right-of-way	415,800	-	-	415,800
Construction in progress	16,397,812	6,486,496	(1,106,768)	21,777,540
Total capital assets, not being depreciated	<u>34,084,275</u>	<u>7,516,575</u>	<u>(1,106,768)</u>	<u>40,494,082</u>
Capital assets, being depreciated:				
Building and improvements	14,698,248	175,993	-	14,874,241
Equipment and furniture	1,161,909	115,024	-	1,276,933
Vehicles	1,752,422	355,364	-	2,107,786
Software and website design	453,091	42,693	-	495,784
Infrastructure	144,464,188	48,279,171	(2,050,250)	190,693,109
Total capital assets, being depreciated	<u>162,529,858</u>	<u>48,968,245</u>	<u>(2,050,250)</u>	<u>209,447,853</u>
Less accumulated depreciation	<u>(67,104,612)</u>	<u>(7,921,827)</u>	<u>-</u>	<u>(75,026,439)</u>
Total capital assets, being depreciated, net	<u>95,425,246</u>	<u>41,046,418</u>	<u>(2,050,250)</u>	<u>134,421,414</u>
Governmental Activities Capital Assets, net	<u>\$ 129,509,521</u>	<u>\$ 48,562,993</u>	<u>\$ (3,157,018)</u>	<u>\$ 174,915,496</u>

Total capital assets increased 35.06% from prior year. During the current fiscal year, the City accepted \$48.28 million in infrastructure improvements from development projects and had an additional \$6.49 million in construction in progress.

During the current year the City also acquired new city vehicles totaling \$355,364 for the Administration, Public Works, Engineering, Building & Safety, Code Enforcement and Community Services departments. Additional information on the City’s capital assets can be found within Note 4 – Capital Assets in the notes to the basic financial statements section of this report.

Debt Administration

At the end of the current fiscal year, the City had total unsecured debt outstanding of \$25.23 million. With the passing of SB 107 in September 2015, the County of Riverside and the City of Menifee were able to sign an agreement forgiving the debt the City of Menifee owed to the County of Riverside for cityhood startup costs. The total debt forgiveness was in the amount of \$1,147,724, including accrued interest.

During Fiscal Year 2011-12, the City issued \$20 million in Certificates of Participation through the California Communities Total Road Improvement Program (TRIP). The proceeds from this financing will be used to fund various capital road improvements, and will be repaid from a combination of future Gas Tax and Measure "A" revenues. The City also recognized a premium reduction on the TRIP financing in the amount of (\$30,408), which is amortized over the life of the financing; the current outstanding balance is \$694,304.

In June of 2019 the City entered into a financing agreement between Western Riverside Council of Governments (WRCOG) and Southern California Edison (SCE) to purchase approximately 6,300 streetlights from SCE. The total debt is \$6,550,000 and is financed over a period of fifteen years with the first debt payment being due in June of 2020. Other debts included the City's liabilities arising from employee's accrued leave, or compensated absences of \$532,594.

Summary of Changes in Long-Term Liabilities June 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Long- Term	Due Within One Year
Transportation Revenues Cert of Participation, 2012B	\$ 17,860,000	\$ -	\$ (410,000)	\$ 17,450,000	\$ 17,025,000	\$ 425,000
Distribution Facilities Financing Agreement	-	6,550,000	-	6,550,000	6,499,912	50,088
Unamortized Premium	724,712	-	(30,408)	694,304	663,896	30,408
Compensated Absences	390,786	724,874	(583,066)	532,594	426,076	106,518
Long-Term Liabilities Total	<u>\$ 18,975,498</u>	<u>\$ 7,274,874</u>	<u>\$ (1,023,474)</u>	<u>\$ 25,226,898</u>	<u>\$ 24,614,884</u>	<u>\$ 612,014</u>

Additional information on the City's long-term debt can be found entitled Note 1 – Summary of Significant Accounting Policies and Note 6 – Long-Term Liabilities in the notes to the basic financial statements section of this report.

At the time of budget preparation for Fiscal Year 2019-20, the economic outlook for the City of Menifee was promising as the City is still experiencing substantial growth and has the potential for continued economic development. This growth will assist the City in providing necessary and desired services to its residents.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wendy Preece, Deputy Finance Director, City of Menifee, 29844 Haun Road, Menifee, CA 92586 or by telephone to (951) 672-6777. The entire CAFR is also available on the City's website: www.cityofmenifee.us.

Basic Financial Statements

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CITY OF MENIFEE

STATEMENT OF NET POSITION
 JUNE 30, 2019

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 91,903,839
Receivables:	
Accounts	7,051,476
Accrued interest	406,637
Prepaid items	65,751
Restricted assets:	
Cash with fiscal agent	14,908,017
Other current assets	2,404
Capital assets, not being depreciated	40,494,082
Capital assets, depreciated, net	<u>134,421,414</u>
Total Assets	<u>289,253,620</u>
Deferred Outflows of Resources:	
OPEB related	775
Pension related	<u>2,304,740</u>
Total Deferred Outflows of Resources	<u>2,305,515</u>
Liabilities:	
Accounts payable	14,863,774
Accrued liabilities	428,051
Accrued interest	73,257
Deposits payable	3,933,719
Long-term liabilities, due within one year	612,014
Noncurrent liabilities:	
Net OPEB liability	250,648
Net Pension liability	499,769
Long-term liabilities, due beyond one year	<u>24,614,884</u>
Total Liabilities	<u>45,276,116</u>
Deferred Inflows of Resources:	
OPEB related	12,806
Pension related	<u>55,066</u>
Total Deferred Inflows of Resources	<u>67,872</u>
Net Position:	
Net investment in capital assets	156,771,192
Restricted for:	
Community development projects	6,373,715
Public safety	191,737
Public works	44,929,363
Debt service	7,884,527
Unrestricted	<u>30,064,613</u>
Total Net Position	<u>\$ 246,215,147</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Capital Contributions and Grants	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants		
Governmental activities:					
General government	\$ 8,177,727	\$ 7,056,327	\$ -	\$ -	\$ (1,121,400)
Public safety	27,595,237	2,945,100	307,945	-	(24,342,192)
Community development	5,347,196	9,715,761	822,330	-	5,190,895
Recreation services	4,082,858	1,460,655	-	-	(2,622,203)
Engineering and public works	16,979,928	12,645,846	4,011,061	46,785,288	46,462,267
Interest on long-term debt	863,713	-	-	-	(863,713)
Total governmental activities	\$ 63,046,659	\$ 33,823,689	\$ 5,141,336	\$ 46,785,288	22,703,654
General Revenues:					
Taxes:					
Property tax, levied for general purpose					14,134,926
Transient occupancy tax					238,464
Sales tax - Shared State revenue					20,384,878
Franchise taxes					3,141,174
Other taxes					623,801
Unrestricted:					
Motor vehicle in lieu					6,680,540
Use of money and property					2,011,031
Other					211,335
					47,426,149
Change in net position					70,129,803
Net Position, beginning of year					176,085,344
Net Position, end of year					\$ 246,215,147

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Development Impact Fees	Total Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 42,119,595	\$ 33,877,252	\$ 15,906,992	\$ 91,903,839
Receivables:				
Accounts, grants and taxes	5,123,052	-	1,928,424	7,051,476
Accrued interest	172,726	159,398	74,513	406,637
Prepaid items	65,751	-	-	65,751
Other current assets	2,404	-	-	2,404
Restricted assets:				
Cash and investments with fiscal agents	2,766,696	565,122	11,576,199	14,908,017
Total Assets	\$ 50,250,224	\$ 34,601,772	\$ 29,486,128	\$ 114,338,124
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 10,781,343	\$ 1,909,308	\$ 2,173,123	\$ 14,863,774
Accrued liabilities	395,524	-	32,527	428,051
Deposits payable	3,933,719	-	-	3,933,719
Unearned revenue	3,366	-	-	3,366
Total Liabilities	15,113,952	1,909,308	2,205,650	19,228,910
Deferred Inflows of Resources:				
Unavailable revenues	-	-	593,600	593,600
Total Deferred Inflows of Resources	-	-	593,600	593,600
Fund Balances:				
Nonspendable:				
Prepaid items	65,751	-	-	65,751
Restricted for:				
Community development projects	-	-	6,373,715	6,373,715
Public safety	-	-	191,737	191,737
Engineering and public works	-	32,692,464	12,236,899	44,929,363
Debt service	-	-	7,884,527	7,884,527
Committed to:				
Emergency contingency	3,293,729	-	-	3,293,729
City hall	250,000	-	-	250,000
Assigned to:				
Economic uncertainty	3,293,729	-	-	3,293,729
Fire safety	195,068	-	-	195,068
Insurance	15,000	-	-	15,000
General plan update	705,119	-	-	705,119
Police department	2,878,600	-	-	2,878,600
Capital projects	895,486	-	-	895,486
Capital equipment	1,402,000	-	-	1,402,000
General operations	4,052,216	-	-	4,052,216
Unassigned	18,089,574	-	-	18,089,574
Total Fund Balances	35,136,272	32,692,464	26,686,878	94,515,614
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 50,250,224	\$ 34,601,772	\$ 29,486,128	\$ 114,338,124

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Fund balances of governmental funds		\$ 94,515,614
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.		174,915,496
Long-term liabilities and compensated absences that have not been included in the governmental fund activity:		
Certificates of Participation	\$ (17,450,000)	
Debt Agreement 2019	(6,550,000)	
Unamortized bond premiums/discounts	(694,304)	
Net pension liability	(499,769)	
Net OPEB liability	(250,648)	
Compensated absences	<u>(532,594)</u>	(25,977,315)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(73,257)
Deferred inflows and outflows of resources not due and payable, or owed and receivable, respectively, in the current period, are not reported in the funds:		
Pension & OPEB related deferred outflows of resources		2,305,515
Pension & OPEB related deferred inflows of resources		(67,872)
Revenues reported as unavailable and unearned in the governmental funds are recognized in the statement of activities.		<u>596,966</u>
Net position of governmental activities		<u><u>\$ 246,215,147</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Development Impact Fees</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 37,657,089	\$ -	\$ 866,154	\$ 38,523,243
Licenses and permits	10,765,702	-	-	10,765,702
Intergovernmental	6,768,936	-	7,051,993	13,820,929
Charges for services	3,957,840	-	4,471,067	8,428,907
Use of money and property	856,594	709,947	444,490	2,011,031
Fines and forfeitures	942,403	-	-	942,403
Developer participation	-	13,654,431	422,795	14,077,226
Miscellaneous	152,683	-	10,252	162,935
Total Revenues	61,101,247	14,364,378	13,266,751	88,732,376
Expenditures:				
Current:				
General government	7,576,583	50,000	542,928	8,169,511
Public safety	26,717,296	-	672,278	27,389,574
Community development	5,693,505	-	-	5,693,505
Parks and recreation	1,761,891	-	1,830,999	3,592,890
Engineering and public works	4,311,959	3,221,320	5,902,914	13,436,193
Capital outlay	3,897,886	393,834	851,621	5,143,341
Debt service:				
Principal retirement	-	-	410,000	410,000
Interest and fiscal charges	-	-	895,488	895,488
Total Expenditures	49,959,120	3,665,154	11,106,228	64,730,502
Excess of revenues over expenditures	11,142,127	10,699,224	2,160,523	24,001,874
Other Financing Sources (Uses):				
Issuance of debt	-	-	6,550,000	6,550,000
Transfers in	138,710	-	2,305,488	2,444,198
Transfers out	(1,000,000)	-	(1,444,198)	(2,444,198)
Total Other Financing Sources (Uses)	(861,290)	-	7,411,290	6,550,000
Net Change in Fund Balances	10,280,837	10,699,224	9,571,813	30,551,874
Fund Balances, beginning of year	24,855,435	21,993,240	17,115,065	63,963,740
Fund Balances, end of year	\$ 35,136,272	\$ 32,692,464	\$ 26,686,878	\$ 94,515,614

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ 30,551,874

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 and reported as depreciation expense or allocated to the appropriate functional expense. The capital assets activity is reconciled as follows:

Cost of assets capitalized:		
Capital outlay		5,143,341
Additional costs capitalized		3,743,741
Contributed assets		44,440,720
Depreciation expense		(7,921,827)

Governmental funds report proceeds from issuances of debt as other financing sources or uses, and do not report the respective long term liabilities. For the Statement of Activities these proceeds have been reclassified to long term debt in the Statement of Net Position. This is the amount of the debt proceeds for the current year: (6,550,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments	\$ 410,000	
Amortization of bond premiums/discounts	<u>30,408</u>	440,408

Accrued interest for long-term liabilities. This is the change in accrued interest for the current period. 1,367

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. This is the change in compensated absences for the current period. (141,808)

Revenues reported as unavailable and unearned revenue in the governmental funds are recognized in the statement of activities. These are included in the intergovernmental revenues under the modified accrual basis of accounting in the governmental fund activity when they are measureable and available. 3,366

Deferred inflows and outflows of resources not due and payable, or owed and receivable, respectively, in the current period, are not reported in the funds:

Pension related net adjustment		500,550
OPEB related net adjustment		<u>(81,929)</u>

Change in net position of governmental activities \$ 70,129,803

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

	<u>Agency Fund</u>	<u>Private - Purpose Trust Fund</u>
		<u>Veteran's Memorial</u>
Assets:		
Cash and investments	\$ 1,546,236	\$ 3,725
Receivables:		
Accrued interest	8,865	21
Restricted assets:		
Cash with fiscal agent	-	259
Total Assets	<u>\$ 1,555,101</u>	<u>4,005</u>
Liabilities:		
Deposits payable	\$ 1,555,101	-
Total Liabilities	<u>\$ 1,555,101</u>	<u>-</u>
Net Position:		
Held in trust for other purposes		4,005
Total Net Position		<u>4,005</u>
Total Liabilities and Net Position		<u>\$ 4,005</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MENIFEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Private - Purpose Trust Fund</u>
	<u>Veteran's Memorial</u>
Additions:	
Contributions	\$ 1,200
Interest and change in fair value of investments	<u>108</u>
Total Additions	<u>1,308</u>
Deductions:	
Administrative expenses	<u>855</u>
Total Deductions	<u>855</u>
Change in Net Position	453
Net position, beginning of year	<u>3,552</u>
Net position, end of year	<u><u>\$ 4,005</u></u>

The accompanying notes are an integral part of these financial statements.

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Menifee, California (the City), was incorporated on October 1, 2008, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City is governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete. Under this definition, it is determined that there are no component units for this reporting entity, and these financial statements present the financial reporting entity that consisted solely of the City as the primary government.

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. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are normally supported by taxes and intergovernmental revenues.

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. 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. The fiduciary funds are reported on the accrual basis of accounting. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

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

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

The City's fiduciary fund financial statements report an agency fund and a private-purpose trust fund. Private-purpose trust funds are used to account for donations in which another agency will benefit from. The private-purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 City's primary operating fund. All general tax receipts and fee revenue not allocated by law, Council policy, or contractual agreement to other funds are accounted for in the General Fund. General Fund expenditures include operations traditionally associated with activities, which are not required to be accounted for or paid by another fund.

The Development Impact Fees (DIF) Fund – This fund is used to account for 9 separate DIF Funds. Fees are charged to new development to pay for future infrastructure costs such as roads, fire facilities, parks and libraries.

Additionally, the City reports the following fund types:

Agency fund is used to account for third party contributions received by the City for which the City's responsibility is essentially custodial.

Private-purpose trust fund is used to account for donations made for the Veteran's Memorial in which the City is collecting and will be building on behalf of another agency.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

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

The City has adopted the following GASB pronouncements in the current year:

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

d. Assets, Liabilities and Net Position or Equity

Cash and Investments

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. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the governmental funds.

Investments are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of an allowance for uncollectable.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two or more years. Assets are generally capitalized as a whole unit or system and not by the individual units that comprise the system. For example, a phone system is capitalized as one entire system and not on the individual components such as the phones, phone server, installation costs, and wiring.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities and Net Position or Equity (continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with generally accepted accounting principles, the City has reported all general infrastructure assets.

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, equipment, and infrastructure of the primary government, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	\$ Threshold
Equipment and furniture	2-10	\$ 5,000
Vehicles	2-10	5,000
Software	2-10	5,000
Infrastructure	20-50	50,000

Compensated Absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than his regular annual entitlement. Payment for vacation not taken is payable at the end of the cumulative time.

Sick leave is payable when an employee is unable to work because of illness. Upon termination an employee will not be paid for any unused sick leave, with the exception for the City Manager pursuant to employment contract.

All unpaid vacation and sick leave, if applicable, is recorded as a liability in the government-wide financial statements. Compensated absence liabilities are expected to be liquidated by the General Fund in future periods.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities and Net Position or Equity (continued)

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of 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. The governmental funds report unavailable revenues from taxes and intergovernmental revenues. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available.

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.

Fund Balance

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

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 City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution No. 2011-226 approved on June 21, 2011.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes in the General Fund, and deficit fund balances in any other funds.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities and Net Position or Equity (continued)

An Emergency Contingency commitment of fund balance has been established through Resolution 2011-226. This reserve is set at a minimum of 10% of General Fund operating expenditures, which represents approximately 91 days of the General Fund's operations. The specified uses include the declaration of a state or federal emergency or a local emergency as defined in Section 1.10.010 of the Menifee Municipal Code. City Council may, by majority vote of the members, change the amount of this commitment and/or the specific uses through adoption of resolution.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure 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.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate. However, if expenditures incurred for a specific purpose exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative fund balance in that fund.

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.

Property Taxes

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of Riverside collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

d. Assets, Liabilities and Net Position or Equity (continued)

Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

Functional Classifications

Expenditures of the governmental funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities, City Clerk, City Attorney, City Manager as well as management or supportive services across more than one functional area.
- Public Safety includes those activities which involve police protection, fire protection and animal control services.
- Community Development includes those activities which involve planning, building and safety and code enforcement.
- Parks and Recreation includes activities which provide recreation, cultural and educational services.
- Engineering and Public Works includes all maintenance, engineering and capital improvements which relate to streets and other public facilities.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or allocated to the appropriate functional expense."

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (continued)

g. Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

h. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The City Council approves each year's budget prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Supplemental appropriations, where required during the period, are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year-end, all operating budget appropriations lapse.

For the fiscal year ended June 30, 2019 the City did not budget for the TUMF fees Fund and the Public, Education and Governmental Access Fund – Non major Special Revenues Funds.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. Deficit fund balances:

There were no funds with deficit balances as of the year ended June 30, 2019.

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CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 2: Stewardship, Compliance and Accountability (continued)

c. Excess of Expenditures over Appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance with Final Budget</u>
<i>Nonmajor Funds:</i>			
Grants			
Public safety	\$ 20,439	\$ 64,674	\$ (44,235)
County Service Areas			
Capital outlay	-	8,986	(8,986)

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2019, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	
Cash and investments	\$ 91,903,839
Cash with fiscal agent	14,908,017
Fiduciary funds	
Cash and investment	1,549,961
Cash with fiscal agent	<u>259</u>
 Total Cash and Investments	 <u><u>\$ 108,362,076</u></u>

Cash and investments held by the City consist of the following:

Cash on hand	\$ 2,000
Deposits with financial institutions	28,312,563
Investments	<u>80,047,513</u>
 Total Cash and Investments	 <u><u>\$ 108,362,076</u></u>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 3: Cash and Investments (continued)

The City maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy which authorizes it to invest in various investments. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on average daily cash balances.

Deposits with financial institutions

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$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 governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (continued)

Investment Types Authorized by State Law	*Maximum Maturity	*Maximum Percentage of Portfolio	Investment In One Issuer
U.S. Treasury Bills	5 years	60%	None
U.S. Treasury Notes	5 years	40%	None
Federal Agency Securities	5 years	20%	None
Certificates of Deposit	5 years	10%	None
Commercial Paper	270 days	10%	None
Bankers acceptance	180 days	10%	None
Local Agency Investment Fund	N/A	None	\$65 million
Passbook savings demand deposits	5 years	None	None
Mutual funds that invest only in State of CA	N/A	20%	None
SEC-registered money market mutual funds	N/A	20%	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

Fair Value

Generally Accepted Accounting Principles (GGAP), 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.

CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy does not limit investments in Federal Agency Securities and Treasury Obligations to ratings issued by nationally recognized statistical rating organizations. The City's investment policy does restrict investments in Corporate Medium Term Notes (MTN's) to those rated A or better by a nationally recognized statistical rating organization. Presented below are the City's investments and the actual rating as of fiscal year end for each investment type:

Investment Type	Amount	Minimum legal rating	Rating at year end	
			Aaa	Not rated
<i>City investments:</i>				
State investment pool (LAIF)	\$ 65,101,932	N/A	\$ -	\$ 65,101,932
Money market funds	12,949	N/A	-	12,949
US Treasury Obligations	1,047,725	N/A	1,047,725	-
Federal agency securities	1,560,575	N/A	1,560,575	-
U. S. Corporate bonds	841,846	N/A	841,846	-
Foreign corporate notes	81,578		81,578	-
<i>Held by bond trustee and escrow agent:</i>				
Money market funds	4,927,908	N/A	-	4,927,908
Cash	6,473,000	N/A	6,473,000	-
	<u>\$ 80,047,513</u>		<u>\$ 10,004,724</u>	<u>\$ 70,042,789</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment in LAIF is unrated. As of June 30, 2019, \$31,954,811 of the City's deposits with financial institutions in excess of Federal Depository Insurance Corporation (FDIC) limits were held in collateralized accounts as required by the California Government Code.

Concentration of Credit Risk

The City's investment policy imposes restrictions on percentages that the City can invest in certain types of investments and with any one issuer for certain types of investments. Generally accepted accounting principles requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. At June 30, 2019, the City's had no single issuer of more than 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2019, the City had the following investments and remaining maturities:

	Investments Maturities			Fair Value
	1 year or less	1 year to 3 years	3 years to 5 years	
<i>City investments:</i>				
State investment pool (LAIF)	\$ 65,101,932	\$ -	\$ -	\$ 65,101,932
Money market funds	12,949	-	-	12,949
US Treasury Obligations	89,497	507,577	450,651	1,047,725
Federal agency securities	323,949	650,954	585,672	1,560,575
U. S. Corporate bonds	164,796	410,899	266,151	841,846
Foreign corporate notes	-	40,170	41,408	81,578
<i>Held by bond trustee and escrow agent:</i>				
Money market funds	4,927,908	-	-	4,927,908
Cash	6,473,000	-	-	6,473,000
Total investments	<u>\$ 77,094,031</u>	<u>\$ 1,609,600</u>	<u>\$ 1,343,882</u>	<u>\$ 80,047,513</u>

Fair Value Measurements

Generally accepted accounting principles, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The valuation technique used for level 2 investments include "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly". Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; interest rates and yield curves observable at commonly quoted intervals; implied volatilities; credit spreads, and market-corroborated inputs.

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CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (continued)

Fair Value Measurements (continued)

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2019:

Investments by Fair Value Hierarchy	Total	Level 1	Level 2	Level 3
<i>City investments:</i>				
US Treasury Obligations	\$ 1,047,725	\$ 1,047,725	\$ -	\$ -
Federal agency securities	1,560,575	-	1,560,575	-
U. S. Corporate bonds	841,846	-	841,846	-
Foreign corporate notes	81,578	-	81,578	-
Total Investments by Fair Value Hierarchy	3,531,724	\$ 1,047,725	\$ 2,483,999	\$ -
Investments outside the Fair Value Hierarchy				
<i>City investments:</i>				
State investment pool (LAIF)	65,101,932			
Money market funds	12,949			
<i>Held by bond trustee and escrow agent:</i>				
Money market funds	4,927,908			
Cash	6,473,000			
Total Investments	\$ 80,047,513			

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CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,270,663	\$ 1,030,079	\$ -	\$ 18,300,742
Right-of-way	415,800	-	-	415,800
Construction in progress	16,397,812	6,486,496	(1,106,768)	21,777,540
	<u>34,084,275</u>	<u>7,516,575</u>	<u>(1,106,768)</u>	<u>40,494,082</u>
Total Capital Assets, Not Being Depreciated				
	<u>34,084,275</u>	<u>7,516,575</u>	<u>(1,106,768)</u>	<u>40,494,082</u>
Capital assets, being depreciated:				
Building and improvements	14,698,248	175,993	-	14,874,241
Equipment and furniture	1,161,909	115,024	-	1,276,933
Vehicles	1,752,422	355,364	-	2,107,786
Software and website design	453,091	42,693	-	495,784
Infrastructure	144,464,188	48,279,171	(2,050,250)	190,693,109
	<u>162,529,858</u>	<u>48,968,245</u>	<u>(2,050,250)</u>	<u>209,447,853</u>
Total Capital Assets, Being Depreciated				
	<u>162,529,858</u>	<u>48,968,245</u>	<u>(2,050,250)</u>	<u>209,447,853</u>
Less accumulated depreciation:				
Building and improvements	(1,596,443)	(574,377)	-	(2,170,820)
Equipment and furniture	(815,569)	(128,217)	-	(943,786)
Vehicles	(695,565)	(281,059)	-	(976,624)
Software and website design	(359,155)	(46,449)	-	(405,604)
Infrastructure	(63,637,880)	(6,891,725)	-	(70,529,605)
	<u>(67,104,612)</u>	<u>(7,921,827)</u>	<u>-</u>	<u>(75,026,439)</u>
Total Accumulated Depreciation				
	<u>(67,104,612)</u>	<u>(7,921,827)</u>	<u>-</u>	<u>(75,026,439)</u>
Total Capital Assets, Being Depreciated, Net				
	<u>95,425,246</u>	<u>41,046,418</u>	<u>(2,050,250)</u>	<u>134,421,414</u>
Governmental Activities Capital Assets, Net				
	<u>\$ 129,509,521</u>	<u>\$ 48,562,993</u>	<u>\$ (3,157,018)</u>	<u>\$ 174,915,496</u>

Depreciation expense was charged to the following functions in the statement of activities:

Governmental Activities:	
General government	\$ 90,273
Public safety	331,403
Community development	35,461
Recreation services	689,107
Engineering and public works	6,775,583
	<u>6,775,583</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 7,921,827</u>

CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 5: Operating Lease

On September 5, 2008, the City entered into a new location 10-year operating lease for the City Hall. The lease calls for guarantee minimum monthly rental payments of \$29,040. The lease agreement calls for an annual rent increase based on the Cost of Living Index established by the bureau of Labor Statistics. The total minimum lease payments for the year were \$290,400. The future minimum lease payments until completed lease term are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 348,480
2021	348,480
2022	348,480
2023	348,480
2024	348,480
Thereafter	1,393,920

Note 6: Long-Term Debt

The following is a schedule of changes in long-term liabilities for the fiscal year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
Certificates of Participation, Series 2012B	\$ 17,860,000	\$ -	\$ (410,000)	\$ 17,450,000	\$ 425,000
<i>Direct Borrowings:</i>					
Distribution Facilities Financing Agreement 2019	-	6,550,000	-	6,550,000	50,088
Unamortized Premium/Discount					
Premium - T.R.I.P. COP	724,712	-	(30,408)	694,304	30,408
<i>Other long term debt:</i>					
Compensated absences	390,786	724,874	(583,066)	532,594	106,518
Total long-term debt	<u>\$ 18,975,498</u>	<u>\$ 7,274,874</u>	<u>\$ (1,023,474)</u>	<u>\$ 25,226,898</u>	<u>\$ 612,014</u>

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6: Long-Term Liabilities (continued)

Transportation Revenue Certificates of Participation Bonds, Series 2012B – Original Issue \$20,000,000 (continued)

The 2012B Certificates of Participation Bonds were issued to finance the City's design, acquisition, and construction roadway improvement projects. The bonds mature annually through 2042, in amounts ranging from \$290,000 to \$1,240,000. Interest rates vary from 2.0% to a maximum of 5.25% and are payable semiannually on December 1 and June 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before June 1, 2022, are not subject to redemption prior to maturity. Bonds maturing on or after June 1, 2023, are subject to redemption in whole or in part on June 1, 2022, and each interest date thereafter.

Assets irrevocably pledged as collateral for the bonded debt are all of the revenues and all money in the Pledged Tax Fund (the "Gas Tax Account" and the "Measure A Receipts Account") and in the funds or accounts so specified and provided for in the 2012 Installment Sale Agreement.

In the Event of Default the Trustee may, by notice in writing to the City, declare the entire principal amount of the unpaid 2012 Installment Sale Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

At June 30, 2019, the outstanding balance of these bonds was \$17,450,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 425,000	\$ 879,087	\$ 1,304,087
2021	445,000	857,837	1,302,837
2022	470,000	835,587	1,305,587
2023	490,000	812,087	1,302,087
2024	515,000	786,362	1,301,362
2025-2029	3,020,000	3,502,687	6,522,687
2030-2034	3,745,000	2,770,237	6,515,237
2035-2039	4,805,000	1,710,450	6,515,450
2040-2043	3,535,000	377,479	3,912,479
Totals	<u>\$ 17,450,000</u>	<u>\$ 12,531,813</u>	<u>\$ 29,981,813</u>

CITY OF MENIFEE

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6: Long-Term Liabilities (continued)

Distribution Facilities Financing Agreement 2019 – Direct borrowing:

On July 6, 2018, the City entered into a financing agreement to purchase Certain Southern California Edison Company Street Light Facilities. The agreement calls for the conveyance and sale of 6,310 LS-1 electric streetlights facilities. The term of the agreement is 15 years, expiring on 2034. Interest rate is set at 4.30% and debt payments are payable semiannually on December 1 and June 1.

The amount of unused funds in the escrow account as of June 30, 2019 is \$6,473,000. The Collection Fund and the Rental Payment Subaccount established under the agreement, all securities entitlements, investment property and other financial assets now or hereafter credited to the Collection Fund and the Rental Payment Subaccount, all of Lessee's and WRCOG's rights in respect of the Collection Fund and the Rental Payment Subaccount, such securities entitlements, investment property and other financial assets therein, and all products, proceeds and revenues of and from any of the foregoing personal property as considered pledged collateral for the agreement.

In the Event of Default the lessor may, by notice in writing to the City, declare the entire principal amount of the unpaid 2019 Agreement and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, lessor may terminate the Escrow Agreement and apply any proceeds in the Escrow Account to the Rental Payments scheduled to be paid hereunder.

At June 30, 2019, the outstanding balance of the agreement was \$6,550,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 50,088	\$ 261,309	\$ 311,397
2021	346,987	275,806	622,793
2022	362,067	260,725	622,792
2023	377,804	244,989	622,793
2024	394,224	228,569	622,793
2025-2029	2,243,514	870,447	3,113,961
2030-2034	2,775,316	338,645	3,113,961
Totals	<u>\$ 6,550,000</u>	<u>\$ 2,480,490</u>	<u>\$ 9,030,490</u>

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounts to \$532,594 at June 30, 2019. These liabilities have been described in Note 1.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 7: Interfund Receivable, Payable and Transfers

Transfers in	Transfers out	Amount
General Fund	Nonmajor Governmental Funds	(a) \$ 138,710
Nonmajor Governmental Funds	General Fund	(b) 1,000,000
	Nonmajor Governmental Funds	(c) <u>1,305,488</u>
Total transfers		<u>\$ 2,444,198</u>

- (a) Transfers made from Nonmajor Governmental Funds to the General Fund were to offset SLESF (COPS) frontline police services.
- (b) Transfers made from General to the County Service Areas funds to operate the funds.
- (c) Transfers made from Nonmajor Governmental Funds to the Debt Service Fund was to pay debt service costs during the year.

Note 8: Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 8: Pension Plan (continued)**A. General Information about the Pension Plan (continued)****Benefits provided (continued)**

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date	<u>2.7% @ 55</u>	<u>2% @ 62</u>
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 67	52 - 67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensations	8.000%	7.072%
Required employee contribution rates	13.945%	6.908%
Required employer contribution rates		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2019 were \$1,360,520. The actual employer payments of \$524,088 made to CalPERS by the City during the measurement period ended June 30, 2018 differed from the City's proportionate share of the employer's contributions of \$216,384 by \$307,704, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 8: Pension Plan (continued)

B. Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary Increase (1)	3.30% - 14.20%
Mortality Rate Table (2)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter

(1) Annual increase vary by category, entry age, and duration of service

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 8: Pension Plan (continued)***B. Net Pension Liability (continued)******Long-term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class¹</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Year 11+³</u>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	<u>100.0%</u>		

¹ In the System's CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 8: Pension Plan (continued)***B. Net Pension Liability (continued)******Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (VD)	\$ 4,977,943	\$ 4,426,512	\$ 551,431
Balance at: 6/30/2018 (MD)	6,180,473	5,680,704	499,769
Net changes during 2017-2018	1,202,530	1,254,192	(51,662)

Valuation Date (VD), Measurement Date (MD).

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 8: Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The City's proportionate share of the net pension liability for the Plan as of the June 30, 2017 and 2018 measurement dates was as follows:

Proportion - June 30, 2017	0.01399%
Proportion - June 30, 2018	0.01326%
Change - Increase (Decrease)	<u>(0.00073%)</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability (Asset)	\$ 1,335,808	\$ 499,769	\$ (190,369)

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 8: Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected 5 year straight-line amortization
and actual earnings

All other amounts Straight-line amortization over the average expected
remaining services lives of all members that are
provided with benefits (active, inactive and retired) as of
the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**
Note 8: Pension Plan (continued)
***D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources
Related to Pensions***

As of the start of the measurement period (July 1, 2017), the City's net pension liability was \$551,431. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense of \$859,969.

As of June 30, 2019, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 56,975	\$ 13,963
Differences between expected and actual experience	19,175	6,525
Differences between Projected and Actual Investment Earnings	2,471	
Differences between Employer's Contributions and Proportionate Share of Contributions	428,290	-
Change in Employer's Proportion	437,309	34,578
Pension Contributions Made Subsequent to Measurement Date	1,360,520	-
	<u>\$ 2,304,740</u>	<u>\$ 55,066</u>

These amounts above are net of outflows and inflow recognized in the 2017-18 measurement period expense. Contributions subsequent to the measurement date of \$1,360,520 reported within deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2020	\$ 448,051
2021	352,331
2022	93,268
2023	(4,496)
2024	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 9: Other Post-Employment Benefits

Plan Description

The City has established a single-employer Retiree Healthcare Plan (HC Plan). This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is age 50 or older with at least five years of State or public agency service. The healthcare coverage provided by PERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Medical plan benefits are provided through PERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	63
Inactive employees or beneficiaries currently receiving benefits	<u>1</u>
Total	<u><u>64</u></u>

Contributions

The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. For the fiscal year ended June 30, 2019, the City's cash contributions were \$775 in payments for benefits.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Discount Rate	3.80%
Inflation	2.75%
Salary Increases	2.75% per year
Investment Rate of Return	3.80%
Mortality Rate	2009 CalPERS Mortality for Active Miscellaneous Employees
Pre-Retirement Turnover	4.0% per year
Healthcare Trend Rate	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.80% percent.

CITY OF MENIFEE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 9: Other Post-Employment Benefits (continued)

Changes in OPEB Liability

The changes in the net OPEB liability for the HC Plan are as follows:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability/(Asset) (c)= (a) - (b)</u>
Balance at June 30, 2018 (Valuation Date June 30, 2017)	\$ 181,271	\$ -	\$ 181,271
Changes recognized for the measurement period:			
Service Cost	74,816	-	74,816
Interest	8,305	-	8,305
Changes of assumptions	(13,488)	-	(13,488)
Plan experience differences	-	-	-
Contributions - employer	-	256	(256)
Net investment income	-	-	-
Benefit payments	(256)	(256)	-
Net Changes	<u>69,377</u>	<u>-</u>	<u>69,377</u>
Balance at June 30, 2019 (Measurement Date June 30, 2018)	<u>\$ 250,648</u>	<u>\$ -</u>	<u>\$ 250,648</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	<u>1% Decrease (2.8%)</u>	<u>Current Discount Rate (3.8%)</u>	<u>1% Increase (4.8%)</u>
Net OPEB Liability	\$ 299,600	\$ 250,648	\$ 211,686

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 180,804	\$ 250,648	\$ 291,108

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 9: Other Post-Employment Benefits (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The City determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, the transition approach was used as provided in GASB 75, Paragraph 244. This means that there are no deferred inflows/outflows in the first year of implementation of GASB 75 with the exception of employer contributions after the measurement date.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$82,439. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
OPEB contributions subsequent to measurement date	\$ 775	\$ -
Changes of assumptions	-	12,806
Total	<u>\$ 775</u>	<u>\$ 12,806</u>

The \$775 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
<u> </u>	<u> </u>
2020	\$ 682
2021	682
2022	682
2023	682
2024	682
Thereafter:	9,396

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: Risk Management

The City is self-insured for the first \$25,000 on each general liability claim and \$5,000 on each workers compensation liability claim. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC), a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities, up to a limit of \$1,000,000 for general liability and \$500,000 for workers' compensation. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums. Losses that exceed \$1,000,000 for general liability and \$500,000 for workers' compensation are covered via the CSAC Excess Insurance Authority up to \$50,000,000 and the Local Worker's Compensation Excess Authority (LAWCX) up to \$4,500,000, respectively. The City is self-insured for the first \$25,000 for Employment Practices Liability (EPL) coverage and up to \$25,000 is covered by PARSAC. Coverage between \$25,000 - \$1,000,000 is provided by the Employment Risk Management Authority (ERMA); and excess coverage up to \$34,000,000 is provided by CSAC.

Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in the yearly deposit it pays to PARSAC, except for its self-insured retention.

In addition, the City purchases crime insurance coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

The PARSAC will publish its own financial report for the year ended June 30, 2019, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California.

As of June 30, 2019 the City did not have any significant claims liability; therefore, no accrual was required. Also, the City had no settlements in excess of the insurance coverage in any of the three prior years.

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Note 11: Commitments and Contingencies

Augmentation Revenue

As part of the Comprehensive Fiscal Analysis prepared as part of the formation documents for the City, the County of Riverside (County) approved a revenue augment to be paid to the City annually for the first ten years after incorporation. The payments were developed utilizing the net county savings calculated under the revenue neutrality calculation for the base year FY 05/06, with a 3% annual inflation rate applied. The County also stipulates that if revenues for sales tax exceed those projected for a given fiscal year in the ten year fiscal model in the Comprehensive Fiscal Analysis, then the county augment would be reduced by the same amount of the excess for that fiscal year.

As of June 30, 2018 all augmentation payments were received as audited in the revenue augmentation agreements and no further payments are due to the City from the County of Riverside.

Construction Commitments

No material construction commitments existed at June 30, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MENIFEE

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,855,435	\$ 24,855,435	\$ 24,855,435	\$ -
Resources (Inflows):				
Taxes	34,429,000	36,840,896	37,657,089	816,193
Licenses and permits	9,357,500	10,240,601	10,765,702	525,101
Intergovernmental	6,492,347	6,667,000	6,768,936	101,936
Charges for services	3,396,710	3,703,918	3,957,840	253,922
Use of money and property	130,000	130,000	856,594	726,594
Fines and forfeitures	533,000	619,049	942,403	323,354
Miscellaneous	133,000	164,000	152,683	(11,317)
Transfers in	138,710	138,710	138,710	-
Amounts Available for Appropriation	79,465,702	83,359,609	86,095,392	2,735,783
Charges for Appropriation (Outflows):				
General government	7,782,723	9,134,389	7,576,583	1,557,806
Public safety	29,835,610	27,071,313	26,717,296	354,017
Community development	6,573,438	7,057,588	5,693,505	1,364,083
Parks and recreation	1,846,033	1,853,814	1,761,891	91,923
Engineering and public works	4,662,109	5,088,303	4,311,959	776,344
Capital outlay	5,295,634	7,265,402	3,897,886	3,367,516
Transfers out	-	1,000,000	1,000,000	-
Total Charges to Appropriations	55,995,547	58,470,809	50,959,120	7,511,689
Budgetary Fund Balance, June 30	\$ 23,470,155	\$ 24,888,800	\$ 35,136,272	\$ 10,247,472

CITY OF MENIFEE

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 21,993,240	\$ 21,993,240	\$ 21,993,240	\$ -
Resources (Inflows):				
Use of money and property	139,991	139,991	709,947	569,956
Developer participation	3,984,600	10,035,100	13,654,431	3,619,331
Amounts Available for Appropriation	26,117,831	32,168,331	36,357,618	4,189,287
Charges for Appropriation (Outflows):				
General government	76,000	76,000	50,000	26,000
Engineering and public works	1,227,895	10,193,598	3,221,320	6,972,278
Capital outlay	1,340,719	2,843,533	393,834	2,449,699
Total Charges to Appropriations	2,644,614	13,113,131	3,665,154	9,447,977
Budgetary Fund Balance, June 30	\$ 23,473,217	\$ 19,055,200	\$ 32,692,464	\$ 13,637,264

CITY OF MENIFEE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE
LAST TEN YEARS***

<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability¹</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll</u>	<u>Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.00463%	\$ 288,345	\$ 2,658,666	10.85%	83.02%
6/30/2015	0.00921%	252,740	3,376,969	7.48%	89.51%
6/30/2016	0.01046%	363,319	4,222,698	8.60%	89.67%
6/30/2017	0.01399%	551,431	4,350,553	12.67%	88.92%
6/30/2018	0.01326%	499,769	5,130,794	9.74%	91.91%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

CITY OF MENIFEE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PENSION PLAN'S CONTRIBUTIONS
LAST TEN YEARS***

<u>Fiscal Year</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2015	\$ 525,168	\$ (525,168)	\$ -	\$ 3,376,969	15.55%
6/30/2016	447,484	(447,484)	-	4,222,698	10.60%
6/30/2017	461,164	(461,164)	-	4,350,553	10.60%
6/30/2018	524,088	(524,088)	-	5,130,794	10.21%
6/30/2019	727,561	(1,360,520)	(632,959)	6,773,265	20.09%

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

CITY OF MENIFEE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS***

Measurement Period	2018	2017
Total OPEB Liability		
Service Cost	\$ 74,816	\$ 72,814
Interest on the Total OPEB Liability	8,305	4,869
Actual and expected experience difference	-	-
Changes in assumptions	(13,488)	-
Changes in benefit terms	-	-
Benefit payments	(256)	(246)
Net change in Total OPEB Liability	<u>69,377</u>	<u>77,437</u>
Total OPEB Liability - beginning	<u>181,271</u>	<u>103,834</u>
Total OPEB Liability - ending (a)	<u>250,648</u>	<u>181,271</u>
 Plan Fiduciary Net Position		
Contribution - employer	256	246
Net investment income	-	-
Benefit payments	(256)	(246)
Administrative expense	-	-
Net change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - beginning	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB Liability - ending (a) - (b)	<u>\$ 250,648</u>	<u>\$ 181,271</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
 Covered employee payroll	\$ 5,130,794	\$ 4,350,553
 Net OPEB liability as a percentage of covered employee payroll	4.89%	4.17%

Notes to schedule:

Changes Since the Prior Valuation: None.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
Fiscal year 2017-18 was the first year of implementation.

CITY OF MENIFEE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN YEARS***

SCHEDULE OF CONTRIBUTIONS		
Fiscal Year Ended June 30	2019	2018
Contractual Determined Contributions (CDC)	\$ 775	\$ 521
Contributions in relation to the CDC	(775)	(521)
Contribution deficiency/(excess)	\$ -	\$ -
Covered employee payroll	\$ 6,773,265	\$ 5,130,794
Contribution as a percentage of covered payroll	0.01%	0.01%

Notes to schedule:

Methods and assumptions used to determine contributions:

Discount Rate	3.80%
Inflation	2.75%
Salary Increases	2.75% per year
Investment Rate of Return	3.80%
Mortality Rate	2009 CalPERS
Pre-Retirement Turnover Healthcare Trend Rate	4.0% per year

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
Fiscal year 2017-18 was the first year of implementation.

SUPPLEMENTAL SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS

SPECIAL REVENUE FUNDS

Gas Tax

Used to account for revenue and expenditures of money apportioned under Street and Highways Code, Sections 2103, 2105, 2106, 2107 and 2107.5 of the State of California. These funds are earmarked for maintenance, rehabilitation or improvement of public streets. Section 2107.5 funds can be used for engineering and gas tax audit costs. In addition, beginning in FY 2010/11, the new excise tax on fuel, which took the place of Traffic Congestion Relief/Proposition 42 funds, is recorded in the Gas Tax Fund.

SB1

Used to account for revenue and expenditures of the Road Maintenance and Rehabilitation Account to address deferred maintenance on the State Highway System and the local streets and road system. A percentage of this new RMRA funding will be apportioned by formula to eligible cities and counties pursuant to Streets and Highways Code section 2032(h) for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

Measure A

Represents funds apportioned by the Riverside County Transportation Commission (RCTC) and received by the City as a result of the voter-approved initiative that increased sales tax by 1/2 percent in Riverside County to fund transportation projects. Measure "A" funds were originally approved by voters in 1988, and an extension was approved in 2002 which will fund projects through 2039.

Air Quality Management District

This fund was established to account for the City's share of vehicle registration fees collected under Assembly Bill 2766 passed during the 1990 State Legislative session. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and buses. Allocations to agencies are made through an apportionment basis and also through a competitive process. The South Coast Air Quality Management District distributes these funds to the City.

Grants

This fund accounts for all of the various miscellaneous grants, in order to properly segregate and track grant funding. Grants are budgeted upon being awarded by a third party agency and approved by the City Council. Only grants that are approved at the time of the adoption of this budget are listed in this budget document.

Landscape and Lighting Maintenance

Upon incorporation, the City acquired the responsibility of a portion of one LLMD which included both street lighting and traffic signals. In January 2015, the City requested from the County of Riverside to become solely responsible for all LLMDs located exclusively within the City jurisdiction. This resulted in the City acquiring 24 individual LLMD zones. These LLMDs had originally been established by Riverside County prior to the City's incorporation, and maintained responsibility for the maintenance of these zones until January 2015.

CFD Audie Murphy Ranch

In January 2012 the Audie Murphy Ranch Community Facility District (CFD) was formed. This CFD encompasses approximately 1,059.3 gross acres and upon full build out will contain approximately 2,129 residential dwelling units. Each July 1, commencing on July 1, 2013, the maximum special tax for developed property shall be increased based on the percentage change in the Consumer Price Index, with a maximum annual increase of six percent (6%) and a minimum annual increase of two percent (2%) per fiscal year. The assessed fees will be used towards street lighting, landscaping, street sweeping, water quality basin improvements, parks, trails and recreation improvements.

CFD Hidden Hills

In June 2012 the Hidden Hills Community Facility District (CFD) was formed. This CFD boundary includes approximately 157 gross acres and upon full build out will contain 511 single family homes. Services provided by the CFD include landscape maintenance, park and trails maintenance, as well as incidental costs such as capital replacement and administrative costs. The maximum special tax for developed property shall be increased based on the percentage change in the Consumer Price Index, with a maximum annual increase of six percent (6%) and a minimum annual increase of two percent (2%) per fiscal year.

CFD 2014-1 Town Center

In August 2014 the Menifee Town Center Community Facility District (CFD) was formed. This CFD encompasses approximately 149 gross acres of mix use development consisting of retail, commercial and residential housing units. Beginning July 1, 2015 and each year thereafter, the maximum special tax for developed property shall be increased based on the percentage change in the Consumer Price Index with a maximum annual increase of six percent (6%) and a minimum annual increase of two percent (2%) per fiscal year. The assessed fees will be used towards street lighting, landscaping, street sweeping, water quality basin improvements, parks, trails and recreation improvements.

TUMF Fees

This fund tracks revenues and expenditures associated with the regional transportation mitigation fee program. These funds are generated from impact fees assessed by Western Riverside Council of Governments (WRCOG) on all new residential and commercial development. These funds are later divided among the three (3) zones comprising of the Northern, Central and Southern zones. The City of Menifee is located within the Central zone along with the Cities of Perris, Moreno Valley and Riverside County. The City is eligible to receive TUMF funds on major road and bridge projects located within the City. These projects must first be approved by WRCOG and the Central zone Technical Advisory Committee (TAC). The City uses these funds to supplement capital projects relating to road and bridge improvements and they are treated as grant funding. *The City does not present a budgetary comparison schedule for this fund in the current year.*

CFD 2014-2 Commerce Point

In August 2014 the Commerce Point Community Facility District (CFD) was formed. This CFD boundary includes approximately 46 taxable acres of commercial real estate. Services provided by the CFD include landscape maintenance, street lighting, water quality improvements, graffiti removal, street sweeping, and park and trails maintenance. On July 1 of each year, and commencing July 1, 2016, the maximum special tax for developed property shall be the greater of the increased based on the percentage change in the Consumer Price Index or two percent (2%) per fiscal year.

2015-2 Citywide CFD

In April 2015 the City-Wide Community Facility District (CFD) was formed under Resolution No. 15- 430. CFD No. 2015-2 (Maintenance Services) currently consists of one Tax Zone consisting of one residential tract that will include 359 residential units. Services provided by the CFD include landscape maintenance, street lighting, water quality improvements, graffiti removal, public street sweeping, and park and trails maintenance. On July 1 of each year, and commencing July 1, 2016, the maximum special tax for developed property shall be the greater of the increased based on the percentage change in the Consumer Price Index or two percent (2%) per fiscal year.

2017-1 Maintenance Services CFD

In December 2017 the Community Facilities District (CFD) 2017-1 was formed. This CFD boundary includes approximately 104 acres of vacant commercial and residential property within the City (TR 36299-1 and PM 9504). The improvements proposed to be maintained include items such as landscaping, lighting, storm drains, water quality improvements, graffiti, streets, street lights, traffic signals, street sweeping, and trail maintenance. On July 1 of each year, and commencing July 1, 2019, the maximum special tax for developed property shall be the greater of the increased based on the percentage change in the Consumer Price Index or two percent (2%), whichever is greater, per fiscal year.

Public Education and Government Access

This fund will be used to acquire equipment for and broadcasting on a future City cable channel. Used to account for revenue and expenditures of money pursuant to section 611 of the Communications Act. Local Franchising authorities (The City) may require cable operations to remit funds and set aside channels for public, educational, or governmental use. *The City does not present a budgetary comparison schedule for this fund in the current year.*

County Service Areas (CSA)

Upon incorporation, the City assumed responsibility for seven (7) County Service Area Districts within the City limits. These districts were established by the County of Riverside to provide a mechanism through special assessments to fund services such as street lighting, street sweeping, park maintenance, road maintenance, and law enforcement services to property owners within each district. Each CSA fund provides a unique set of services to the residents within that individual district.

CAPITAL PROJECTS FUND

Capital Projects

This fund is used to account for the improvement cash-in-lieu deposits from various developers for projects that were transferred from the County of Riverside.

DEBT SERVICE FUND

Debt Service

Debt Service Funds are used to track revenues and expenditures related to repayment of principal and interest costs associated with borrowing money for long-term obligations. In May 2012 the City issued Certificates of Participation in the amount of \$20.0 million under the Total Road Improvement Program (TRIP) financing. These proceeds were used for the construction of the Newport Road/I-215 interchange and will be paid back over a 30 year period. Currently, the City has only one outstanding debt accounted for in this fund.

CITY OF MENIFEE

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds					
	Gas Tax	SB1	Measure A	Air Quality Management District	Grants	Landscape and Lighting Maintenance
Assets:						
Cash and investments	\$ 1,224,295	\$ 1,126,539	\$ 964,603	\$ 30,549	\$ 101,580	\$ 2,744,354
Receivables:						
Accounts, grants and taxes	68,040	300,779	314,085	30,903	481,201	40,643
Accrued interest	4,973	-	1,751	357	-	12,093
Restricted assets:						
Cash and investments with fiscal agents	-	-	-	10,278	-	-
Total Assets	\$ 1,297,308	\$ 1,427,318	\$ 1,280,439	\$ 72,087	\$ 582,781	\$ 2,797,090
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Accounts payable	\$ 197,348	\$ 581,730	\$ 67,669	\$ -	\$ 390,696	\$ 56,685
Accrued liabilities	13,509	-	-	-	348	4,049
Total Liabilities	210,857	581,730	67,669	-	391,044	60,734
Deferred Inflows of Resources:						
Unavailable revenues	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances:						
Restricted for:						
Community development projects	-	-	-	-	-	-
Public safety	-	-	-	-	191,737	-
Engineering and public works	1,086,451	845,588	1,212,770	72,087	-	2,736,356
Debt service	-	-	-	-	-	-
Total Fund Balances	1,086,451	845,588	1,212,770	72,087	191,737	2,736,356
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,297,308	\$ 1,427,318	\$ 1,280,439	\$ 72,087	\$ 582,781	\$ 2,797,090

CITY OF MENIFEE

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (continued)
JUNE 30, 2019**

	Special Revenue Funds				
	CFD Audie Murphy Ranch	CFD Hidden Hills	CFD 2014-1 Town Center	TUMF Fees	CFD 2014-2 Commerce Point
Assets:					
Cash and investments	\$ 1,754,355	\$ 385,478	\$ 114,118	\$ 3,052,696	\$ 46,552
Receivables:					
Accounts, grants and taxes	1,932	272	7,423	593,600	-
Accrued interest	9,257	1,552	471	19,419	35
Restricted assets:					
Cash and investments with fiscal agent	-	-	-	-	-
Total Assets	\$ 1,765,544	\$ 387,302	\$ 122,012	\$ 3,665,715	\$ 46,587
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 64,399	\$ 1,234	\$ 2,089	\$ -	\$ 319
Accrued liabilities	5,097	298	31	-	81
Total Liabilities	69,496	1,532	2,120	-	400
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	593,600	-
Total Deferred Inflows of Resources	-	-	-	593,600	-
Fund Balances:					
Restricted for:					
Community development projects	1,696,048	385,770	119,892	3,072,115	46,187
Public safety	-	-	-	-	-
Engineering and public works	-	-	-	-	-
Debt service	-	-	-	-	-
Total Fund Balances	1,696,048	385,770	119,892	3,072,115	46,187
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,765,544	\$ 387,302	\$ 122,012	\$ 3,665,715	\$ 46,587

CITY OF MENIFEE

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (continued)
JUNE 30, 2019**

	Special Revenue Funds				Capital Projects Fund
	2015-2 Citywide CFD	CFD 2017-1 Maintenance Services	Public, Education and Governmental Access	County Service Areas	Capital Projects
Assets:					
Cash and investments	\$ 690,933	\$ 133,672	\$ 203,180	\$ 1,008,349	\$ 2,224,167
Receivables:					
Accounts, grants and taxes	-	-	46,391	43,155	-
Accrued interest	-	-	-	13,499	7,504
Restricted assets:					
Cash and investments with fiscal agent	-	-	-	165,014	3,621,554
Total Assets	\$ 690,933	\$ 133,672	\$ 249,571	\$ 1,230,017	\$ 5,853,225
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 13,907	\$ 5,511	\$ -	\$ 493,196	\$ 298,340
Accrued liabilities	861	194	-	8,059	-
Total Liabilities	14,768	5,705	-	501,255	298,340
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Restricted for:					
Community development projects	676,165	127,967	249,571	-	-
Public safety	-	-	-	-	-
Engineering and public works	-	-	-	728,762	5,554,885
Debt service	-	-	-	-	-
Total Fund Balances	676,165	127,967	249,571	728,762	5,554,885
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 690,933	\$ 133,672	\$ 249,571	\$ 1,230,017	\$ 5,853,225

CITY OF MENIFEE

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (continued)
JUNE 30, 2019**

	<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets:		
Cash and investments	\$ 101,572	\$ 15,906,992
Receivables:		
Accounts, grants and taxes	-	1,928,424
Accrued interest	3,602	74,513
Restricted assets:		
Cash and investments with fiscal agent	<u>7,779,353</u>	<u>11,576,199</u>
Total Assets	<u>\$ 7,884,527</u>	<u>\$ 29,486,128</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 2,173,123
Accrued liabilities	<u>-</u>	<u>32,527</u>
Total Liabilities	<u>-</u>	<u>2,205,650</u>
Deferred Inflows of Resources:		
Unavailable revenues	<u>-</u>	<u>593,600</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>593,600</u>
Fund Balances:		
Restricted for:		
Community development projects	-	6,373,715
Public safety	-	191,737
Engineering and public works	-	12,236,899
Debt service	<u>7,884,527</u>	<u>7,884,527</u>
Total Fund Balances	<u>7,884,527</u>	<u>26,686,878</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,884,527</u>	<u>\$ 29,486,128</u>

CITY OF MENIFEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds					
	Gas Tax	SB1	Measure A	Air Quality Management District	Grants	Landscape and Lighting Maintenance
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,980,682	1,685,318	1,918,407	119,202	1,348,384	-
Charges for services	-	-	-	-	-	820,667
Use of money and property	31,798	-	7,542	3,064	-	52,174
Developer participation	-	-	-	-	-	-
Miscellaneous	-	10,252	-	-	-	-
Total Revenues	2,012,480	1,695,570	1,925,949	122,266	1,348,384	872,841
Expenditures:						
Current:						
General government	-	-	-	-	292,950	74,714
Public safety	-	-	-	-	64,674	-
Parks and recreation	-	-	-	-	51,307	374,559
Engineering and public works	1,826,574	1,091,247	415,466	-	621,478	88,901
Capital outlay	104,862	-	1,408	226,210	-	1,796
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	1,931,436	1,091,247	416,874	226,210	1,030,409	539,970
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,044	604,323	1,509,075	(103,944)	317,975	332,871
Other Financing Sources (Uses):						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(1,305,488)	-	(138,710)	-
Total Other Financing Sources (Uses)	-	-	(1,305,488)	-	(138,710)	-
Net Change in Fund Balances	81,044	604,323	203,587	(103,944)	179,265	332,871
Fund Balances, Beginning of Year	1,005,407	241,265	1,009,183	176,031	12,472	2,403,485
Fund Balances, End of Year	\$ 1,086,451	\$ 845,588	\$ 1,212,770	\$ 72,087	\$ 191,737	\$ 2,736,356

CITY OF MENIFEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds				
	CFD Audie Murphy Ranch	CFD Hidden Hills	CFD 2014-1 Town Center	TUMF Fees	CFD 2014-2 Commerce Point
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	879,765	103,784	20,732	-	14,654
Use of money and property	43,346	6,686	2,024	87,518	149
Developer participation	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	923,111	110,470	22,756	87,518	14,803
Expenditures:					
Current:					
General government	7,712	7,459	1,141	-	5,012
Public safety	-	-	-	-	-
Parks and recreation	652,160	-	25,133	-	-
Engineering and public works	50,075	18,464	5,099	-	28
Capital outlay	20,730	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	730,677	25,923	31,373	-	5,040
Excess (Deficiency) of Revenues Over (Under) Expenditures	192,434	84,547	(8,617)	87,518	9,763
Other Financing Sources (Uses):					
Issuance of debt	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	192,434	84,547	(8,617)	87,518	9,763
Fund Balances, Beginning of Year	1,503,614	301,223	128,509	2,984,597	36,424
Fund Balances, End of Year	\$ 1,696,048	\$ 385,770	\$ 119,892	\$ 3,072,115	\$ 46,187

CITY OF MENIFEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds				Capital Projects Fund
	2015-2 Citywide CFD	CFD 2017-1 Maintenance Services	Public, Education and Governmental Access	County Service Areas	Capital Projects
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 866,154	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	435,121	167,798	216,410	1,812,136	-
Use of money and property	-	-	-	70,878	99,715
Developer participation	-	-	-	-	422,795
Miscellaneous	-	-	-	-	-
Total Revenues	435,121	167,798	216,410	2,749,168	522,510
Expenditures:					
Current:					
General government	7,796	38,005	-	31,139	-
Public safety	-	-	-	607,604	-
Parks and recreation	6,549	-	-	721,291	-
Engineering and public works	121,060	1,672	-	1,381,043	281,807
Capital outlay	-	-	-	8,986	487,629
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	135,405	39,677	-	2,750,063	769,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	299,716	128,121	216,410	(895)	(246,926)
Other Financing Sources (Uses):					
Issuance of debt	-	-	-	-	-
Transfers in	-	-	-	-	1,000,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	1,000,000
Net Change in Fund Balances	299,716	128,121	216,410	(895)	753,074
Fund Balances, Beginning of Year	376,449	(154)	33,161	729,657	4,801,811
Fund Balances, End of Year	\$ 676,165	\$ 127,967	\$ 249,571	\$ 728,762	\$ 5,554,885

CITY OF MENIFEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 866,154
Intergovernmental	-	7,051,993
Charges for services	-	4,471,067
Use of money and property	39,596	444,490
Developer participation	-	422,795
Miscellaneous	-	10,252
Total Revenues	<u>39,596</u>	<u>13,266,751</u>
Expenditures:		
Current:		
General government	77,000	542,928
Public safety	-	672,278
Parks and recreation	-	1,830,999
Engineering and public works	-	5,902,914
Capital outlay	-	851,621
Debt service:		
Principal retirement	410,000	410,000
Interest and fiscal charges	895,488	895,488
Total Expenditures	<u>1,382,488</u>	<u>11,106,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,342,892)</u>	<u>2,160,523</u>
Other Financing Sources (Uses):		
Issuance of debt	6,550,000	6,550,000
Transfers in	1,305,488	2,305,488
Transfers out	-	(1,444,198)
Total Other Financing Sources (Uses)	<u>7,855,488</u>	<u>7,411,290</u>
Net Change in Fund Balances	6,512,596	9,571,813
Fund Balances, Beginning of Year	<u>1,371,931</u>	<u>17,115,065</u>
Fund Balances, End of Year	<u>\$ 7,884,527</u>	<u>\$ 26,686,878</u>

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CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,005,407	\$ 1,005,407	\$ 1,005,407	\$ -
Resources (Inflows):				
Intergovernmental	3,797,029	2,188,460	1,980,682	(207,778)
Use of money and property	6,000	6,000	31,798	25,798
Amounts Available for Appropriation	4,808,436	3,199,867	3,017,887	(181,980)
Charges for Appropriation (Outflows):				
Engineering and public works	2,266,527	2,313,842	1,826,574	487,268
Capital outlay	57,000	170,500	104,862	65,638
Total Charges to Appropriations	2,323,527	2,484,342	1,931,436	552,906
Budgetary Fund Balance, June 30	\$ 2,484,909	\$ 715,525	\$ 1,086,451	\$ 370,926

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
SB1
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 241,265	\$ 241,265	\$ 241,265	\$ -
Resources (Inflows):				
Intergovernmental	1,731,000	1,608,569	1,685,318	76,749
Miscellaneous	-	-	10,252	10,252
Use of money and property	9,000	-	-	-
Amounts Available for Appropriation	1,981,265	1,849,834	1,936,835	87,001
Charges for Appropriation (Outflows):				
Engineering and public works	365,000	1,091,247	1,091,247	-
Total Charges to Appropriations	1,670,488	1,091,247	1,091,247	-
Budgetary Fund Balance, June 30	\$ 310,777	\$ 758,587	\$ 845,588	\$ 87,001

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
MEASURE A
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,009,183	\$ 1,009,183	\$ 1,009,183	\$ -
Resources (Inflows):				
Intergovernmental	1,731,000	1,731,000	1,918,407	187,407
Use of money and property	9,000	9,000	7,542	(1,458)
Amounts Available for Appropriation	2,749,183	2,749,183	2,935,132	185,949
Charges for Appropriation (Outflows):				
Engineering and public works	365,000	449,398	415,466	33,932
Capital outlay	-	1,500	1,408	92
Transfers out	1,305,488	1,305,488	1,305,488	-
Total Charges to Appropriations	1,670,488	1,756,386	1,722,362	34,024
Budgetary Fund Balance, June 30	\$ 1,078,695	\$ 992,797	\$ 1,212,770	\$ 219,973

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 176,031	\$ 176,031	\$ 176,031	\$ -
Resources (Inflows):				
Intergovernmental	115,000	115,000	119,202	4,202
Use of money and property	1,500	1,500	3,064	1,564
Amounts Available for Appropriation	292,531	292,531	298,297	5,766
Charges for Appropriation (Outflows):				
Capital Outlay	300,000	300,000	226,210	73,790
Total Charges to Appropriations	300,000	300,000	226,210	73,790
Budgetary Fund Balance, June 30	\$ (7,469)	\$ (7,469)	\$ 72,087	\$ 79,556

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
GRANTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 12,472	\$ 12,472	\$ 12,472	\$ -
Resources (Inflows):				
Intergovernmental	709,803	3,016,178	1,348,384	(1,667,794)
Use of money and property	500	500	-	(500)
Amounts Available for Appropriation	722,775	3,029,150	1,360,856	(1,668,294)
Charges for Appropriation (Outflows):				
General government	87,939	470,866	292,950	177,916
Public safety	20,439	20,439	64,674	(44,235)
Parks and recreation	-	1,342,971	51,307	1,291,664
Engineering and public works	379,154	1,541,263	621,478	919,785
Transfers out	138,710	138,710	138,710	-
Total Charges to Appropriations	626,242	3,514,249	1,169,119	2,345,130
Budgetary Fund Balance, June 30	\$ 96,533	\$ (485,099)	\$ 191,737	\$ 676,836

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,403,485	\$ 2,403,485	\$ 2,403,485	\$ -
Resources (Inflows):				
Charges for services	787,686	787,686	820,667	32,981
Use of money and property	6,500	6,500	52,174	45,674
Amounts Available for Appropriation	3,197,671	3,197,671	3,276,326	78,655
Charges for Appropriation (Outflows):				
General government	76,834	77,454	74,714	2,740
Parks and recreation	393,951	439,092	374,559	64,533
Engineering and public works	119,241	125,081	88,901	36,180
Capital outlay	62,745	23,265	1,796	21,469
Total Charges to Appropriations	652,771	664,892	539,970	124,922
Budgetary Fund Balance, June 30	\$ 2,544,900	\$ 2,532,779	\$ 2,736,356	\$ 203,577

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT – AUDIE MURPHY RANCH
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,503,614	\$ 1,503,614	\$ 1,503,614	\$ -
Resources (Inflows):				
Charges for services	820,000	820,000	879,765	59,765
Use of money and property	7,500	7,500	43,346	35,846
Amounts Available for Appropriation	<u>2,331,114</u>	<u>2,331,114</u>	<u>2,426,725</u>	<u>95,611</u>
Charges for Appropriation (Outflows):				
General government	8,200	8,200	7,712	488
Parks and recreation	868,733	950,058	652,160	297,898
Engineering and public works	194,379	142,429	50,075	92,354
Capital outlay	-	50,230	20,730	29,500
Total Charges to Appropriations	<u>1,071,312</u>	<u>1,150,917</u>	<u>730,677</u>	<u>420,240</u>
Budgetary Fund Balance, June 30	<u>\$ 1,259,802</u>	<u>\$ 1,180,197</u>	<u>\$ 1,696,048</u>	<u>\$ 515,851</u>

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT – HIDDEN HILLS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 301,223	\$ 301,223	\$ 301,223	\$ -
Resources (Inflows):				
Charges for services	98,000	98,000	103,784	5,784
Use of money and property	900	900	6,686	5,786
Amounts Available for Appropriation	400,123	400,123	411,693	11,570
Charges for Appropriation (Outflows):				
General government	7,950	7,950	7,459	491
Engineering and public works	71,233	72,233	18,464	53,769
Total Charges to Appropriations	79,183	80,183	25,923	54,260
Budgetary Fund Balance, June 30	\$ 320,940	\$ 319,940	\$ 385,770	\$ 65,830

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
CFD 2014-1 Town Center
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 128,509	\$ 128,509	\$ 128,509	\$ -
Resources (Inflows):				
Charges for services	160,000	14,235	20,732	6,497
Use of money and property	800	800	2,024	1,224
Amounts Available for Appropriation	<u>289,309</u>	<u>143,544</u>	<u>151,265</u>	<u>7,721</u>
Charges for Appropriation (Outflows):				
General government	7,700	7,700	1,141	6,559
Parks and recreation	66,539	66,239	25,133	41,106
Engineering and public works	8,000	8,300	5,099	3,201
Total Charges to Appropriations	<u>82,239</u>	<u>82,239</u>	<u>31,373</u>	<u>50,866</u>
Budgetary Fund Balance, June 30	<u>\$ 207,070</u>	<u>\$ 61,305</u>	<u>\$ 119,892</u>	<u>\$ 58,587</u>

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT – 2014-2 COMMERCE POINT
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 36,424	\$ 36,424	\$ 36,424	\$ -
Resources (Inflows):				
Charges for services	22,000	22,000	14,654	(7,346)
Use of money and property	25	25	149	124
Amounts Available for Appropriation	58,449	58,449	51,227	(7,222)
Charges for Appropriation (Outflows):				
General government	5,901	5,901	5,012	889
Engineering and public works	2,300	2,300	28	2,272
Total Charges to Appropriations	8,201	8,201	5,040	3,161
Budgetary Fund Balance, June 30	\$ 50,248	\$ 50,248	\$ 46,187	\$ (4,061)

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT – 2015-2 CITYWIDE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 376,449	\$ 376,449	\$ 376,449	\$ -
Resources (Inflows):				
Charges for services	371,524	429,368	435,121	5,753
Transfers in	163,002	163,002	-	(163,002)
Amounts Available for Appropriation	910,975	968,819	811,570	(157,249)
Charges for Appropriation (Outflows):				
General government	45,550	45,550	7,796	37,754
Parks and recreation	26,869	26,869	6,549	20,320
Engineering and public works	218,415	218,415	121,060	97,355
Transfers out	143,265	143,265	-	143,265
Total Charges to Appropriations	434,099	434,099	135,405	298,694
Budgetary Fund Balance, June 30	\$ 476,876	\$ 534,720	\$ 676,165	\$ 141,445

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES DISTRICT – 2017-1 MAINTENANCE SERVICES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (154)	\$ (154)	\$ (154)	\$ -
Resources (Inflows):				
Charges for services	151,840	151,840	167,798	15,958
Amounts Available for Appropriation	151,686	151,686	167,644	15,958
Charges for Appropriation (Outflows):				
General government	14,982	54,668	38,005	16,663
Engineering and public works	11,440	11,440	1,672	9,768
Total Charges to Appropriations	26,422	66,108	39,677	26,431
Budgetary Fund Balance, June 30	\$ 125,264	\$ 85,578	\$ 127,967	\$ 42,389

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
COUNTY SERVICE AREAS (CSA)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 729,657	\$ 729,657	\$ 729,657	\$ -
Resources (Inflows):				
Taxes	751,200	751,200	866,154	114,954
Charges for services	1,762,000	1,762,000	1,812,136	50,136
Use of money and property	19,200	19,200	70,878	51,678
Amounts Available for Appropriation	<u>3,262,057</u>	<u>3,262,057</u>	<u>3,478,825</u>	<u>216,768</u>
Charges for Appropriation (Outflows):				
General government	31,825	32,825	31,139	1,686
Public safety	706,803	706,803	607,604	99,199
Parks and recreation	704,244	754,547	721,291	33,256
Engineering and public works	1,893,435	2,143,296	1,381,043	762,253
Capital outlay	-	-	8,986	(8,986)
Total Charges to Appropriations	<u>3,336,307</u>	<u>3,637,471</u>	<u>2,750,063</u>	<u>887,408</u>
Budgetary Fund Balance, June 30	<u>\$ (74,250)</u>	<u>\$ (375,414)</u>	<u>\$ 728,762</u>	<u>\$ 1,104,176</u>

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,801,811	\$ 4,801,811	\$ 4,801,811	\$ -
Resources (Inflows):				
Use of money and property	7,000	7,000	99,715	92,715
Developer participation	-	-	422,795	422,795
Transfers in	-	1,000,000	1,000,000	-
Amounts Available for Appropriation	4,808,811	5,808,811	6,324,321	515,510
Charges for Appropriation (Outflows):				
Engineering and public works	320,000	1,821,075	281,807	1,539,268
Capital outlay	2,699,758	3,893,943	487,629	3,406,314
Total Charges to Appropriations	3,019,758	5,715,018	769,436	4,945,582
Budgetary Fund Balance, June 30	\$ 1,789,053	\$ 93,793	\$ 5,554,885	\$ 5,461,092

CITY OF MENIFEE

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,371,931	\$ 1,371,931	\$ 1,371,931	\$ -
Resources (Inflows):				
Use of money and property	10,000	10,000	39,596	29,596
Issuance of debt*	-	-	6,550,000	6,550,000
Transfers in	1,305,488	1,305,488	1,305,488	-
Amounts Available for Appropriation	<u>2,687,419</u>	<u>2,687,419</u>	<u>9,267,015</u>	<u>6,579,596</u>
Charges for Appropriation (Outflows):				
General government	10,000	10,000	77,000	(67,000)
Debt service:				
Principal retirement	410,000	410,000	410,000	-
Interest and fiscal charges	895,488	895,488	895,488	-
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>1,315,488</u>	<u>1,315,488</u>	<u>1,382,488</u>	<u>(67,000)</u>
Budgetary Fund Balance, June 30	<u>\$ 1,371,931</u>	<u>\$ 1,371,931</u>	<u>\$ 7,884,527</u>	<u>\$ 6,512,596</u>

CITY OF MENIFEE

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Assets:				
Cash and investments	\$ 1,286,750	\$ 938,673	\$ (679,187)	\$ 1,546,236
Receivables:				
Accrued interest	5,657	8,865	(5,657)	8,865
Total Assets	<u>\$ 1,292,407</u>	<u>\$ 947,538</u>	<u>\$ (684,844)</u>	<u>\$ 1,555,101</u>
Liabilities:				
Accounts payable	\$ 1,224	\$ 103,312	\$ (104,536)	\$ -
Deposits payable	1,291,183	1,442,921	(1,179,003)	1,555,101
Total Liabilities	<u>\$ 1,292,407</u>	<u>\$ 1,546,233</u>	<u>\$ (1,283,539)</u>	<u>\$ 1,555,101</u>

STATISTICAL SECTION DESCRIPTIONS

This section of the City of Menifee'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.

Financial Trends Schedules – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. As a newly incorporated City, information relative to the exact City boundaries prior to incorporation is not readily available in most cases. Therefore, trend information will be developed over time and reported annually.

- Net Position
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds
- Major Revenues by Source – Governmental Funds

Revenue Capacity Schedules – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Debt Capacity Schedules – 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.

- Ratio of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Bonded Debt
- Legal Debt Margin

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics
- Principal Employers
- Full-time and Part-time City Employees by Function

Operating Information – These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City provides and the activities it performs.

- Capital Asset Statistics
- Operating Indicators by Function
- Miscellaneous Statistics
- Taxable Sales by Category
- Top 25 Sales Tax Producers

Sources: Unless otherwise noted, the information in these schedules is derived from various internal and other governmental and non-governmental sources where reliability of the data could be ascertained.

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CITY OF MENIFEE

NET POSITION

As of June 30,	2010	2011	2012	2013
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 12,438,043	\$ 20,412,080	\$ 20,562,822	\$ 18,660,912
Restricted for:				
Community Development Projects	-	62,842	-	52,861
Public Safety	2,316,553	-	-	520,300
Public Works	6,371,465	12,906,508	15,166,078	16,712,925
Capital Pprojects	-	-	-	1,305,962
Debt service	-	20,536	20,312,675	6,513,444
Unrestricted	7,003,961	9,644,685	(11,559,198)	6,523,468
Total Governmental Activities				
Net Position	\$ 28,130,022	\$ 43,046,651	\$ 44,482,377	\$ 50,289,872
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 12,438,043	\$ 20,412,080	\$ 20,562,822	\$ 18,660,912
Restricted for:				
Community Development Projects	-	62,842	-	52,861
Public Safety	2,316,553	-	-	520,300
Public Works	6,371,465	12,906,508	15,166,078	16,712,925
Capital Pprojects	-	-	-	1,305,962
Debt service	-	20,536	20,312,675	6,513,444
Unrestricted	7,003,961	9,644,685	(11,559,198)	6,523,468
Total Primary Government				
Net Position	\$ 28,130,022	\$ 43,046,651	\$ 44,482,377	\$ 50,289,872

Source: City Finance Department

(continued)

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 16,372,388	\$ 25,425,778	\$ 51,416,214	\$ 69,469,330	\$ 110,924,809	\$ 156,771,192
785,619	1,182,477	4,448,198	4,660,916	5,363,977	6,373,715
166,413	(360,254)	-	-	12,472	191,737
18,577,377	23,094,019	23,908,504	20,471,018	32,360,079	44,929,363
23,541,211	20,022,031	9,619,732	4,772,166	-	-
1,338,301	1,354,467	1,359,694	1,358,034	1,371,931	7,884,527
8,301,753	12,103,855	10,903,072	14,504,934	26,052,076	30,064,613
<u>\$ 69,083,062</u>	<u>\$ 82,822,373</u>	<u>\$101,655,414</u>	<u>\$ 115,236,398</u>	<u>\$ 176,085,344</u>	<u>\$ 246,215,147</u>
\$ 16,372,388	\$ 25,425,778	\$ 51,416,214	\$ 69,469,330	\$ 110,924,809	\$ 156,771,192
785,619	1,182,477	4,448,198	4,660,916	5,363,977	6,373,715
166,413	(360,254)	-	-	12,472	191,737
18,577,377	23,094,019	23,908,504	20,471,018	32,360,079	44,929,363
23,541,211	20,022,031	9,619,732	4,772,166	-	-
1,338,301	1,354,467	1,359,694	1,358,034	1,371,931	7,884,527
8,301,753	12,103,855	10,903,072	14,504,934	26,052,076	30,064,613
<u>\$ 69,083,062</u>	<u>\$ 82,822,373</u>	<u>\$101,655,414</u>	<u>\$ 115,236,398</u>	<u>\$ 176,085,344</u>	<u>\$ 246,215,147</u>

CITY OF MENIFEE

CHANGES IN NET POSITION

For the Year Ended June 30,	2010	2011	2012	2013
EXPENSES				
Governmental Activities:				
General Government	\$ 2,827,487	\$ 2,775,494	\$ 2,955,539	\$ 2,966,563
Public Safety	16,399,783	15,826,194	16,057,258	16,265,992
Community Development	2,081,884	1,943,932	1,859,077	2,514,802
Recreation Services	92,710	-	-	736,915
Engineering and Public Works	4,606,436	6,637,586	7,034,847	7,785,539
Interest on Long-term Debt	11,369	14,140	78,433	942,270
Total Governmental Activities Expenses	26,019,669	27,197,346	27,985,154	31,212,081
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services	4,411,063	5,634,246	4,094,392	6,788,528
Operating Contributions and Grants	7,861,202	5,747,180	6,299,558	5,044,016
Capital Contributions and Grants	2,278,163	10,486,447	1,143,672	8,235,741
Total Governmental Activities Program Revenues	14,550,428	21,867,873	11,537,622	20,068,285
Total Net Revenues (Expenses)	\$ (11,469,241)	\$ (5,329,473)	\$ (16,447,532)	\$ (11,143,796)
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Tax	\$ 7,983,289	\$ 8,080,376	\$ 8,728,216	\$ 8,783,126
Transient Occupancy Tax	110,020	121,437	137,116	151,151
Sales Taxes	4,032,529	4,464,595	4,802,963	4,892,206
Franchise Tax	1,905,563	2,764,292	2,916,302	2,921,048
Other Taxes	289,567	306,102	233,947	346,972
Motor Vehicle in-lieu tax, unrestricted	4,819,344	4,234,309	47,163	45,443
Use of Money and Property	174,202	163,678	113,444	127,399
Other	25,787	118,779	27,233	64,956
Total Governmental Activities	19,340,301	20,253,568	17,006,384	17,332,301
Special item	-	-	-	-
Restatement	76,637	(7,466)	876,874	(381,010)
Change in Net Position	\$ 7,871,060	\$ 14,924,095	\$ 558,852	\$ 6,188,505

Source: City Finance Department

(continued)

2014	2015	2016	2017	2018	2019
\$ 3,731,602	\$ 4,160,012	\$ 4,236,457	\$ 5,158,876	\$ 6,265,963	\$ 8,177,727
17,371,349	19,413,871	20,927,524	18,129,742	25,497,233	27,595,237
3,161,672	3,091,768	3,255,560	3,403,182	4,925,868	5,347,196
555,384	1,903,871	1,145,208	1,664,348	3,034,270	4,082,858
8,198,856	7,292,714	10,361,131	8,281,676	6,082,233	16,979,928
885,488	918,204	902,716	891,605	917,342	863,713
<u>33,904,351</u>	<u>36,780,440</u>	<u>40,828,596</u>	<u>37,529,429</u>	<u>46,722,909</u>	<u>63,046,659</u>
11,776,032	12,407,481	12,764,259	19,257,460	27,218,239	33,823,689
5,536,969	3,777,617	3,041,014	3,578,315	4,722,133	5,141,336
14,267,238	9,151,362	16,930,639	3,107,374	33,885,278	46,785,288
<u>31,580,239</u>	<u>25,336,460</u>	<u>32,735,912</u>	<u>25,943,149</u>	<u>65,825,650</u>	<u>85,750,313</u>
<u>\$ (2,324,112)</u>	<u>\$ (11,443,980)</u>	<u>\$ (8,092,684)</u>	<u>\$ (11,586,280)</u>	<u>\$ 19,102,741</u>	<u>\$ 22,703,654</u>
\$ 11,945,065	\$ 14,634,225	\$ 14,577,983	\$ 12,369,587	\$ 12,814,111	\$ 14,134,926
166,958	190,972	217,122	225,956	232,117	238,464
5,386,619	5,924,347	7,137,168	8,661,218	18,005,117	20,384,878
2,967,476	3,586,271	3,084,175	2,973,633	3,076,719	3,141,174
387,364	409,003	460,751	582,937	615,333	623,801
34,912	34,308	34,451	39,873	6,110,514	6,680,540
154,230	151,450	253,336	221,371	613,165	2,011,031
(36,693)	84,370	94,005	92,689	166,682	211,335
<u>21,005,931</u>	<u>25,014,946</u>	<u>25,858,991</u>	<u>25,167,264</u>	<u>41,633,758</u>	<u>47,426,149</u>
-	-	1,066,734	-	-	-
111,371	168,345	-	-	-	-
<u>\$ 18,681,819</u>	<u>\$ 13,570,966</u>	<u>\$ 17,766,307</u>	<u>\$ 13,580,984</u>	<u>\$ 60,736,499</u>	<u>\$ 70,129,803</u>

CITY OF MENIFEE

FUND BALANCES OF GOVERNMENTAL FUNDS

As of June 30,	2010	2011	2012	2013
GENERAL FUND:				
Reserved	\$ 19,127	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Nonspendable	-	-	-	-
Committed	-	6,067,533 ¹	6,067,533	6,546,700
Assigned	-	8,744 ¹	36,532 ²	58,429
Unassigned	-	4,024,996 ¹	3,203,538	951,533
Unreserved	7,068,044	-	-	-
Total General Fund	7,087,171	10,101,273	9,307,603	7,556,662
ALL OTHER GOVERNEMENTAL FUNDS				
Restricted for Community Development Projects	-	-	-	520,300
Restricted for Public Safety	-	62,842 ¹	-	52,861
Restricted for Engineering/Public Works	-	12,906,508 ¹	15,166,078	16,712,925
Restricted for Capital Projects	-	20,536 ¹	20,312,675 ³	6,513,444
Restricted for Debt Service	-	- ¹	-	20,620,358
Unassigned	-	(7,925) ¹	(214,931)	(16,810)
Unreserved, Reported in:				
Special Revenue Funds	2,316,553	-	-	-
Capital Project Funds	2,731,655	-	-	-
Other	3,673,458	-	-	-
Total All Other Governmental Funds	8,721,666	12,981,961	35,263,822	44,403,078
TOTAL GOVERNMENTAL FUNDS	\$ 15,808,837	\$ 23,083,234	\$ 44,571,425	\$ 51,959,740

The City of Menifee was incorporated during fiscal year 2008-2009. No information prior to that date is available.

1 Fund balance classification reflects GASB 54 implementation beginning Fiscal Year 2011.

2 Establish \$15,000 self-insurance, retention reserve.

3 Certificates of Participations issued for capital construction.

4 Establish emergency reserve of 20% of General Fund expenditures and \$250,000 towards construction of new City Hall.

5 Transferred proceeds from Certificates of Participation to debt service fund.

6 Transferred proceeds from Certificates of Participation to capital project fund.

Source: City Finance Department

(continued)

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	2,173,477	1,880,909	64,540	28,073	65,751
6,546,700	6,546,700	6,546,700	3,543,729	3,543,729	3,543,729
40,836	40,836	226,500	461,890	4,396,969	13,437,218
2,002,972	(486,600)	1,268,621	8,547,350	16,886,664	18,089,574
-	-	-	-	-	-
<u>8,590,508</u>	<u>8,274,413</u>	<u>9,922,730</u>	<u>12,617,509</u>	<u>24,855,435</u>	<u>35,136,272</u>
785,619	1,184,687	4,180,264	4,660,916	5,363,977	6,373,715
166,413	194,826	267,934	234,782	12,472	191,737
18,577,229	25,022,383	23,908,504	19,781,187	32,360,079	44,929,363
23,541,211	20,022,031	9,619,732	5,461,997	-	-
1,338,301	1,354,467	1,359,694	1,358,034	1,371,931	7,884,527
(1,655,616)	-	-	-	(154)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>42,753,157</u>	<u>47,778,394</u>	<u>39,336,128</u>	<u>31,496,916</u>	<u>39,108,305</u>	<u>59,379,342</u>
<u>\$ 51,343,665</u>	<u>\$ 56,052,807</u>	<u>\$ 49,258,858</u>	<u>\$ 44,114,425</u>	<u>\$ 63,963,740</u>	<u>\$ 94,515,614</u>

CITY OF MENIFEE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

For the Year Ended June 30,	2010	2011	2012	2013
REVENUES				
Taxes	\$ 14,071,969	\$ 15,844,815	\$ 16,774,978	\$ 17,180,634
Licenses and permits	2,022,850	2,186,585	1,811,432	2,627,988
Intergovernmental	13,327,813	11,163,699	7,378,063	8,355,898
Charges for services	17,713	30,959	73,892	98,707
Fines and forfeitures	174,202	163,678	113,444	127,399
Use of money and property	149,307	395,644	387,659	407,637
Developer participation	2,221,193	2,977,863	1,419,541	9,521,754
Miscellaneous	25,787	118,779	27,233	23,185
Total Revenues	32,010,834	32,882,022	27,986,242	38,343,202
EXPENDITURES				
Current:				
General government	2,786,143	2,690,247	2,847,574	2,818,701
Public safety	14,924,667	15,819,806	16,050,217	16,255,888
Community development	2,081,884	1,925,777	1,840,980	2,500,826
Recreation services	92,710	-	-	736,915
Engineering and public works	4,233,384	4,980,677	5,392,072	6,174,881
Capital outlay	237,618	183,652	950,814	1,164,653
Debt service:				
Principal retirement	-	-	-	290,000
Interest and fiscal charges	-	-	-	1,013,023
Total Expenditures	24,356,406	25,600,159	27,081,657	30,954,887
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,654,428	7,281,863	904,585	7,388,315
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	71,360	22,485,729
Transfers out	-	-	(71,360)	(22,485,729)
Other debts issued	-	-	20,000,000	-
Bond premium	-	-	979,921	-
Cost of issuance	-	-	(396,315)	-
Total Financing Sources (Uses)	-	-	20,583,606	-
Net Change in Fund Balances	7,654,428	7,281,863	21,488,191	7,388,315
Fund Balances, beginning of year	8,077,772	15,808,837	23,083,234	44,571,425
Restatements	76,637	(7,466)	-	-
Fund Balances, end of year	\$ 15,808,837	\$ 23,083,234	\$ 44,571,425	\$ 51,959,740
DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES	0.0%	0.0%	0.0%	0.0%

Source: City Finance Department

(continued)

2013	2014	2015	2016	2017	2018	2019
\$ 17,180,634	\$ 20,853,483	\$ 24,744,819	\$ 25,477,199	\$ 24,813,331	\$ 34,743,397	\$ 38,523,243
2,627,988	6,330,389	5,463,643	6,832,170	8,061,714	10,867,727	10,765,702
8,355,898	5,527,820	9,151,033	6,369,501	5,748,048	12,580,822	13,820,929
98,707	167,830	658,972	1,630,272	6,219,925	6,677,180	8,428,907
127,399	154,230	151,449	254,526	221,382	613,165	2,011,031
407,637	447,996	502,613	553,986	655,544	718,890	942,403
9,521,754	4,878,374	6,079,281	4,518,711	5,295,110	9,078,142	14,077,226
23,185	53,677	54,509	77,778	95,359	128,323	162,935
<u>38,343,202</u>	<u>38,413,799</u>	<u>46,806,319</u>	<u>45,714,143</u>	<u>51,110,413</u>	<u>75,407,646</u>	<u>88,732,376</u>
2,818,701	3,296,176	4,087,029	4,253,708	5,391,081	6,151,518	8,169,511
16,255,888	17,363,329	19,336,968	20,836,489	21,350,629	25,062,622	27,389,574
2,500,826	3,126,267	2,838,474	3,154,443	3,643,590	4,872,304	5,693,505
736,915	555,384	2,075,562	1,182,854	2,461,119	2,833,753	3,592,890
6,174,881	6,583,127	11,457,614	20,576,193	5,947,990	9,438,808	13,436,193
1,164,653	6,804,204	997,142	1,200,818	16,157,949	5,898,238	5,143,341
290,000	350,000	360,000	370,000	380,000	390,000	410,000
1,013,023	951,387	944,388	933,587	922,488	911,088	895,488
<u>30,954,887</u>	<u>39,029,874</u>	<u>42,097,177</u>	<u>52,508,092</u>	<u>56,254,846</u>	<u>55,558,331</u>	<u>64,730,502</u>
7,388,315	(616,075)	4,709,142	(6,793,949)	(5,144,433)	19,849,315	24,001,874
22,485,729	20,916,110	1,566,639	1,645,900	1,442,815	1,475,606	2,444,198
(22,485,729)	(20,916,110)	(1,566,639)	(1,645,900)	(1,442,815)	(1,475,606)	(2,444,198)
-	-	-	-	-	-	6,550,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,550,000
7,388,315	(616,075)	4,709,142	(6,793,949)	(5,144,433)	19,849,315	30,551,874
44,571,425	51,959,740	51,343,665	56,052,807	49,258,858	44,114,425	63,963,740
-	-	-	-	-	-	-
<u>\$ 51,959,740</u>	<u>\$ 51,343,665</u>	<u>\$ 56,052,807</u>	<u>\$ 49,258,858</u>	<u>\$ 44,114,425</u>	<u>\$ 63,963,740</u>	<u>\$ 94,515,614</u>
0.0%	3.4%	3.7%	2.7%	3.2%	2.6%	2.2%

CITY OF MENIFEE

MAJOR REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Fiscal Year	Property Tax	Sales Tax	Motor Vehicle In Lieu Tax	Franchise Tax	Total
2010	\$ 7,983,289	\$ 4,032,429	\$ 4,819,344	\$ 1,905,563	\$ 18,740,625
2011	8,080,376	4,464,595	4,234,309	2,764,292	19,543,572
2012	8,728,216	4,759,397	47,163	2,916,302	16,451,078
2013	8,783,126	4,978,337	45,443	2,921,048	16,727,954
2014	11,945,065	5,386,619	34,912	2,967,476	20,334,072
2015	14,634,225	5,924,347	34,308	3,586,271	24,179,151
2016	14,577,983	7,137,168	34,451	3,084,175	24,833,777
2017	12,369,587	8,661,218	39,873	2,973,633	24,044,311
2018	12,814,111	18,005,117	6,110,514	3,076,719	40,006,461
2019	14,134,926	20,384,878	6,680,540	3,141,174	44,341,518

Source: City Finance Department

CITY OF MENIFEE

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Exemptions	Total Taxable Assessed Value	Percent Change
2010	\$ 6,116,133,436	\$ -	\$ 748,797,631	\$ (16,366,551)	\$ 6,848,564,516	-15.46%
2011	5,781,354,495	98,872,824	709,497,631	(18,241,235)	6,571,483,715	-4.05%
2012	5,853,629,690	93,528,317	811,497,631	(18,343,316)	6,740,312,322	2.57%
2013	5,802,742,402	101,020,305	577,528,271	(19,336,905)	6,461,954,073	-4.13%
2014	6,179,136,921	94,335,266	440,228,271	(19,630,098)	6,694,070,360	3.59%
2015	6,987,584,499	92,460,808	346,628,271	(19,962,118)	7,406,711,460	10.65%
2016	7,686,424,297	95,234,280	295,028,271	(131,240,361)	7,945,446,487	7.27%
2017	8,204,501,816	94,227,737	253,828,271	(144,682,408)	8,407,875,416	5.82%
2018	8,223,667,765	99,807,071	105,828,271	(21,427,691)	8,896,947,714	5.82%
2019	9,492,168,800	113,916,759	118,100,000	(21,889,314)	9,702,296,245	9.05%

In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

Source: HdL Companies, Riverside County Assessor

CITY OF MENIFEE

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
BY USE CATEGORY**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Dry Farm	Other	Exemptions	Total Taxable Assessed Value	Percent Change	Total Direct Rate
2010	\$ 4,684,626,413	\$ 347,798,711	\$ 64,223,803	\$ 25,024,672	\$ 1,743,257,468	\$ (16,366,551)	\$ 6,848,564,516	-15.46%	0.0738
2011	4,581,885,190	357,862,454	67,473,198	24,004,780	1,558,499,328	(18,241,235)	6,571,483,715	-4.05%	0.0645
2012	4,665,861,538	387,329,110	66,412,859	22,788,145	1,616,263,986	(18,343,316)	6,740,312,322	2.57%	0.0637
2013	4,653,661,495	400,175,540	71,956,220	21,439,147	1,334,058,576	(19,336,905)	6,461,954,073	-4.13%	0.0662
2014	5,025,043,795	419,255,659	74,872,731	22,134,820	1,172,393,453	(19,630,098)	6,694,070,360	3.59%	0.1455
2015	5,837,398,400	419,946,710	78,550,017	20,875,554	1,069,902,897	(19,962,118)	7,406,711,460	10.65%	0.1423
2016	6,349,493,758	444,912,094	79,232,788	21,615,968	1,070,534,347	(20,342,468)	7,945,446,487	7.27%	0.1407
2017	6,823,268,713	465,564,229	80,678,726	21,511,185	1,038,617,091	(21,764,528)	8,407,875,416	5.82%	0.1394
2018	7,368,551,565	522,390,630	86,731,580	20,505,027	920,196,603	(21,427,691)	8,896,947,714	5.82%	0.1381
2019	8,050,646,652	592,624,119	97,305,521	20,895,440	962,713,827	(21,889,314)	9,702,296,245	9.05%	0.1374

In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time it is sold to new owner. At that point, the new assessed value is reassessed at the purchase price 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.

Information for Value by Use Category is not available prior to 2011.

Source: HdL Companies, Riverside County Assessor

CITY OF MENIFEE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Agency	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Basic Levy*	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Eastern Municipal Water Imp District	0.22400	0.22100	0.21100	0.21100	0.21100	0.15800	0.05000	0.05000	0.05000	0.05000
Menifee School Debt Service	0.03254	0.03436	0.03486	0.03486	0.03421	0.03275	0.03010	0.03269	0.06080	0.06303
Metropolitan Water District Original Area	0.00430	0.00370	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Perris Union High School Debt Service	0.02686	0.03126	0.03429	0.03429	0.06970	0.06303	0.06236	0.06092	0.01320	0.01320
Mt. San Jacinto Jr. College	-	-	-	-	-	-	0.01394	0.01320	0.05675	0.05243
Total Direct & Overlapping Tax Rates	1.28770	1.29032	1.28385	1.28385	1.31841	1.25728	1.15990	1.16031	1.18425	1.18216
City of Menifee Share of 1% per Prop 13	0.06463	0.06459	0.12740	0.12740	0.12740	0.12740	0.12904	0.12903	0.12903	0.12903
Total Direct Rate**	0.07383	0.06454	0.06373	0.06617	0.14552	0.14227	0.14069	0.13943	0.13809	0.13739

This schedule shows information for all city tax rate areas.

*In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies in 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 any voter approved bonds or assessments.

**Total Direct Rate is the weighted average of all individual direct rates applied by the government entity.

Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

Source:HdL Companies

CITY OF MENIFEE

PRINCIPAL PROPERTY TAX PAYERS

Taxpayer	2019			2009		
	Total Assessed Value	Percent of Total City Taxable Assessed Value	Rank	Total Assessed Value	Percent of Total City Taxable Assessed Value	Rank
Inland Empire Energy Center, LLC	\$ 118,100,000	1.23%	1	\$ 459,300,000	5.73%	1
Donahue Schriber Realty Group	54,235,362	0.57%	2			
Carrington Place Limited	48,828,885	0.51%	3	35,280,000	0.44%	7
Antelope Ridge Apartments LLC	45,406,405	0.47%	4			
Cantabria Development LP	44,543,400	0.46%	5			
PHH Real Estate	31,651,194	0.33%	6			
Target Corporation	24,551,934	0.26%	7			
Lennar Homes of California, Inc.	22,326,076	0.23%	8			
Encanto Apartment Homes	22,031,453	0.23%	9			
HCP HB2 Carrington Cherry Hills	20,974,223	0.22%	10			
A Murphy Ranch				69,009,500	0.86%	2
Centex Homes				61,677,032	0.77%	3
Minor Ranch				59,343,247	0.74%	4
SR Structured Lot Options				40,800,448	0.51%	5
Menifee Development				37,057,805	0.46%	6
Pacten Scott Road Associates				27,889,860	0.35%	8
Capital Pacific Holdings				26,968,185	0.34%	9
Fleming Family LP				25,027,000	0.31%	10
Totals	<u>432,648,932</u>	<u>4.51%</u>		<u>842,353,077</u>	<u>10.51%</u>	
All Other	<u>9,155,730,554</u>	<u>95.49%</u>		<u>7,171,117,017</u>	<u>89.49%</u>	
City Total	<u>\$ 9,588,379,486</u>	<u>100.00%</u>		<u>\$ 8,013,470,094</u>	<u>100.00%</u>	

Source: The HdL Companies

CITY OF MENIFEE

PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Amount Collected in Subsequent Year	Total Tax Collections	Percentage of Levy
		Amount	Percentage of Levy			
2010	\$ 8,778,371	\$ 7,866,874	89.62%	\$ -	\$ 9,382,057	107%
2011	8,339,538	10,361,702	124.25%	41,527	8,633,355	104%
2012	8,178,208	7,885,949	96.43%	293,816	8,286,189	101%
2013	8,354,848	8,321,443	99.60%	144,969	8,354,848	100%
2014	9,319,167	9,159,856	98.29%	159,311	9,319,167	100%
2015	10,165,063	10,091,501	99.28%	73,562	10,165,063	100%
2016	10,903,160	10,707,116	98.20%	196,044	10,903,160	100%
2017	11,592,282	11,391,985	98.27%	200,297	11,592,282	100%
2018	12,027,685	11,935,913	99.24%	91,772	12,027,685	100%
2019	13,268,770	13,077,732	98.56%	191,038	13,268,770	100%

(1) Tax Levy information for fiscal year 2009 was not available due to the county only reporting property tax collected and retained under the transition year requirement.

With the passage of Resolution 10-138 in June 2010, the City of Menifee agreed to participate in the Riverside County Teeter Program. Under the Teeter Plan, the City is paid in full each year for the actual amount of property taxes levied, regardless of the amount of delinquencies.

Source: County of Riverside

CITY OF MENIFEE

RATIO OF OUTSTANDING DEBT BY TYPE

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Distribution Facilities Financing 2019	County Repayment (1)	Total Governmental Activities	Percentage of Personal Income
2010	\$ -	\$ -	\$ -	\$ -	\$ 1,068,988	\$ 1,068,988	0.07%
2011	-	-	-	-	1,083,128	1,083,128	0.06%
2012	-	-	20,942,080	-	1,099,390	22,041,470	1.27%
2013	-	-	20,586,752	-	1,057,619	21,644,371	1.19%
2014	-	-	20,206,344	-	1,057,619	21,263,963	1.18%
2015	-	-	19,815,936	-	1,057,619	20,873,555	1.12%
2016	-	-	19,415,528	-	-	19,415,528	1.03%
2017	-	-	19,005,120	-	-	19,005,120	0.98%
2018	-	-	18,584,712	-	-	18,584,712	0.90%
2019	-	-	18,144,304	6,550,000	-	24,694,304	1.09%

(1) County Repayment is not bonded debt

(2) See the schedule of demographic and economic statistics for population data.

Source: City Finance Division

CITY OF MENIFEE

RATIO OF GENERAL BONDED DEBT OUTSTANDING

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Total General Obligation Bonds</u>	<u>Less Debt Service Fund (1)</u>	<u>Net Bonded Debt</u>	<u>Percent of Debt to Assessed Value (2)</u>	<u>Debt per Capita</u>
2010	68,905	\$ 6,848,564,516	\$ -	\$ -	\$ -	0.00%	\$ -
2011	79,444	6,571,483,715	-	-	-	0.00%	-
2012	80,589	6,740,307,322	-	-	-	0.00%	-
2013	82,292	6,461,954,073	-	-	-	0.00%	-
2014	83,716	6,694,070,360	-	-	-	0.00%	-
2015	85,385	7,406,711,460	-	-	-	0.00%	-
2016	88,524	7,945,446,487	-	-	-	0.00%	-
2017	90,660	8,407,875,416	-	-	-	0.00%	-
2018	91,902	8,896,947,714	-	-	-	0.00%	-
2019	93,452	9,702,296,245				0.00%	

(1) Amounts available for repayment of general obligation bonds.

(2) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City Finance Division

CITY OF MENIFEE

**DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2019**

	<u>Total Debt</u>	<u>Percent Applicable to City</u>	<u>City's Share of Debt</u>
Direct Debt			
City of Menifee-County Loan Repayment	\$ -	0.0%	\$ -
City of Menifee-Certificates of Participation	17,450,000	100.0%	17,450,000
City of Menifee-Distribution Facilities Financing Agreement	6,550,000	100.0%	6,550,000
Total Direct Debt	\$ 24,000,000	100.0%	\$ 24,000,000
Direct and Overlapping Tax and Assessment Debt			
Metropolitan Water District	\$ 48,050,000	0.330%	\$ 158,565
Riverside County Flood Control & Water Reclamation District	14,690,000	18.894%	2,775,529
Eastern Municipal Water District Improvement Districts	19,026,000	80.191-100%	16,053,659
Mount San Jacinto Community College District	172,650,000	10.680%	18,439,020
Perris Union High School District	103,008,693	57.785%	59,523,573
Menifee Union School District	98,644,720	75.756%	74,729,294
Perris Union High School District CFD 92-1	34,040,000	62.659%	21,329,124
Menifee School District Community Facilities Districts	129,630,000	57.420-100%	127,143,328
Romoland School District Community Facilities Districts	122,880,000	100%	122,880,000
Eastern Municipal Water District Community Facilities Districts	50,582,000	62.092-100%	48,857,186
Riverside County Community Facilities District No. 03-1	32,825,000	27.347-93.749%	23,223,202
Eastern Municipal Water District 1915 Act Bonds	3,835,000	66.912%	2,566,075
Total Direct and Overlapping Tax and Assessment Debt			\$ 517,678,555
Overlapping General Fund Debt:			
Riverside County General Fund Obligations	\$ 760,133,611	3.473%	\$ 26,399,440
Riverside County Pension Obligations	243,850,000	3.473%	8,468,911
Riverside County Board of Education Cert. of Partic.	-	0.000%	-
Perris Union High School District Cert of Partic.	42,375,065	57.785%	24,486,431
Menifee Union School District Cert. of Partic.	47,397,926	75.756%	35,906,773
Total Gross Overlapping General Fund Debt			\$ 95,261,556
Less: Riverside County Supported Obligations			60,329
Total Net Overlapping General Fund Debt			\$ 95,201,227
Overlapping Tax Increment Debt (Riverside County Successor Agency)	\$ 265,272,748	2.773-17.274%	\$ 23,770,380

Total Direct Debt	\$ 24,000,000
Total Gross Overlapping Debt	\$ 636,347,388
Total Net Overlapping Debt	\$ 636,287,059
Total Direct and Overlapping Debt	\$ 660,650,162
Gross Combined Total Debt	\$ 660,347,388
Net Combined Total Debt	\$ 660,287,059
<u>Ratios to 2018-19 Assessed Valuation:</u>	
Total Direct Debt	0.25%
Total Direct and Overlapping Tax and Assessment Debt	5.34%
Gross Combined Total Debt	6.81%
Net Combined Total Debt	6.81%

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 assessed value.

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics

CITY OF MENIFEE

LEGAL DEBT MARGIN INFORMATION

	<u>2018</u>	<u>2019</u>
Assessed valuation	\$ 8,896,947,714	\$ 9,702,296,245
Debit Limit Percentage	15%	15%
Debt limit	1,334,542,157	1,455,344,437
Total Net Debt Applicable to the Limit General Obligation Bonds:	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 1,334,542,157</u>	<u>\$ 1,455,344,437</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%

Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Menifee has no general obligation indebtedness.

Only last two years shown.

Source: City Finance Department, HdL Companies

CITY OF MENIFEE

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Year	Population	Personal Income (In 1000)	Per Capita Personal Income	Median Home Price	Occupied Housing Units	Persons per Household	Median Age	Unemployment Rate
2010	68,905	\$ 1,553,050	\$ 21,796	\$ 180,000	27,372	2.52	42.2	17.95%
2011	79,444	1,688,724	24,508	173,250	30,787	2.58	36.9	15.70%
2012	80,589	1,738,627	21,574	175,000	31,585	2.55	38.3	12.90%
2013	82,292	1,812,481	22,025	198,750	31,975	2.57	38.2	10.20%
2014	83,716	1,808,600	21,604	250,000	28,933	2.89	38.0	8.90%
2015	85,385	1,868,959	22,333	280,000	29,383	2.91	37.9	9.60%
2016	88,524	1,891,622	21,253	300,000	30,226	2.93	38.7	7.90%
2017	90,660	1,936,648	21,253	325,000	31,253	3.94	37.4	7.10%
2018	91,902	2,055,023	22,667	340,000	31,253	2.94	37.4	4.70%
2019	93,452	2,264,845	24,235	350,000	31,222	2.99	37.9	4.50%

(1) Based on 2006 Census updated not adjusted for inflation.

Source: Riverside County Center for Demographic Research, California Department of Finance E-5

CITY OF MENIFEE

PRINCIPAL EMPLOYERS

Employer	2019		Rank
	Number of Employees	Percentage of Employment	
Mt San Jacinto College District	2,100	50.69%	1
Menifee Unified School District	1,800	43.45%	2
Romoland Elementary School District	489	11.80%	3
Target Corporation	420	10.14%	4
Menifee Valley Medical Center	360	8.69%	5
Southern California Edison	345	8.33%	6
Stater Brothers	255	6.15%	7
Lowe's	167	4.03%	8
Texas Roadhouse	155	3.74%	9
BJ's Restaurant	152	3.67%	10
Total Employment Listed	6,243	150.69%	

Source: Menifee Valley Chamber of Commerce, City of Menifee Business License Division

CITY OF MENIFEE

FULL AND PART-TIME CITY EMPLOYEES BY FUNCTION

FUNCTION	2010 Full Time Equivalent	2011 Full Time Equivalent	2012 Full Time Equivalent	2013 Full Time Equivalent	2014 Full Time Equivalent	2015 Full Time Equivalent	2016 Full Time Equivalent	2017 Full Time Equivalent	2018 Full Time Equivalent	2019 Full Time Equivalent
City Manager	4.00	4.00	6.00	1.50	1.25	2.00	2.00	1.00	4.00	4.00
Administrative Services	-	-	-	4.50	2.75	4.50	5.00	6.00	-	-
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Emergency Services	1.00	1.00	1.00	-	0.75	-	-	-	-	-
Finance	3.00	3.00	4.00	6.00	6.00	6.00	6.00	7.00	10.00	12.50
Human Resources	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	4.00	8.50
Information Technology	-	-	-	-	-	-	-	-	2.00	5.00
Economic Development	-	-	1.00	2.25	2.00	2.00	2.00	3.00	3.00	5.00
Community Development	3.00	3.00	3.00	3.00	3.00	4.00	4.00	5.00	11.00	13.50
Code Enforcement	2.00	2.00	4.00	4.00	4.00	5.00	4.00	4.00	7.00	7.00
Fire	-	-	-	-	-	-	-	-	1.00	2.00
Engineering/ Pub Works	2.00	2.00	4.00	5.00	6.00	10.00	12.00	16.00	24.00	32.00
Building/Safety	2.50	2.50	3.00	4.00	4.00	7.00	8.00	9.00	12.00	14.00
Community Services	-	-	1.00	3.00	2.25	3.00	13.00	18.58	21.55	31.68
Police	-	-	-	-	-	-	-	-	-	76.00
Total	20.50	20.50	30.00	36.25	35.00	46.50	59.00	71.58	102.55	214.18

Part-Time Employees are expressed as Full-Time Equivalents.

CITY OF MENIFEE
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

<u>As of June 30,</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
FUNCTION										
Public Works										
Streets (Miles)	224	238	238	240	244	265	317.9	317.9	317.9	317.9
Traffic Signals	69	64	64	63	67	67	73	68	71	72
Community Services										
Parks	5	5	5	5	7	7	7	8	11	12
Park Acreage	31	31	31	31	39	39	39	45	53.7	58.68

Source: City Public Works Department, Community Services

CITY OF MENIFEE

OPERATING INDICATORS BY FUNCTION/PROGRAM

As of June 30,	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
FUNCTION										
Police Services										
Physical Arrests	769	797	816	824	1,107	1,061	1,295	1,412	1,385	1,500
Parking Citations	1,326	1,064	1,893	1,377	1,208	1,763	330	230	569	435
Traffic Citations	2,832	1,389	1,731	1,618	1,199	3,438	3,720	1,733	4,422	5,927
Calls for Service	34,123	35,064	35,938	37,485	41,052	44,395	47,728	47,926	47,961	49,291
Fire Services										
Medical/Public service Calls	6,395	6,261	6,858	6,964	7,301	7,220	9,741	10,081	9,342	10,071
Fire calls	65	109	160	119	122	130	144	184	182	167
All other calls	1,082	511	886	939	960	1,810	1,310	1,499	2,158	1,552
Total	7,542	6,881	7,904	8,022	8,443	9,160	11,195	11,764	11,682	11,790
Public Works										
Potholes/Skinpatch (square feet)	45,575	27,746	40,149	10,567	15,067	16,121	12,335	18,215	31,458	135,277
Curb Refurbishment/Painting (linear feet)	3,254	6,712	10,590	12,505	10,414	12,877	285	3,254	983	722
Right of Way Clearing (linear feet)	77,121	80,780	71,945	72,357	119,137	116,237	14,020,200	13,853,520	4,475,936	886,818
Traffic Signs repaired/replaced	581	697	1,184	642	911	729	213	275	821	418
Building & Safety										
Building Permits Issued	1,770	1,696	1,791	2,811	3,180	2,969	4,031	4,365	5,179	6,232
Building Inspections Completed	8,000	5,667	6,138	8,075	13,119	10,655	13,410	15,417	21,522	23,540
Community Development										
Planning Applications Completed	114	177	138	199	216	189	275	327	259	208

Source: City Finance Division, City Community Development Department, City Building Department, City Police Services Department, City Public Works Department

CITY OF MENIFEE

MISCELLANEOUS STATISTICS

JUNE 30, 2019

Geographic Location:	The City of Menifee is located approximately 80 miles south east of Los Angeles in the southwestern portion of Riverside County
Population:	93,452
Area in square miles:	46
Form of Government:	Council-Manager
Date of Incorporation:	October 1, 2008
Number of Full Time Employees:	106.96
Public Safety:	
Police Department	Riverside County Sheriff's Department contract, 52.51 FTE
Fire Department	Riverside County/Cal Fire Department contract, 52 FTE, 4 Fire Stations
Library:	3 branches, Riverside County Library System
Recreation:	24 Parks owned by Valley Wide Recreation and Park District 12 Parks owned by the City
Schools:	
Elementary	12
Middle Schools	4
High Schools	2
Community Colleges	1

Source: City Finance Division

CITY OF MENIFEE

**TAXABLE SALES BY CATEGORY
LAST NINE CALENDAR YEARS (IN THOUSANDS OF DOLLARS)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Apparel Stores	\$ 22,116	\$ 26,761	\$ 27,904	\$ 29,535	\$ 30,580	\$ 27,954	\$ 30,932	\$ 34,067	\$ 35,507	\$ 38,758
Auto Dealers and Suppliers	11,317	12,975	16,391	20,590	26,155	34,741	42,077	54,191	57,093	53,556
Building Materials	25,332	26,980	27,217	32,152	36,673	40,262	71,069	-	-	-
Eating and Drinking Places	45,324	47,903	53,113	65,823	72,382	80,640	90,887	102,368	116,223	123,562
Food Stores	25,356	25,095	24,892	25,475	26,470	26,342	29,326	28,855	31,882	36,919
Furniture & Appliances	25,731	30,655	43,508	46,616	48,036	51,441	61,039	-	-	-
General Merchandise	53,649	55,483	56,671	58,670	62,730	66,091	68,839	69,542	71,748	75,453
Packaged Liquor	3,937	4,258	4,200	4,734	5,100	5,253	5,965	-	-	-
Service Stations	68,685	78,319	101,166	104,973	100,388	106,979	91,389	84,642	95,334	117,573
Other Retail Stores	29,642	33,008	34,709	36,863	38,921	43,360	47,519	206,277	226,351	237,971
All other Outlets	71,009	70,109	79,471	76,029	86,476	96,505	114,523	128,848	136,300	171,299
Total	\$ 382,098	\$ 411,546	\$ 469,242	\$ 501,460	\$ 533,911	\$ 579,568	\$ 653,565	\$ 708,790	\$ 770,438	\$ 855,091

Source: State of California Board of Equalization and the HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.

CITY OF MENIFEE

**TOP 25 SALES TAX PRODUCERS
FOR FISCAL YEAR ENDED JUNE 30, 2019 AND JUNE 30, 2010**

2019		2009	
<u>Business Name</u>	<u>Business Category</u>	<u>Business Name</u>	<u>Business Category</u>
Arco AM PM	Service Stations	Ahern Rentals	Repair Shop/Hand Tool Rentals
Arco AM PM	Service Stations	Albertsons	Grocery Stores Liquor
Arco AM PM	Service Stations	Amerimax Building Products	Contractors
Best Buy	Electronics/Appliance Stores	Arco AM PM	Service Stations
BJs Restaurant & Brewhouse	Casual Dining	Auto Zone	Automotive Supply Stores
Chevron	Service Stations	Best Buy	Electronics/Appliance Stores
Chevron/Circle K	Service Stations	Chevron	Service Stations
Circle K	Service Stations	Chevron	Service Stations
Euramax International	Contractors	Circle K	Service Stations
Grove Lumber & Building Supplies	Lumber/Building Materials	Jack in the Box	Restaurants No Alcohol
Home Goods	Home Furnishings	Kohl's	Family Apparel
Imperial Sprinkler Supply	Garden/Agricultural Supplies	McDonald's	Restaurants No Alcohol
Kohls	Department Stores	Menifee Car Wash	Service Stations
Living Spaces Furniture	Home Furnishings	Menifee Mart	Service Stations
Lowes	Lumber/Building Materials	Menifee Shell	Service Stations
Menifee Car Wash	Service Stations	Orco Block	Contractors
Menifee Lakes Plaza Chevron	Service Stations	Red Robin	Restaurants Liquor
Richardsons Auto & RV Sales	Trailers/RVs	Richardson's Auto & RV Sales	Trailers/RVs
Ross Dress for Less	Family Apparel	Rite Aid	Drug Stores
Stater Bros	Grocery Stores Liquor	Ross Dress for Less	Family Apparel
Target	Discount Dept Stores	Staples	Office Supplies/Furniture
Texas Roadhouse	Casual Dining	Stater Bros. Markets	Grocery Stores Liquor
TJ Maxx	Family Apparel	Target	Discount Dept Stores
United Oil	Service Stations	Vulcan Materials	Contractors
Walgreens	Drug Stores	Walgreens	Drug Stores
Percentage of Fiscal Year Total Paid by Top 25 Accounts	<u>58.18%</u>		<u>74.18%</u>

Source: HdL Reports

Firms Listed Alphabetically (April through March data for each year)

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APPENDIX H

**CITY OF MORENO VALLEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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CITY OF
MORENO VALLEY
CALIFORNIA, USA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

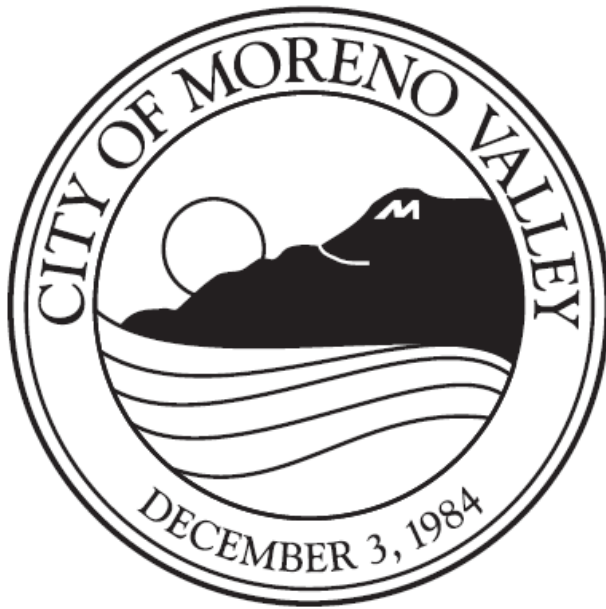


FISCAL YEAR ENDED JUNE 30, 2019

We Want To Hear From You!
JOIN the conversation
What Are YOUR Priorities For Moreno Valley?



your tax dollars
AT WORK



Prepared by the City of Moreno Valley Financial & Management Services Department

**City of Moreno Valley, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019**

Table of Contents

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Municipal Officials.....	v
Organizational Chart.....	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	vii
FINANCIAL SECTION	
Report of Independent Auditors	1
Management’s Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	19
Statement of Activities	20
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds.....	24
Reconciliation of Balance Sheet to the Statement of Net Position.....	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	30
Budget Comparison Statements	
General Fund.....	31
Neighborhood Stabilization Grant Special Revenue Fund	32
Development Impact Fees Special Revenue Fund	33
CSD Zones Special Revenue Fund.....	34
Housing Authority Special Revenue Fund.....	35
Proprietary Funds	
Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Net Position	39
Statement of Cash Flows	40
Fiduciary Funds	
Statement of Fiduciary Net Position	42
Statement of Changes in Fiduciary Net Position.....	43
Notes to Financial Statements	44
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	99
Schedule of Pension Plan Contributions	100

**City of Moreno Valley, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019**

Table of Contents

	<u>PAGE</u>
Schedule of Changes in Net OPEB Liability and Related Ratios.....	101
Schedule of Contributions – OPEB	102
Schedule of Investment Returns – OPEB.....	103
 SUPPLEMENTAL SCHEDULES	
 Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	120
 Budgetary Comparison Schedules – Special Revenue Funds	
State Gasoline Tax	130
Measure A.....	131
Air Quality Management.....	132
Special Districts Administration	133
Storm Water Maintenance	134
Storm Water Management	135
CFD No. 4-M.....	136
Public Education Government Access	137
Civil Penalties.....	138
Emergency Services Agency Fines.....	139
Energy Efficiency Revolving.....	140
General Plan Amendments	141
Quimby In-Lieu Park Fees	142
CFD No. 2014-01	143
Child Care Grant	144
ASES Program Grant.....	145
Used Oil Recycling.....	146
Other Grants.....	147
Capital Projects Grants	148
Law Enforcement Grants	149
HOME	150
Community Development Block Grant	151
Emergency Solutions Grant	152
Article 3 Transportation	153
 Budgetary Comparison Schedules – Capital Projects Funds	
Facility Construction	154
Public Works Capital Projects	155
TUMF Capital Projects	156
Traffic Signal Mitigation	157
Parks and Community Services Development and Capital Projects	158
DIF Capital Projects	159

**City of Moreno Valley, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019**

Table of Contents

	<u>PAGE</u>
Budgetary Comparison Schedules – Debt Service Funds	
TRIP COP 13A	160
2013 Refunding of 2005 Lease Revenue Bonds	161
2014 Refunding of 2005 Lease Revenue Bonds	162
2011 Private Placement Refunding of 97 Lease Revenue Bonds	163
Budgetary Comparison Schedules – Permanent Funds	
Celebration Park Endowment	164
Equestrian Trail Endowment	165
Rockridge Park Endowment	166
NPDES Endowment	167
Cultural Preservation	168
Internal Service Funds	
Combining Statement of Net Position – Internal Service Funds	170
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	172
Combining Statement of Cash Flows – Internal Service Funds	174
Agency Funds	
Combining Balance Sheet – All Agency Funds	178
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	180
 STATISTICAL SECTION	
Statistical Section Table of Contents	183
Net Position by Component	184
Change in Net Position	185
Fund Balances - Governmental Funds	187
Changes in Fund Balances - Governmental Funds	188
Tax Revenues by Source – General Fund	189
Key Revenues – General Fund	190
Assessed Value and Estimated Actual Value of Taxable Property	191
Property Tax Rates	192
Principal Property Tax Payers	193
Property Tax Levies and Collections	194
Direct and Overlapping Debt	195
Legal Debt Margin	196
Ratios of Outstanding Debt by Type	197
Ratio of Bonded Debt	198
Pledged Revenue Coverage	199
Demographic and Economic Statistics	200
Principal Employers	201
Full-time and Part-time City Employees by Function	202
Capital Asset Statistics	203
Operating Indicators by Function	204

Introductory Section



COMPREHENSIVE **ANNUAL** FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

December 10, 2019

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, 2019.

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 accordance 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 Vasquez & Company, LLP, a firm of certified public accountants. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2019. An unmodified opinion reflects the auditor's judgment that the City's financial records and statements are fairly and appropriately presented, and are in accordance with GAAP. 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 the 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.

Key Financial Report Sections

The **Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The **Financial Section** includes the MD&A, Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include the government-wide financials and other statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting statistical information. This section may be of special interest to citizens and prospective municipal bond investors.

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 208,297 continues to be the second largest city in Riverside County.

During the 2018/19 fiscal year, the City operated under the council-manager form of government with a directly elected mayor and a four-member elected City Council. There are volunteer Commissions and Boards, as well as several Citizen Advisory Committees to help guide the Council in its decisions. 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, construction and maintenance of infrastructure, economic development, library, an electric utility which primarily serves the newly developed areas of the City, parks, and a wide range of community recreation and youth 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, the 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 Financial Statements.

The annual budget serves as the foundation for the City's financial planning and control. 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 adopts a final budget no later than June 30th. The City's fiscal year is July 1st through June 30th. The City Council is updated on the City's financial condition through the process of quarterly budget reviews, which contain amendments as needed to update revenues and expenditures. The appropriated budget is prepared by fund, department and program, and is controlled at the fund level by the City Council. The City Manager can approve transfers between programs and departments, provided that such transfers do not increase the overall budget. Appropriations that increase the fund 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 Financial Section of this report. The budget-to-actual comparisons for the non-major governmental funds can be found in the Supplemental Schedules of this report.

Moreno Valley's economy and long-term outlook.

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.

The City continues to be a leader in business development with 4,500 businesses strong, including many Fortune 500 and international companies such as Amazon, Proctor & Gamble, Skechers USA, Karma Automotive and many more. In addition, the City has an array of undeveloped land, development opportunities, entitled development projects, and available lease space at economically feasible prices to continue its growth into the future.

Moreno Valley has experienced yet another year of pronounced economic activity. The City continues to experience increased development activity in new retail, commercial and industrial construction and development. The employment environment in the City of Moreno Valley has expanded dramatically in recent years and over 20,000 jobs have been created in the last six years.

Following employment growth within the City, wage growth has also seen a 7% annual growth rate along with average household income increasing to \$78,090 in 2019 or nearly a 25% growth rate since 2015.

The City continues to look forward to ongoing growth with 7 million of square feet of industrial space under construction in 2018. This is in addition to the previously approved World Logistics Center, which would be the largest industrial park in California with 40.6 million square feet of development over 2,600 acres of land and projected to produce an estimated 20,000 new jobs.

The ongoing growth and development has had other positive impacts to the community with the residential market showing strong growth over the last year with a 10% annual increase in average home value to over \$337,000. This has also driven the demand for additional housing and the City now has more than 4,100 single family units approved, entitled or under construction along with more than 2,300 multifamily units approved, entitled or under construction.

Long-term financial planning: In May 2019, the City Council approved a two year Operating Budget for fiscal years 2019/2020 and 2020/2021 that not only is balanced without the use of General Fund reserves, it also restored services and increased customer service standards for our development community, customers, and citizens. Through quarterly budget review meetings and continued development of Long Range Business Projections the City continues to be responsive to any financial changes and remains focused on the long term impacts of any financial decisions. In June 2019, the City Council approved a two-year Capital Improvement Plan (CIP) which includes all capital projects and identifies the timing of each project as well as the funding source. These actions provide 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 of Moreno Valley continues to prepare for the future, enhancing a comprehensive financial reserve policy to direct the City's reserves for specific purposes. This policy will help maintain the City's financial stability, protect against future economic downturns which bring unpredictable shortfalls in tax revenue, better prepare the City, its residents and its businesses for a catastrophic natural disaster.

Moreno Valley's financial reserves policy formalizes the City's long-standing best practice of maintaining reserves, and splits the reserve funds into three categories: Cash Flow, Rainy Day, and Emergency reserves. Maintaining a Cash Flow reserve in unassigned fund balance with a minimum of 17% of the City's general fund expenses will allow the City to provide day-to-day services through normal revenue cycles. Assigning a minimum of 10% of the City's general fund to a Rainy Day (Economic uncertainty) reserve will ensure that the City has the flexibility to continue to deliver quality services during future economic downturns. A minimum of 12% of the City's general fund will be committed to an Emergency (Operating) reserve which can be used in response to a catastrophic earthquake, flood, fire or other disaster. The fund will also provide a financial buffer in the event that the City is forced to wait for receipt of federal disaster relief funds.

While Moreno Valley's fiscal position remains strong, the City is keeping a watchful eye on areas of concern such as the potential for slower economic growth and increased costs for public safety services provided by Riverside County. As the City continues to add residents, infrastructure and service needs will also grow as new facilities and roadways are constructed to meet community needs. Through financial management, the City will continue to focus on financial stability and community quality of life, despite state and federal policies that potentially affect the funding Moreno Valley and other California cities receive.

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, 2018. This was the twenty first 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 City also received its fourth consecutive award from the GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the year ended June 30, 2018. The development of the supplemental PAFR is just one piece of the City's increased public communication efforts to increase transparency and public awareness.

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 Operations, Financial Resources 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, Vasquez & Company, LLP, for their assistance in preparing this important financial document.

Respectfully submitted,



Marshall Eyerman
Chief Financial Officer / City Treasurer

CITY OF MORENO VALLEY, CALIFORNIA

MUNICIPAL OFFICIALS

June 30, 2019

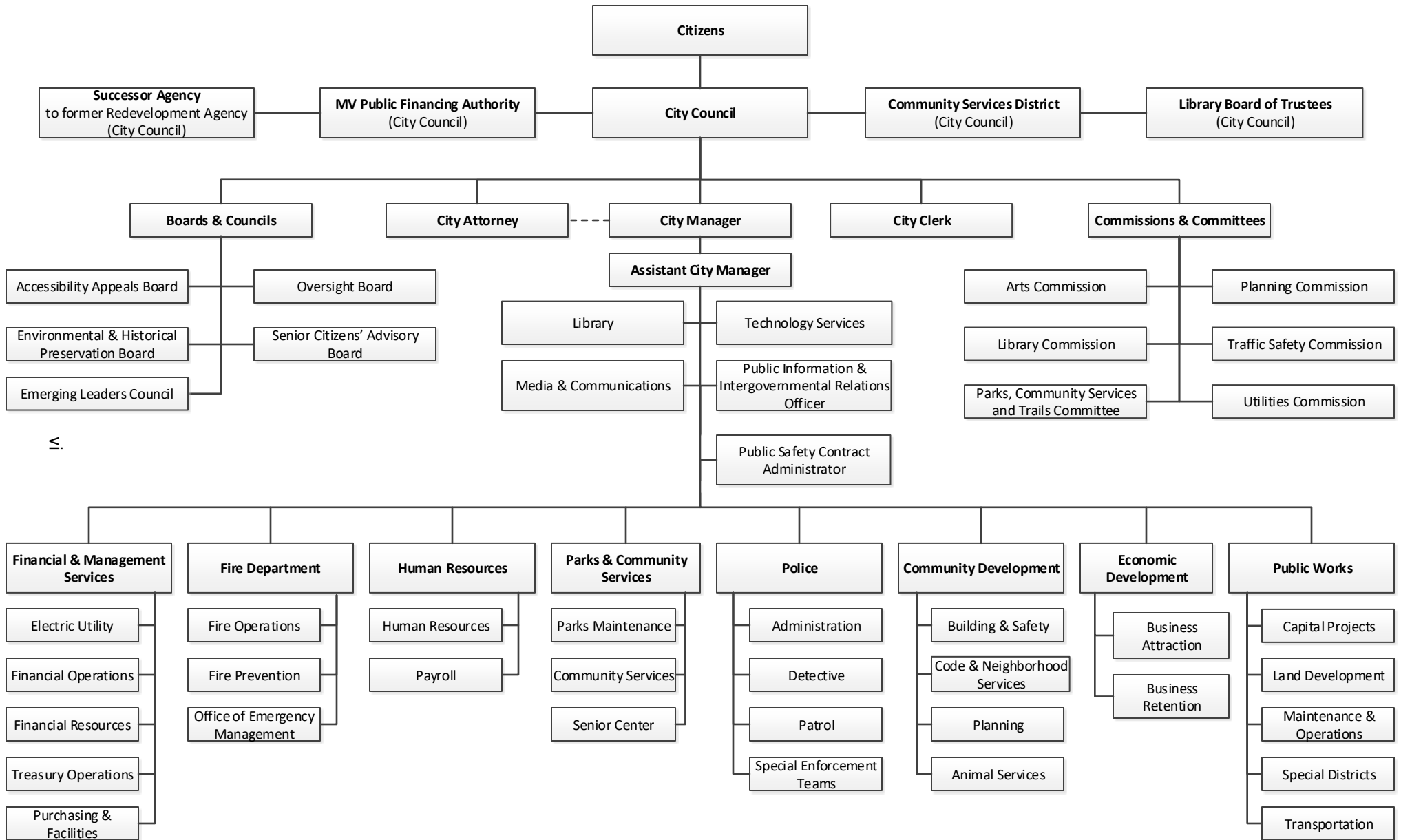
CITY COUNCIL

Dr. Yxstian Gutierrez, Mayor
Victoria Baca, Mayor Pro Tem
Dr. Carla J. Thornton, Councilmember
David Marquez, Councilmember
Ulises Cabrera, Councilmember

EXECUTIVE OFFICERS

Thomas M. DeSantis, City Manager
Allen Brock, Assistant City Manager
Martin D. Koczanowicz, City Attorney
Pat Jacquez-Nares, City Clerk
Marshall Eyerman, Chief Financial Officer/City Treasurer
Michael L. Wolfe, Public Works Director/City Engineer
Richard Sandzimier, Community Development Director
Mike Lee, Economic Development Director
Kathleen Sanchez, Human Resources Director
Abdul Ahmad, Fire Chief
Patti Solano, Parks & Community Services Director
Dave Lelevier, Acting 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, 2018

Christopher P. Morrell

Executive Director/CEO

Financial Section



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2019, 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.



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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Neighborhood Stabilization Grant Fund, Development Impact Fees Special Revenue Fund, CSD Zones Special Revenue Fund, and Housing Authority 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 on pages 5 through 18 and required supplementary information on pages 99 through 103 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.

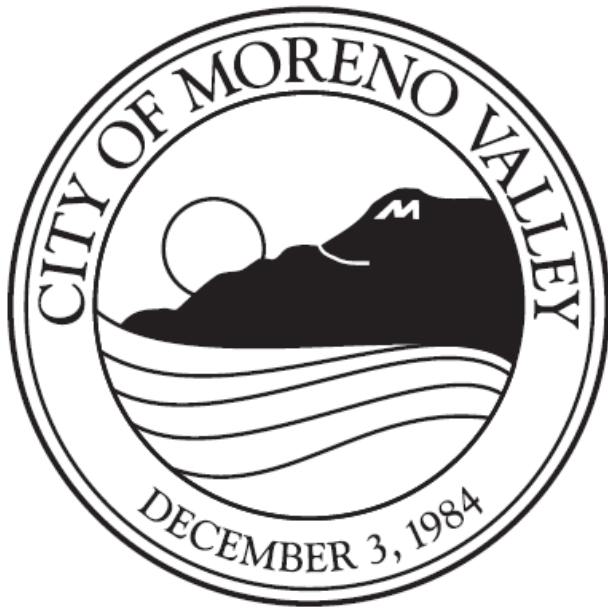
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

**Glendale, California
December 10, 2019**



City of Moreno Valley, California

Management’s Discussion and Analysis

The following discussion and analysis of the financial performance of the City of Moreno Valley provides an overview of the City’s financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the transmittal letter located in the introductory section, and financial statements which follow this discussion.

Financial Highlights

- In the Government-wide - Statement of Net Position: The City’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.06 billion (net position) at June 30, 2019.
- In the Government-wide - Statement of Net Position: The City’s total net position increased \$14.8 million for fiscal year 2018-2019 mainly due to increase in current assets.
- In the Governmental Fund – Balance Sheet: The General Fund had an end of year fund balance of \$65.7 million. Unassigned fund balance increased \$2.4 million to \$22.1 million. Additionally, fund balance for reserves increased \$4.2 million as the City maintains adequate reserve levels in compliance with City Council adopted policy.
- For business-type activities: Revenues exceeded expenses by \$3.1 million. Outstanding debt increased by \$22.4 million as a direct result of our expansion of our electric utility infrastructure.

Overview of Financial Statements

The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Components of the Basic Financial Statements

Government-wide Financial Statements	Provide both long-term and short-term information about the City’s overall financial status
Fund Financial Statements	Focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide statements
Notes to the Financial Statements	Additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements



Government-wide Financial Statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities, as well as any deferred outflows or inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. These government-wide statements report the City's net position and how the City's net position has changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* - Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. The business-type activities of the City include the Electric Utility.
- *Component unit* - The City includes the Moreno Valley Community Services District, Moreno Valley Public Financing Authority, and the Moreno Valley Public Facilities Financing Corporation in its basic financial statements because, although legally separate, the City is financially accountable for them.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds - Governmental fund statements tell how general government services such as police, fire and public works were financed in the short-term as well as what remains for future spending. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental fund statements.

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 Neighborhood Stabilization Grant, the Development Impact Fees, the Community Services District (CSD) Zones, and the Housing Authority Special Revenue Funds. 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*.

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, fleet operations, equipment replacement, and compensated absences. 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 fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City is the trustee, or *fiduciary*. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City’s government-wide financial statements because the City cannot use these resources to finance its operations.

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.

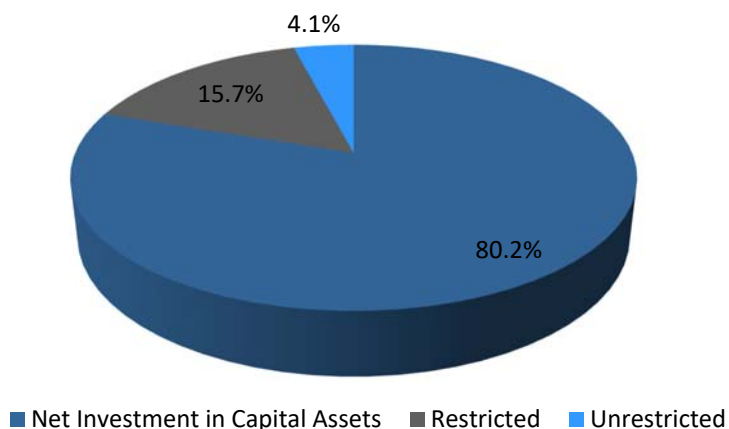
Financial Analysis of the Government-wide Statements

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City’s overall financial condition. The following graphs and tables address the financial results of the City as a whole for fiscal year ended June 30, 2019. Comparative data from fiscal year ended June 30, 2018 is also represented in the table.

Analysis of Net Position

Net Position represents the difference between the City’s resources and its obligations. As noted earlier, net position may serve as a useful indicator of a government’s financial position. The following graphs and table address the financial results of the City as a whole. The City’s combined net position as of June 30, 2019 was \$1.06 billion.

City of Moreno Valley’s Net Position



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

	Governmental Activities		Business-type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 269,745	\$ 288,255	\$ 18,368	\$ 37,150	\$ 288,113	\$ 325,405
Capital assets	888,586	872,422	57,145	68,629	945,731	941,051
Total Assets	<u>1,158,331</u>	<u>1,160,677</u>	<u>75,513</u>	<u>105,779</u>	<u>1,233,844</u>	<u>1,266,456</u>
Deferred outflows of resources	14,926	10,591	6,909	5,542	21,835	16,133
Current liabilities	29,690	30,845	5,140	7,529	34,830	38,374
Long-term liabilities	137,246	123,046	38,698	59,585	175,944	182,631
Total Liabilities	<u>166,936</u>	<u>153,891</u>	<u>43,838</u>	<u>67,114</u>	<u>210,774</u>	<u>221,005</u>
Deferred inflows of resources	1,521	3,354	(4)	59	1,517	3,413
Net investment in capital assets	837,174	823,200	20,959	25,289	858,133	848,489
Restricted	146,937	160,307	5,461	6,126	152,398	166,433
Unrestricted	20,689	30,516	12,168	12,733	32,857	43,249
Total Net Position	<u>\$ 1,004,800</u>	<u>\$ 1,014,023</u>	<u>\$ 38,588</u>	<u>\$ 44,148</u>	<u>\$ 1,043,388</u>	<u>\$ 1,058,171</u>

Total net position of the City of Moreno Valley increased by 1.4% from \$1.04 billion at June 30, 2018 to \$1.06 billion at June 30, 2019. The City's unrestricted fund balance increased \$10.4 million to \$43.2 million. Total assets increased \$32.6 million and total liabilities increased \$10.3 million.

The following analysis of governmental and business-type activities provides more detailed information for these changes:

Governmental Activities

Total assets increased \$2.3 million primarily due to an increase of \$18.5 million in current and other assets offset by a decrease in capital assets of \$16.2 million.

The current year capital asset additions of \$34.9 million were offset by current year depreciation expenses of \$33.7 million and asset retirements (including transfers out from Capital Improvement Projects) net of accumulated depreciation of \$17.3 million for a net decrease of \$16.1 million.

Current liabilities increased \$1.2 million primarily due to an increase in accounts payable. Total liabilities decreased \$13.0 million due to decrease in net pension and OPEB liability at June 30, 2019. See Note 8 and Note 9 of Notes to the Financial Statements for more information.

Net investment in capital assets decreased \$14.0 million as a direct result of depreciation expense as assets deplete during the useful life cycle.

Restricted net position increased by \$13.4 million as funds are committed and programmed mostly in the areas of community development, public works and infrastructure.

Business-type Activities

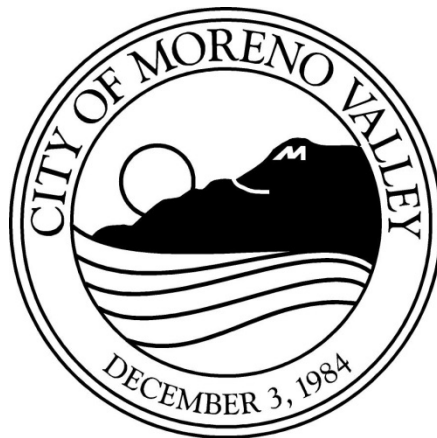
Current and other assets of business-type activities increased \$18.8 million over last year. This was primarily due to over \$15.4 million on hand of unspent bond proceeds for infrastructure projects under construction as of June 30, 2019.

Capital assets had a net increase of \$11.5 million during the fiscal year. Capital asset additions included the purchase of streetlights as well as investment in additional electric utility infrastructure. More capital asset information is located in Note 5 to the financial statements.

Total liabilities increased \$23.3 million primarily due to an increase in long term debt at June 30, 2019. More long term debt information is located in Note 6 to the financial statements.

Net investment in capital assets increased \$4.3 million as a direct result of the addition of the capital assets mentioned above.

Unrestricted net position increased only slightly at \$0.6 million during the year primarily due to increase in current and other assets.



Analysis of the Changes in Net Position

Total government-wide revenues increased \$11.3 million, a 5.5% increase from the prior year, while total expenses increased \$6.1 million, a 3.1% increase from the prior year.

The following table represents a summary of the changes in net position of the City's governmental and business-type activities, as of June 30, 2019. Comparative data from fiscal year ended June 30, 2018 is also presented.

Changes in Net Position (\$000's)

	Governmental		Business-type		Totals	
	2018	2019	2018	2019	2018	2019
Revenues						
Program Revenues:						
Charges for services	\$ 35,065	\$ 36,487	\$ 31,443	\$ 31,074	\$ 66,508	\$ 67,561
Operating contributions and grants	21,856	23,933	-	-	21,856	23,933
Capital contributions and grants	15,592	15,438	3,099	2,496	18,691	17,934
General Revenues:						
Property tax	19,746	20,940	-	-	19,746	20,940
Property tax in lieu	18,406	19,578	-	-	18,406	19,578
Transient occupancy tax	2,344	2,433	-	-	2,344	2,433
Sales tax	19,192	21,209	-	-	19,192	21,209
Franchise tax fees	5,680	5,969	-	-	5,680	5,969
Business license tax	2,352	2,451	-	-	2,352	2,451
Utility users tax	15,629	15,484	-	-	15,629	15,484
Franchise in lieu of taxes	620	617	-	-	620	617
Documentary transfer tax	768	833	-	-	768	833
Other taxes	6,679	6,892	-	-	6,679	6,892
Use of money and property	6,167	9,725	47	504	6,214	10,229
Miscellaneous	1,041	999	294	232	1,335	1,231
Total Revenues	<u>171,137</u>	<u>182,988</u>	<u>34,883</u>	<u>34,306</u>	<u>206,020</u>	<u>217,294</u>
Expenses:						
General government	17,866	17,692	-	-	17,866	17,692
Public safety	62,932	62,283	-	-	62,932	62,283
Community and economic development	16,128	17,644	-	-	16,128	17,644
Community and cultural	23,159	23,653	-	-	23,159	23,653
Public works	47,834	50,392	-	-	47,834	50,392
Interest and fiscal charges	2,201	2,106	-	-	2,201	2,106
Electric	-	-	26,287	28,741	26,287	28,741
Total Expenses	<u>170,120</u>	<u>173,770</u>	<u>26,287</u>	<u>28,741</u>	<u>196,407</u>	<u>202,511</u>
Excess before transfers	1,017	9,218	8,596	5,565	9,613	14,783
Transfers	300	5	(300)	(5)	-	-
Change in Net Position	1,317	9,223	8,296	5,560	9,613	14,783
Net Position Beginning of Year	1,003,483	1,004,800	30,292	38,588	1,033,775	1,043,388
Net Position End of Year	<u>\$ 1,004,800</u>	<u>\$ 1,014,023</u>	<u>\$ 38,588</u>	<u>\$ 44,148</u>	<u>\$ 1,043,388</u>	<u>\$ 1,058,171</u>

Governmental Activities

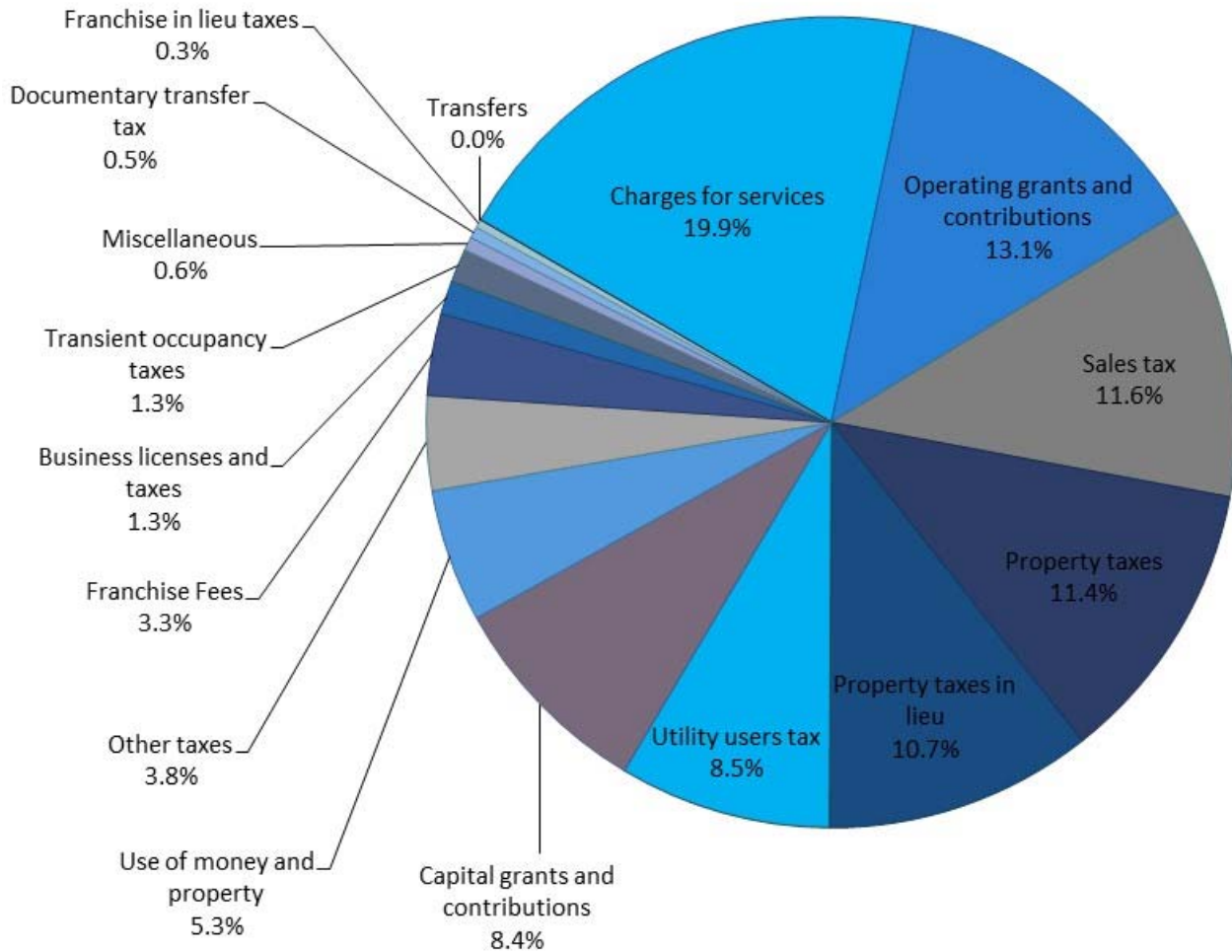
The City's governmental revenues increased \$11.9 million, a 6.9% increase from the prior year, and total expenses increased \$3.7 million, a 2.2% increase. The following discusses the changes in more detail.

Revenue

Program revenues increased \$3.3 million primarily as a result of increased charges for services of \$1.4 million and increased operating grants and contributions of \$2.1 million which were offset by decreased capital grants and contributions of \$0.2 million.

General revenues increased \$8.5 million primarily due to an increase in property taxes of \$2.4 million, sales tax of \$2.0 million and an increase in use of money and property of \$3.6 million.

**Revenues by Source – Governmental Activities
For the year ended June 30, 2019**



Expense

Total governmental expenses increased by \$3.7 million. This increase is primarily due to increased public works expenses of \$2.6 million and increased community and economic development expenses of \$1.5 million.

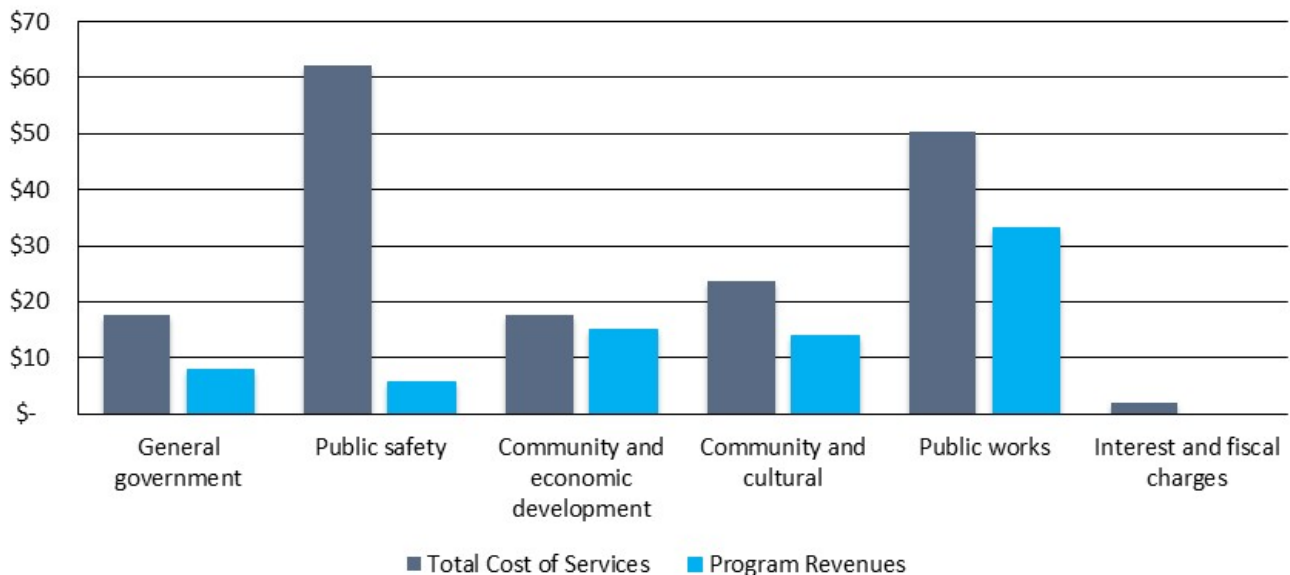
The following table presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the amount paid for by general revenue sources that are generated by all City taxpayers. As illustrated, program revenues recovered \$75.9 million of the cost of providing these services.

Governmental Activities - Net Cost of Services For the year ended June 30, 2019

	Total Cost of Services	Net Cost of Services
General government	\$ 17,692,328	\$ (9,920,491)
Public safety	62,282,794	(56,629,972)
Community and economic development	17,643,399	(2,498,302)
Community and cultural	23,653,269	(9,633,970)
Public works	50,392,109	(17,122,853)
Interest and fiscal charges	2,106,238	(2,106,238)
TOTAL	<u>\$ 173,770,137</u>	<u>\$ (97,911,826)</u>

The City paid for the remaining public benefit portion of these governmental activities with \$107.1 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, 2019 (in millions)



Business-type Activities

The City's business-type activities include the activities of the Electric Utility. Total revenues for business-type activities decreased \$0.6 million from the prior year or 1.7%. Total expenses increased \$2.5 million or 9.3%. The following discusses the changes in more detail.

Revenue

Total revenues decreased \$0.6 million from prior year primarily due to a decrease in capital contributions and grants of \$0.6 million.

Expenses

Expenses in the Electric Utility increased \$2.5 million. This increase was primarily due to increases in services and supplies and expenses associated with providing services to an increased customer base.

Financial Analysis of the Fund Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements focus on individual parts of City governments, reporting City operations in more detail than the government-wide statements.

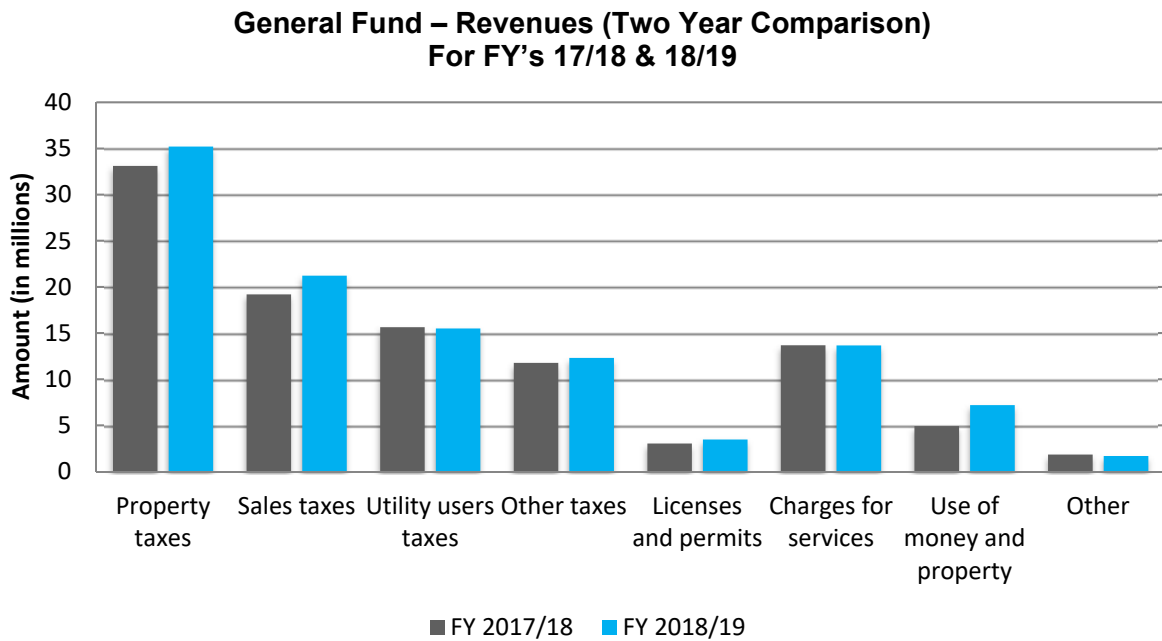
Total fund balances presented in the governmental funds balance sheet are \$196.5 million, with the General Fund representing \$65.7 million, or 33.5% of the total. The City's General Fund has unassigned fund balance of \$22.1 million.

General Fund Financial Results

The General Fund was anticipated to have a net decrease in fund balance of \$0.5 million. Actual results increased the total fund balance by \$10.0 million, \$10.5 million more than anticipated. Actual results realized an expenditure reduction of \$9.5 million primarily related to capital outlay purchases delayed to next year and current expenditure savings. The operating reserve increased \$2.3 million to \$13.4 million and the economic uncertainty reserve increased \$1.9 million to \$11.2 million. These reserves are maintained at adequate levels per the City Council adopted policy to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, major emergencies, or a catastrophic event.

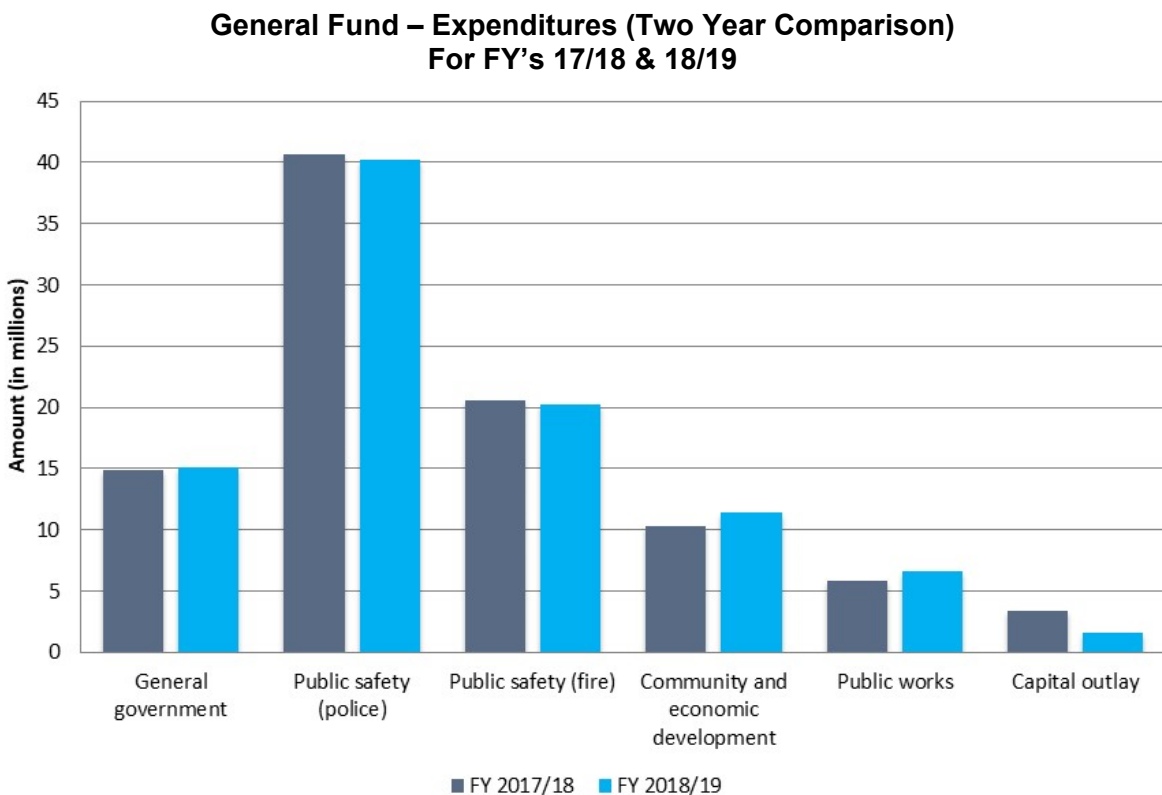
General Fund tax revenues were \$1.4 million more and fees or services were \$0.5 million more than anticipated. Additionally, use of money and property was \$3.0 million more than anticipated primarily due to the GASB 31 fair value adjustment of our investments; however, a decrease in licenses and permits of \$1.2 million and a decrease of \$3.3 million for transfers largely offset those gains.

The following graph presents a comparison of each General Fund revenue source for the fiscal years ended June 30, 2018 and 2019.



General Fund actual expenditures were \$9.5 million less than the final budget. The major contributor to this result was in large part due to \$6.7 million of current expenditure savings in combination the unanticipated delay of capital outlay of \$2.8 million related to projects running multiple years.

The following graph presents a comparison of each General Fund expenditure category for the fiscal years ended June 30, 2018 and 2019.



Other Major Fund Financial Results

The fund balance of the Neighborhood Stabilization Grant Special Revenue Fund remained stable with only a slight change. This fund accounts for the grant allocation received by the City from the U.S. Department of Housing and Urban Development to address the affordable housing needs of our community.

The fund balance of the Development Impact Fees Special Revenue Fund increased by \$2.2 million over FY 2017-18. 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 increase in fund balance is primarily due to the current receipt of fees from the new development projects within the City, which are committed for future public improvement projects.

The actual fund balance of the Community Service District Zones Special Revenue Fund increased \$1.4 million over FY 2017-18 compared to the \$1.9 million decrease anticipated. 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 primary contributor to this result was in large part due to expenditures coming in under budget by \$2.5 million along with \$0.6 million of unanticipated property tax revenues.

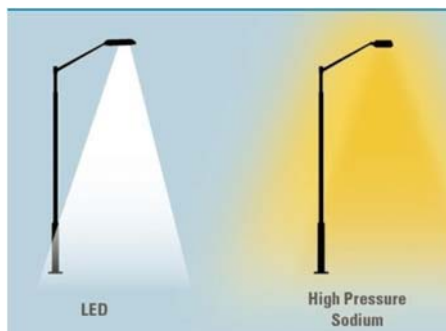
The fund balance of the Housing Authority Fund increased \$1.3 million over FY 2017-18. This fund accounts for the housing assets as a result of the dissolution of the redevelopment agency of the City. In FY 2018-19 the fund balance increased primarily due to gains from land held for resale.

Capital Asset and Debt Administration

Capital Assets

At the end of FY 2018-19, the City's governmental activities had \$1.4 billion (\$872.4 million net of accumulated 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 current year capital asset additions of \$34.9 million were offset by current year depreciation expense of \$33.7 million and asset retirements (including transfers out from Capital Improvement Projects) net of accumulated depreciation of \$17.3 million for a net decrease of \$16.1 million. This decrease is primarily attributed to the retirement of machinery, equipment, and vehicles along with the recognition of depreciation expense.

At June 30, 2019, the City's business-type activities had \$80.5 million (\$68.6 million net of accumulated depreciation) invested in capital assets, primarily utility infrastructure. The current year capital asset additions of \$18.7 million were offset by current depreciation expense of \$1.8 million and asset retirements (including transfers out from Capital Improvement Projects) net of accumulated depreciation of \$5.4 million for a net increase of \$11.5 million. This increase was primarily the result of the construction of two crosstown ties, the purchase of over 9,400 streetlights and the retrofit of over 11,000 streetlights with LED fixtures.



**City of Moreno Valley
Capital Assets
(\$000's)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2018	2019	2018	2019	2018	2019	
Land	\$ 310,197	\$ 305,081	\$ 1,729	\$ 1,729	\$ 311,926	\$ 306,810	-1.6%
Buildings and Improvements	146,893	149,250	-	-	146,893	149,250	1.6%
Machinery and Equipment	20,205	19,221	1,105	1,105	21,310	20,326	-4.6%
Vehicles	12,032	11,338	-	-	12,032	11,338	-5.8%
Construction in progress	18,515	16,833	4,563	10,935	23,078	27,768	20.3%
Infrastructure	877,523	896,131	59,925	66,732	937,448	962,863	2.7%
	<u>1,385,365</u>	<u>1,397,854</u>	<u>67,322</u>	<u>80,501</u>	<u>1,452,687</u>	<u>1,478,355</u>	1.8%
Accumulated Depreciation	(496,779)	(525,432)	(10,177)	(11,872)	(506,956)	(537,304)	6.0%
Net Capital Assets	<u>\$ 888,586</u>	<u>\$ 872,422</u>	<u>\$57,145</u>	<u>\$68,629</u>	<u>\$ 945,731</u>	<u>\$ 941,051</u>	-0.5%

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

- Moreno Valley Community Park Skate Park
- Citywide Safe Routes to School Pedestrian Facility Improvements
- Alessandro Blvd at Chagall Court and Graham Street
- City Hall Solar Carports
- Cycle 7 ADA Pedestrian Access Ramps
- Alessandro Blvd. and Elsworth Street Intersection Improvement Project

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:

- Citywide Pavement Rehabilitation Program for Various Streets – FY 18/19
- Alessandro Blvd. and Grant Street Traffic Signal
- ADA Improvements at City Facilities
- Citywide Pavement Rehabilitation Program - FY 18/19 SB1 Funded Segments
- State Route 60/World Logistics Center Parkway Interchange
- Liberty Lane Improvements

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

- Civic Center Amphitheatre and Park
- State Route 60/Moreno Beach Drive Interchange – Phase 2
- Moreno Townsite Area Storm Drain and Street Improvements
- Juan Bautista De Anza Multi-Use Trail
- Citywide Pavement Rehabilitation Program for Various Streets – FY 19/20
- ITS Deployment Phase 1B

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 \$130.2 million in bonds, certificates of participation, compensated absences, pension and OPEB liability and self-insurance claims and judgments.

	Governmental Activities	Business-type Activities
Direct Placements		
Private placement	\$ 1,245,000	\$ -
Capital leases	-	8,110,892
Other Debt		
Lease revenue bonds	29,630,276	50,502,630
Certificates of participation	18,347,041	-
Compensated absences	6,460,218	295,438
Net pension and OPEB liability	72,477,086	2,068,668
Self-insurance claims and judgments	2,007,000	-
	<u>\$ 130,166,621</u>	<u>\$ 60,977,628</u>

Additional information on the City's long-term debt can be found in Note 6, Note 8, Note 9 and Note 11 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, 2019, it is important for the City's financial management to report on current issues affecting the City and their economic impact on FY 2018-19 and future years.

The economic recovery of the City of Moreno Valley has continued to demonstrate steady improvements as our tax revenues continue to experience moderate growth. Moreno Valley is still experiencing population growth with a population estimate of 208,297 and remains the second largest city in Riverside County and is presently the fourth largest city in the Inland Region. 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 2018-19 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.

In line with the region's growth, Moreno Valley continues to experience employment growth as more than 20,000 new jobs have been created in the past six years. The health of our local economy has been driven by Moreno Valley's commitment to ensuring our Citizens have a growing and fiscally responsible local government.

The City's Economic Development Department has been committed to aggressively marketing Moreno Valley as the region's preeminent choice for businesses interested in locating in the Inland Empire.

Ideally situated in Southern California, Moreno Valley continues to be a leading location for the logistics industry with an array of developable parcels, available facilities and projects entitled by the nation's most recognized development and investment firms.

During FY 2018-19 the City's credit rating of A positive was affirmed with a positive outlook by Standard & Poor's. A key factor in achieving and maintaining the strong rating is the action of City Council and the City Manager to balance the City's General Fund budget. The City's ongoing commitment to fiscal responsibility and effective management is continuously demonstrated as we navigate complex fiscal challenges without the use of General Fund reserves. Our City Council and management team strategized, planned and delivered on a balanced budget and 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.



City of Moreno Valley, California

Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Pooled cash and investments (note 3)	\$ 198,732,556	\$ 17,354,929	\$ 216,087,485
Receivables:			
Accounts	2,701,422	3,850,051	6,551,473
Notes and loans (note 4)	46,483,445	-	46,483,445
Note to Successor Agency (note 4)	12,516,341	-	12,516,341
Interest	4,214,413	-	4,214,413
Prepaid costs	353,079	25,251	378,330
Due from other governments	15,564,966	-	15,564,966
Inventories	27,661	417,905	445,566
Land held for resale	7,656,395	-	7,656,395
Restricted assets:			
Cash with fiscal agents (note 3)	4,343	15,501,854	15,506,197
Total Current Assets	<u>288,254,621</u>	<u>37,149,990</u>	<u>325,404,611</u>
Noncurrent Assets:			
Capital assets - not being depreciated (note 5)	321,914,041	12,664,314	334,578,355
Capital assets - net of accumulated depreciation (note 5)	550,507,754	55,964,983	606,472,737
Total Noncurrent Assets	<u>872,421,795</u>	<u>68,629,297</u>	<u>941,051,092</u>
Total Assets	<u>1,160,676,416</u>	<u>105,779,287</u>	<u>1,266,455,703</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions (note 8)	9,554,261	360,121	9,914,382
Deferred outflows related to OPEB (note 9)	1,037,591	34,585	1,072,176
Deferred outflows - Utility Network	-	5,146,841	5,146,841
Total Deferred Outflows of Resources	<u>10,591,852</u>	<u>5,541,547</u>	<u>16,133,399</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	20,615,055	4,215,929	24,830,984
Accrued liabilities	1,577,505	-	1,577,505
Accrued interest	297,545	456,951	754,496
Unearned revenue	1,232,531	25,980	1,258,511
Deposits payable	-	1,437,899	1,437,899
Due to other governments	1,557	-	1,557
Compensated absences payable (note 6)	3,876,130	177,263	4,053,393
Claims and judgments payable (note 11)	943,000	-	943,000
Long term debt - net of unamortized premium (note 6)	2,301,250	1,215,243	3,516,493
Total Current Liabilities	<u>30,844,573</u>	<u>7,529,265</u>	<u>38,373,838</u>
Noncurrent Liabilities:			
Compensated absences payable (note 6)	2,584,088	118,175	2,702,263
Claims and judgments payable (note 11)	1,064,000	-	1,064,000
Long term debt - net of unamortized premium (note 6)	46,921,067	57,398,279	104,319,346
Net pension liability (note 8)	66,253,697	1,838,570	68,092,267
Net OPEB liability (note 9)	6,223,389	230,098	6,453,487
Total Noncurrent Liabilities	<u>123,046,241</u>	<u>59,585,122</u>	<u>182,631,363</u>
Total Liabilities	<u>153,890,814</u>	<u>67,114,387</u>	<u>221,005,201</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions (note 8)	2,532,168	28,004	2,560,172
Deferred inflows related to OPEB (note 9)	822,150	30,517	852,667
Total Deferred Inflows of Resources	<u>3,354,318</u>	<u>58,521</u>	<u>3,412,839</u>
Net Position			
Net investment in capital assets	823,199,477	25,289,496	848,488,973
Restricted for:			
Expendable:			
Community development projects	72,126,493	-	72,126,493
Public safety	618,440	-	618,440
Community and cultural	20,259,407	-	20,259,407
Public works	30,865,686	-	30,865,686
Capital projects	28,726,783	-	28,726,783
Debt service	6,023,401	-	6,023,401
Permanent fund	48,745	-	48,745
Water quality	1,350,421	-	1,350,421
Public purpose programs	-	6,125,796	6,125,796
Nonexpendable	288,098	-	288,098
Unrestricted	30,516,185	12,732,634	43,248,819
Total Net Position	<u>\$ 1,014,023,136</u>	<u>\$ 44,147,926</u>	<u>\$ 1,058,171,062</u>

See notes to financial statements

City of Moreno Valley, California

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 17,692,328	\$ 7,531,941	\$ 235,088	\$ 4,808
Public safety	62,282,794	3,726,879	1,925,943	-
Community and economic development	17,643,399	14,891,509	253,588	-
Community and cultural	23,653,269	5,527,271	8,492,028	-
Public works	50,392,109	4,809,398	13,026,677	15,433,181
Interest and fiscal charges	2,106,238	-	-	-
Total Governmental Activities	173,770,137	36,486,998	23,933,324	15,437,989
Business-Type Activities:				
Electric	28,740,920	31,074,323	-	2,496,022
Total Business-Type Activities	28,740,920	31,074,323	-	2,496,022
Total Primary Government	\$ 202,511,057	\$ 67,561,321	\$ 23,933,324	\$ 17,934,011

General Revenues:

Taxes:

- Property taxes
- Property taxes in lieu
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business license taxes
- Utility users taxes
- Other taxes
- Franchise in lieu of taxes
- Documentary transfer tax
- Use of money and property
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

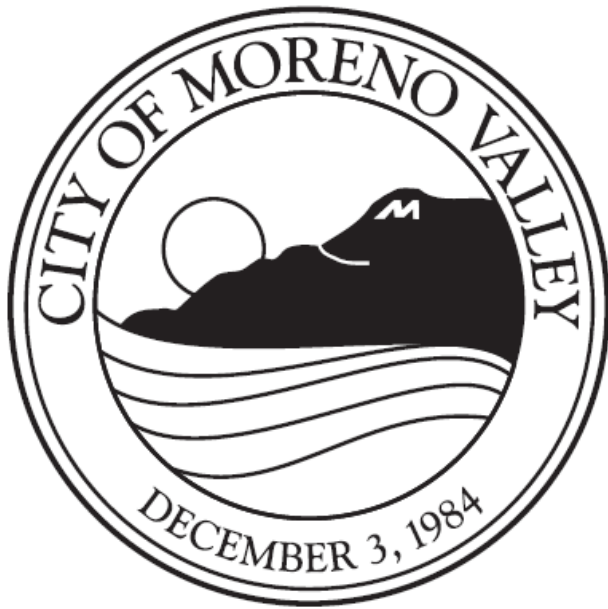
Net Position - End of Year

See notes to financial statements

City of Moreno Valley, California

Statement of Activities
For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Functions/Programs
			Primary government:
			Governmental Activities:
\$ (9,920,491)	\$ -	\$ (9,920,491)	General government
(56,629,972)	-	(56,629,972)	Public safety
(2,498,302)	-	(2,498,302)	Community and economic development
(9,633,970)	-	(9,633,970)	Community and cultural
(17,122,853)	-	(17,122,853)	Public works
(2,106,238)	-	(2,106,238)	Interest and fiscal charges
(97,911,826)	-	(97,911,826)	Total Governmental Activities
			Business-Type Activities:
			Electric
-	4,829,425	4,829,425	
-	4,829,425	4,829,425	Total Business-Type Activities
(97,911,826)	4,829,425	(93,082,401)	Total Primary Government
			General Revenues:
			Taxes:
20,939,920	-	20,939,920	Property taxes
19,577,636	-	19,577,636	Property taxes in lieu
2,433,358	-	2,433,358	Transient occupancy taxes
21,208,442	-	21,208,442	Sales taxes
5,968,690	-	5,968,690	Franchise taxes
2,451,260	-	2,451,260	Business license taxes
15,483,806	-	15,483,806	Utility users taxes
6,892,345	-	6,892,345	Other taxes
617,101	-	617,101	Franchise in lieu of taxes
833,082	-	833,082	Documentary transfer tax
9,724,871	504,300	10,229,171	Use of money and property
999,027	231,497	1,230,524	Miscellaneous
5,354	(5,354)	-	Transfers
107,134,892	730,443	107,865,335	Total General Revenues and Transfers
9,223,066	5,559,868	14,782,934	Change in Net Position
1,004,800,070	38,588,058	1,043,388,128	Net Position - Beginning of Year
\$ 1,014,023,136	\$ 44,147,926	\$ 1,058,171,062	Net Position - End of Year



MAJOR GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources of the city traditionally associated with government operations which are not required legally or by sound financial management to be accounted for in another fund.

Neighborhood Stabilization Grant Fund

This fund is used to account for the grant allocation received by the City from the U.S. Department of Housing and Urban Development 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.

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, park improvements, recreation facilities, library facilities, city hall facilities, corporate yard facilities, interchange improvements, maintenance equipment, animal shelter facilities, and administration fees.

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 ten special financing districts within the CSD providing services. Zone A (Parks and Community Services) provides parks and community services throughout the City. Zone C (Arterial Street and Intersection Lighting) provides funding for arterial and intersection street lighting. Zone D (Parkway Landscape Maintenance) and Zone E (Extensive Landscape Maintenance) provide funding for the maintenance of public landscaping in and around specific residential areas and specific major residential/commercial development areas, respectively. Zone L (Library Services) provides funding for library services to the City residents. Zone M (Commercial, Industrial, and/or Multifamily Median Maintenance) provides funding for the public landscape maintenance services for landscaped medians within the City's right-of-way. Zone S (Sunnymead Boulevard Maintenance) provides funding for the maintenance of certain public landscape improvements fronting Sunnymead Boulevard from Frederick Street to Perris Boulevard. Community Facilities District (CFD) No. 1 provides funding for the maintenance of new park facilities constructed after the formation of CFD No. 1 in 2003. Lighting Maintenance District (LMD) No. 2014-01 provides funding for the operation and maintenance of residential subdivision street lighting. Landscape Maintenance District (LMD) No. 2014-02 provides funding for the maintenance of public landscaping in defined zones throughout the City.

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.

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, California

Balance Sheet
Governmental Funds
June 30, 2019

	Special Revenue Funds			
	GENERAL FUND	NEIGHBORHOOD STABILIZATION GRANT	DEVELOPMENT IMPACT FEES	CSD ZONES
Assets				
Pooled cash and investments (note 3)	\$ 64,534,397	\$ 85,977	\$ 21,653,359	\$ 20,850,375
Receivables:				
Accounts	2,081,202	-	-	503,914
Notes and loans (note 4)	-	6,161,185	-	-
Notes to Successor Agency (note 4)	12,516,341	-	-	-
Interest	1,160,418	-	-	-
Due from other governments	5,608,118	7,471	-	306,138
Due from other funds (note 7)	1,867,562	-	-	4,756
Advances to other funds (note 7)	4,400,000	-	-	-
Prepaid costs	339,973	-	-	8,517
Land held for resale/redevelopment	2,860,044	-	-	-
Restricted assets				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 95,368,055	\$ 6,254,633	\$ 21,653,359	\$ 21,673,700
Liabilities				
Accounts payable	\$ 16,492,002	\$ 4,092	\$ 125,000	\$ 746,459
Accrued liabilities	1,438,182	-	-	104,512
Unearned revenues	643,741	-	-	477,187
Due to other governments	1,557	-	-	-
Due to other funds (note 7)	-	-	-	77,618
Advances from other funds (note 7)	-	-	4,400,000	-
Total Liabilities	18,575,482	4,092	4,525,000	1,405,776
Deferred Inflows of Resources				
Unavailable revenues	11,058,884	6,161,185	-	-
Total Deferred Inflow of Resources	11,058,884	6,161,185	-	-
Total Liabilities and Deferred Inflows of Resources	29,634,366	6,165,277	4,525,000	1,405,776
Fund Balances				
Nonspendable				
Notes to Successor Agency	3,373,731	-	-	-
Advances to other funds	4,400,000	-	-	-
Permanent fund principal	-	-	-	-
Prepays	339,973	-	-	8,517
Land held for resale/redevelopment	2,860,044	-	-	-
Restricted				
Community development projects	-	89,356	-	-
Public safety	-	-	-	-
Community and cultural	-	-	-	20,259,407
Public works	-	-	17,128,359	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed				
Revolving line of credit	2,600,000	-	-	-
Maintenance of pedestrian bridge	195,276	-	-	-
Operating reserve	13,392,552	-	-	-
Library development	-	-	-	-
Assigned				
Temporary fluctuations in market value of investments pursuant to GASB 31	818,768	-	-	-
Continuing appropriations	4,454,344	-	-	-
Economic uncertainty reserve	11,160,460	-	-	-
Unassigned	22,138,541	-	-	-
Total Fund Balances	65,733,689	89,356	17,128,359	20,267,924
Total Liabilities and Fund Balances	\$ 95,368,055	\$ 6,254,633	\$ 21,653,359	\$ 21,673,700

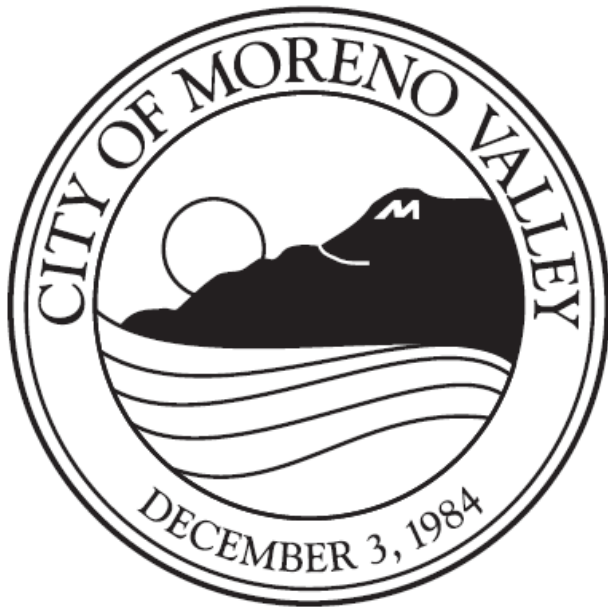
See notes to financial statements

City of Moreno Valley, California

Balance Sheet
Governmental Funds
June 30, 2019

Special Revenue Fund

HOUSING AUTHORITY	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
\$ 1,396,953	\$ 47,939,861	\$ 156,460,922	Assets
-	116,253	2,701,369	Pooled cash and investments (note 3)
33,462,257	6,860,003	46,483,445	Receivables:
-	-	12,516,341	Accounts
2,448,950	605,045	4,214,413	Notes and loans (note 4)
-	9,643,239	15,564,966	Notes to Successor Agency (note 4)
-	-	1,872,318	Interest
-	-	4,400,000	Due from other governments
-	-	348,490	Due from other funds (note 7)
4,796,351	-	7,656,395	Advances to other funds (note 7)
-	-	-	Prepaid costs
-	4,343	4,343	Land held for resale/redevelopment
<u>\$ 42,104,511</u>	<u>\$ 65,168,744</u>	<u>\$ 252,223,002</u>	Restricted assets
			Cash with fiscal agents
			Total Assets
\$ 48,889	\$ 2,731,219	\$ 20,147,661	Liabilities
-	34,811	1,577,505	Accounts payable
-	111,603	1,232,531	Accrued liabilities
-	-	1,557	Unearned revenues
-	1,794,700	1,872,318	Due to other governments
-	-	4,400,000	Due to other funds (note 7)
<u>48,889</u>	<u>4,672,333</u>	<u>29,231,572</u>	Advances from other funds (note 7)
			Total Liabilities
			Deferred Inflows of Resources
2,648,949	6,669,450	26,538,468	Unavailable revenues
<u>2,648,949</u>	<u>6,669,450</u>	<u>26,538,468</u>	Total Deferred Inflow of Resources
<u>2,697,838</u>	<u>11,341,783</u>	<u>55,770,040</u>	Total Liabilities and Deferred Inflows of Resources
			Fund Balances
			Nonspendable
-	-	3,373,731	Notes to Successor Agency
-	-	4,400,000	Advances to other funds
-	288,098	288,098	Permanent fund principal
-	-	348,490	Prepays
-	-	2,860,044	Land held for resale/redevelopment
			Restricted
39,406,673	7,923,658	47,419,687	Community development projects
-	618,440	618,440	Public safety
-	-	20,259,407	Community and cultural
-	13,737,327	30,865,686	Public works
-	17,267,077	17,267,077	Capital projects
-	6,023,401	6,023,401	Debt service
-	48,745	48,745	Endowment
-	1,350,421	1,350,421	Water quality
			Committed
-	-	2,600,000	Revolving line of credit
-	-	195,276	Maintenance of pedestrian bridge
-	-	13,392,552	Operating reserve
-	6,768,000	6,768,000	Library development
			Assigned
-	-	818,768	Temporary fluctuations in market value of investments pursuant to GASB 31
-	-	4,454,344	Continuing appropriations
-	-	11,160,460	Economic uncertainty reserve
-	(198,206)	21,940,335	Unassigned
<u>39,406,673</u>	<u>53,826,961</u>	<u>196,452,962</u>	Total Fund Balances
<u>\$ 42,104,511</u>	<u>\$ 65,168,744</u>	<u>\$ 252,223,002</u>	Total Liabilities and Fund Balances



City of Moreno Valley, California
Reconciliation of Balance Sheet To the Statement of Net Position
June 30, 2019

Fund balances of governmental funds		\$ 196,452,962
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)	1,374,533,000	
Accumulated depreciation (excludes internal service accumulated depreciation)	<u>(514,715,440)</u>	
		859,817,560
Long-term debt and compensated absences have not been included in the governmental fund activity		
2011 Private Placement Refunding of 1997 Lease Revenue Bonds	(1,245,000)	
2013 Refunding of 2005 Lease Revenue Bonds	(5,398,000)	
2013 Total Road Improvements Certificates of Participation	(18,455,000)	
2014 Refunding of 2005 Lease Revenue Bonds	(22,602,069)	
Unamortized Premium/Discount	(1,522,248)	
Compensated Absences	<u>(6,206,647)</u>	
		(55,428,964)
Revenues reported as unavailable revenue in the governmental funds are recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity		
		26,538,468
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds		
		(297,545)
Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds		
		10,591,852
Long-term liabilities related to pensions and OPEB are not due and payable in the current period and therefore are not reported in the governmental funds		
Net OPEB liability	(6,223,389)	
Net pension liability	<u>(66,253,697)</u>	
		(72,477,086)
Deferred inflows of resources related to pensions and OPEB are not current obligation and are not reported in the governmental funds		
		(3,354,318)
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		
		<u>52,180,207</u>
Net position of governmental activities		<u><u>\$1,014,023,136</u></u>

See notes to financial statements

City of Moreno Valley, California

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds			
	GENERAL FUND	NEIGHBORHOOD STABILIZATION GRANT	DEVELOPMENT IMPACT FEES	CSD ZONES
Revenues				
Taxes:				
Property taxes	\$ 15,623,696	\$ -	\$ -	\$ 5,316,224
Property taxes in lieu	19,577,636	-	-	-
Utility users taxes	15,483,806	-	-	-
Sales taxes	21,208,442	-	-	-
Other taxes	12,303,492	-	-	6,682,600
Licenses and permits	3,468,511	-	-	-
Intergovernmental	722,703	19,440	-	-
Fees and charges for services	13,650,496	-	8,776,036	5,429,961
Use of money and property	7,195,588	-	691,000	1,433,517
Fines and forfeitures	729,939	-	-	26,676
Miscellaneous	223,303	-	-	96,006
Total Revenues	110,187,612	19,440	9,467,036	18,984,984
Expenditures				
Current:				
General government	15,109,570	-	-	-
Public safety	60,540,145	-	-	-
Community & economic development	11,402,636	21,953	325,000	-
Community & cultural	-	-	-	12,778,749
Public works	6,666,003	-	-	5,932,234
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	1,611,478	-	-	55,384
Total Expenditures	95,329,832	21,953	325,000	18,766,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,857,780	(2,513)	9,142,036	218,617
Other Financing Sources (Uses)				
Transfers in (note 7)	2,103,241	-	1,055,000	1,214,880
Transfers out (note 7)	(6,949,286)	-	(7,987,834)	(32,097)
Transfers from Successor Agency	-	-	-	-
Transfer in of land (note 7)	-	-	-	-
Total Other Financing Sources (Uses)	(4,846,045)	-	(6,932,834)	1,182,783
Net change in Fund Balances	10,011,735	(2,513)	2,209,202	1,401,400
Fund Balances				
Fund Balances - Beginning of Year	55,721,954	91,869	14,919,157	18,866,524
Fund Balances - End of Year	\$ 65,733,689	\$ 89,356	\$ 17,128,359	\$ 20,267,924

See notes to financial statements

City of Moreno Valley, California

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2019

Special Revenue Fund

<u>HOUSING AUTHORITY</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
\$ -	\$ -	\$ 20,939,920	Revenues
-	-	19,577,636	Taxes:
-	-	15,483,806	Property taxes
-	-	21,208,442	Property taxes in lieu
-	209,744	19,195,836	Utility users taxes
-	-	3,468,511	Sales taxes
-	-	28,676,795	Other taxes
-	27,934,652	30,913,729	Licenses and permits
-	3,057,236	9,724,871	Intergovernmental
175,838	228,928	756,901	Fees and charges for services
-	286	999,027	Use of money and property
1,340	678,378		Fines and forfeitures
<u>177,178</u>	<u>32,109,224</u>	<u>170,945,474</u>	Miscellaneous
			Total Revenues
			Expenditures
			Current:
-	803,293	15,912,863	General government
-	600,873	61,141,018	Public safety
341,763	1,440,518	13,531,870	Community & economic development
-	8,462,869	21,241,618	Community & cultural
-	7,918,012	20,516,249	Public works
			Debt service:
-	2,005,000	2,005,000	Principal retirement
-	2,304,456	2,304,456	Interest and fiscal charges
-	10,536,827	12,203,689	Capital outlay
<u>341,763</u>	<u>34,071,848</u>	<u>148,856,763</u>	Total Expenditures
			Excess (Deficiency) of Revenues Over (Under)
<u>(164,585)</u>	<u>(1,962,624)</u>	<u>22,088,711</u>	Expenditures
			Other Financing Sources (Uses)
-	14,960,433	19,333,554	Transfers in (note 7)
-	(3,995,324)	(18,964,541)	Transfers out (note 7)
-	150,000	150,000	Transfers from Successor Agency
1,474,226	-	1,474,226	Transfer in of land (note 7)
<u>1,474,226</u>	<u>11,115,109</u>	<u>1,993,239</u>	Total Other Financing Sources (Uses)
1,309,641	9,152,485	24,081,950	Net change in Fund Balances
38,097,032	44,674,476	172,371,012	Fund Balances
<u>\$ 39,406,673</u>	<u>\$ 53,826,961</u>	<u>\$ 196,452,962</u>	Fund Balances - Beginning of Year
			Fund Balances - End of Year

City of Moreno Valley, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 24,081,950

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlay as expenditures and do not report donated capital assets. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Capital outlay	5,778,564	
Donated infrastructure	11,303,900	
Depreciation expense	<u>(32,984,022)</u>	
		(15,901,558)

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

Repayment of debt	2,005,000	
Amortization of bond premiums	189,648	
Amortization of bond discount	<u>(5,398)</u>	
		2,189,250

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period 13,969

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 (18,687)

Revenues reported as unavailable revenue in the governmental funds are recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity (698,809)

Pension and OPEB 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. This is the amount by which actuarially calculated pension/OPEB expense exceeded the contributions during the year (1,366,674)

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 change in net position of the internal service funds is reported with the governmental funds 923,625

Change in net position of governmental activities \$ 9,223,066

See notes to financial statements

City of Moreno Valley, California

**Budgetary Comparison Statement
GENERAL FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 14,422,000	\$ 14,704,000	\$ 15,623,696	\$ 919,696
Property taxes in lieu	19,000,000	19,600,000	19,577,636	(22,364)
Utility users taxes	16,400,000	16,000,000	15,483,806	(516,194)
Sales taxes	18,746,000	19,918,810	21,208,442	1,289,632
Other taxes	12,526,500	12,599,000	12,303,492	(295,508)
Licenses and permits	2,799,824	4,717,072	3,468,511	(1,248,561)
Intergovernmental	463,000	684,061	722,703	38,642
Fees and charges for services	12,079,871	13,137,033	13,650,496	513,463
Use of money and property	4,220,862	4,222,858	7,195,588	2,972,730
Fines and forfeitures	662,050	662,050	729,939	67,889
Miscellaneous	69,647	69,647	223,303	153,656
Total Revenues	101,389,754	106,314,531	110,187,612	3,873,081
Expenditures				
Current:				
General government				
City council	1,019,127	1,256,156	817,155	439,001
City manager	6,038,211	6,029,382	5,999,529	29,853
City clerk	958,242	923,805	821,752	102,053
City attorney	899,961	893,528	832,335	61,193
Financial & management services	4,369,901	6,378,299	3,999,273	2,379,026
Administrative services	1,080,522	1,281,758	1,274,274	7,484
Non-departmental	187,842	1,010,000	1,365,252	(355,252)
Public safety				
Police	44,515,204	42,001,294	40,259,485	1,741,809
Fire	22,048,979	21,851,958	20,280,660	1,571,298
Public works	5,949,680	6,904,096	6,666,003	238,093
Community and economic development	11,094,589	11,918,197	11,402,636	515,561
Capital outlay	2,752,270	4,422,518	1,611,478	2,811,040
Total Expenditures	100,914,528	104,870,991	95,329,832	9,541,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	475,226	1,443,540	14,857,780	13,414,240
Other Financing Sources (Uses)				
Transfers in (note 7)	3,426,691	5,366,826	2,103,241	(3,263,585)
Transfers out (note 7)	(3,832,113)	(7,287,300)	(6,949,286)	338,014
Total Other Financing Sources (Uses)	(405,422)	(1,920,474)	(4,846,045)	(2,925,571)
Net change in fund balances	69,804	(476,934)	10,011,735	10,488,669
Fund balances - Beginning of year	55,721,954	55,721,954	55,721,954	-
Fund balances - End of year	\$ 55,791,758	\$ 55,245,020	\$ 65,733,689	\$ 10,488,669

See notes to financial statements

City of Moreno Valley, California

Budgetary Comparison Statement
 NEIGHBORHOOD STABILIZATION GRANT
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 3,500,000	\$ 3,500,000	\$ 19,440	\$ (3,480,560)
Total Revenues	3,500,000	3,500,000	19,440	(3,480,560)
Expenditures				
Current:				
Community and economic development	3,500,000	3,500,000	21,953	3,478,047
Total Expenditures	3,500,000	3,500,000	21,953	3,478,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,513)	(2,513)
Net change in fund balances	-	-	(2,513)	(2,513)
Fund balances - Beginning of year	91,869	91,869	91,869	-
Fund balances - End of year	\$ 91,869	\$ 91,869	\$ 89,356	\$ (2,513)

See notes to financial statements

City of Moreno Valley, California

**Budgetary Comparison Statement
DEVELOPMENT IMPACT FEES
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 685,900	\$ 670,900	\$ 8,776,036	\$ 8,105,136
Use of money and property	202,900	190,900	691,000	500,100
Total Revenues	888,800	861,800	9,467,036	8,605,236
Expenditures				
Current:				
Community and economic development	-	325,000	325,000	-
Total Expenditures	-	325,000	325,000	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	888,800	536,800	9,142,036	8,605,236
Other Financing Sources (Uses)				
Transfers in (note 7)	1,055,000	1,055,000	1,055,000	-
Transfers out (note 7)	(3,402,000)	(8,046,966)	(7,987,834)	59,132
Total Other Financing Sources (Uses)	(2,347,000)	(6,991,966)	(6,932,834)	59,132
Net change in fund balances	(1,458,200)	(6,455,166)	2,209,202	8,664,368
Fund balances - Beginning of year	14,919,157	14,919,157	14,919,157	-
Fund balances - End of year	\$ 13,460,957	\$ 8,463,991	\$ 17,128,359	\$ 8,664,368

See notes to financial statements

City of Moreno Valley, California

**Budgetary Comparison Statement
CSD ZONES
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 4,610,427	\$ 4,697,747	\$ 5,316,224	\$ 618,477
Other taxes	6,649,406	6,654,039	6,682,600	28,561
Fees and charges for services	6,046,400	5,485,233	5,429,961	(55,272)
Use of money and property	822,701	969,979	1,433,517	463,538
Fines and forfeitures	50,000	50,000	26,676	(23,324)
Miscellaneous	13,500	32,700	96,006	63,306
Total Revenues	18,192,434	17,889,698	18,984,984	1,095,286
Expenditures				
Current:				
Public works	6,448,556	7,063,659	5,932,234	1,131,425
Community & cultural	13,361,034	13,670,060	12,778,749	891,311
Capital outlay	200,000	546,799	55,384	491,415
Total Expenditures	20,009,590	21,280,518	18,766,367	2,514,151
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,817,156)	(3,390,820)	218,617	3,609,437
Other Financing Sources (Uses)				
Transfers in (note 7)	2,153,113	1,491,464	1,214,880	(276,584)
Transfers out (note 7)	-	(23,988)	(32,097)	(8,109)
Total Other Financing Sources (Uses)	2,153,113	1,467,476	1,182,783	(284,693)
Net change in fund balances	335,957	(1,923,344)	1,401,400	3,324,744
Fund balances - Beginning of year	18,866,524	18,866,524	18,866,524	-
Fund balances - End of year	\$ 19,202,481	\$ 16,943,180	\$ 20,267,924	\$ 3,324,744

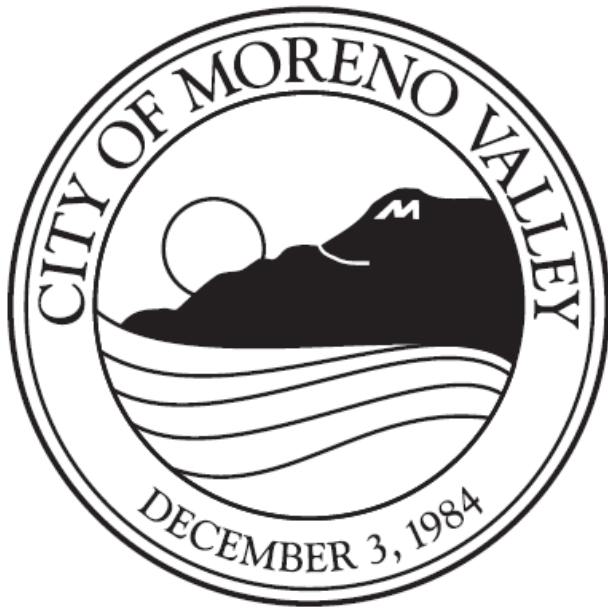
See notes to financial statements

City of Moreno Valley, California

Budgetary Comparison Statement
HOUSING AUTHORITY
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 72,000	\$ 72,000	\$ 175,838	\$ 103,838
Miscellaneous	-	-	1,340	1,340
Total Revenues	72,000	72,000	177,178	105,178
Expenditures				
Current:				
Community and economic development	250,000	250,000	341,763	(91,763)
Total Expenditures	250,000	250,000	341,763	(91,763)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,000)	(178,000)	(164,585)	13,415
Other Financing Sources (Uses)				
Transfer in of land	-	-	1,474,226	1,474,226
Total Other Financing Sources (Uses)	-	-	1,474,226	1,474,226
Net change in fund balances	(178,000)	(178,000)	1,309,641	1,487,641
Fund balances - Beginning of year	38,097,032	38,097,032	38,097,032	-
Fund balances - End of year	\$ 37,919,032	\$ 37,919,032	\$ 39,406,673	\$ 1,487,641

See notes to financial statements



PROPRIETARY FUNDS

ENTERPRISE FUND:

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. The City's enterprise fund is the 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 are used to account for services provided to other departments on a cost reimbursement basis. These services include general liability and workers' compensation insurance benefits, maintaining and replacing information systems, facilities maintenance, vehicle and equipment maintenance, accumulating cash reserves for equipment replacement, and payment of compensated absences.

City of Moreno Valley, California

Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Fund - ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
Assets		
Current Assets:		
Pooled cash and investments (note 3)	\$ 17,354,929	\$ 42,271,634
Receivables:		
Accounts	3,850,051	53
Prepaid costs	25,251	4,589
Inventories	417,905	27,661
Restricted:		
Cash with fiscal agent (note 3)	15,501,854	-
Total Current Assets	37,149,990	42,303,937
Noncurrent Assets:		
Capital assets - net of accumulated depreciation	68,629,297	12,604,234
Total Noncurrent Assets	68,629,297	12,604,234
Total Assets	105,779,287	54,908,171
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	360,121	-
Deferred outflows of resources related to OPEB	34,585	-
Deferred outflows - Utility Network	5,146,841	-
Total Deferred Outflows of Resources	5,541,547	-
Total Assets and Deferred Outflows of Resources	\$ 111,320,834	\$ 54,908,171
Liabilities		
Current Liabilities:		
Accounts payable	\$ 4,215,929	\$ 467,393
Accrued interest	456,951	-
Unearned revenue	25,980	-
Deposits payable	1,437,899	-
Compensated absences (note 6)	177,263	152,143
Self-insurance payable (note 12)	-	943,000
Bonds, notes, and loans payable (note 6)	1,215,243	-
Total Current Liabilities	7,529,265	1,562,536
Noncurrent liabilities:		
Compensated absences (note 6)	118,175	101,428
Self-insurance payable (note 12)	-	1,064,000
Bonds, notes and loans payable (note 6)	57,398,279	-
Net pension liability	1,838,570	-
Net OPEB liability	230,098	-
Total Noncurrent Liabilities	59,585,122	1,165,428
Total Liabilities	67,114,387	2,727,964
Deferred Inflows of resources		
Deferred inflows of resources related to pensions	28,004	-
Deferred inflows of resources related to OPEB	30,517	-
Total Deferred Inflows of Resources	58,521	-
Net Position		
Net investment in capital assets	25,289,496	12,604,234
Restricted for public purpose programs	6,125,796	-
Unrestricted	12,732,634	39,575,973
Total Net Position	44,147,926	52,180,207
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 111,320,834	\$ 54,908,171

See notes to financial statements

City of Moreno Valley, California

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2019

	Enterprise Fund- ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
Operating Revenues		
Sales and service charges	\$ 30,767,861	\$ 8,183,780
Miscellaneous	231,497	147,659
Total Operating Revenues	30,999,358	8,331,439
Operating Expenses		
Cost of services	1,201,253	5,345,463
Depreciation expense	1,845,742	751,711
Amortization-Utility Distribution System	177,477	-
Electricity purchased	12,400,447	-
Services and supplies	5,811,841	-
Distribution share	4,600,248	-
Self-insurance claims and charges	-	1,189,998
Total Operating Expenses	26,037,008	7,287,172
Net Operating Income	4,962,350	1,044,267
Nonoperating Revenues (Expenses)		
Interest revenue	504,300	-
Interest expense and debt issuance costs	(2,247,633)	-
Engineering plan check fees	306,462	-
Gain (loss) on disposal of capital assets	(456,279)	243,017
Total Nonoperating Revenues (Expenses)	(1,893,150)	243,017
Income Before Contributions and Transfers	3,069,200	1,287,284
Transfers and Contributions		
Contributed capital	2,496,022	-
Transfers in (note 7)	-	1,993,553
Transfers out (note 7)	(5,354)	(2,357,212)
Change in Net Position	5,559,868	923,625
Total Net Position - Beginning of Year	38,588,058	51,256,582
Total Net Position - End of Year	\$ 44,147,926	\$ 52,180,207

See notes to financial statements

City of Moreno Valley, California

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Fund- ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 31,977,166	\$ 8,331,456
Payments to suppliers	(21,148,875)	(3,494,495)
Payments to employees	(1,149,065)	(1,623,339)
Cash paid for claims	-	(1,309,998)
Net cash provided (used) by operating activities	9,679,226	1,903,624
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfers in	-	1,993,553
Cash transfers out	(5,354)	(2,357,212)
Net cash provided (used) by noncapital financing activities	(5,354)	(363,659)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	23,610,803	-
Debt issuance costs	(562,372)	-
Acquisition and construction of capital assets	(11,292,852)	(504,689)
Proceeds from the sale or disposition of capital assets	2,948	258,802
Engineering plan check fees	306,462	-
Principal paid on capital debt	(1,187,000)	-
Interest paid on capital debt	(1,470,369)	-
Net cash provided (used) by capital and related financing activities	9,407,620	(245,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	504,300	-
Net cash provided (used) by investing activities	504,300	-
Net increase (decrease) in cash and cash equivalents	19,585,792	1,294,078
Balances - beginning of year	13,270,991	40,977,556
Balances - end of the year	\$ 32,856,783	\$ 42,271,634
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income	\$ 4,962,350	\$ 1,044,267
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,845,742	751,711
Amortization	177,477	-
Changes in assets and liabilities:		
(Increase) decrease in customer receivables	(82,221)	15
(Increase) decrease in prepaid costs	901,139	9,892
(Increase) decrease in deferred outflows related to pension	165,783	-
(Increase) decrease in deferred outflows related to OPEB	(27,890)	-
(Increase) decrease in deferred outflows -utility network	1,052,331	-
(Increase) decrease in inventories	(15,820)	4,795
Increase (decrease) in accounts payable	642,359	201,480
Increase (decrease) in unearned revenue	7,698	-
Increase (decrease) in deposits payable	135,983	-
Increase (decrease) in self-insurance payable	-	(120,000)
Increase (decrease) in net pension liability	(142,680)	-
Increase (decrease) in OPEB Liability	(20,962)	-
Increase (decrease) in deferred inflows related to pension	51,397	-
Increase (decrease) in deferred inflows related to OPEB	11,030	-
Increase (decrease) in compensated absences	15,510	11,464
Net cash provided (used) by operating activities	\$ 9,679,226	\$ 1,903,624
Noncash capital and related financing activities:		
Contributed capital - donated infrastructure	\$ 2,496,022	-

See notes to financial statements

City of Moreno Valley, California

FIDUCIARY FUNDS

FIDUCIARY FUNDS:

A fiduciary fund is an account with funds from assets that the city holds as a trustee and that it cannot use to fund its own programs. The city reports Agency Funds and Private-purpose Funds. Agency funds are used to report resources held by the agency in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. Private-purpose trust funds report all other trust arrangements under which the principal and income benefits individuals, private organizations or other governments.

City of Moreno Valley, California

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>	<u>Private-Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets		
Cash (note 3)	\$ 7,246,005	\$ 3,081,843
Accounts receivable	20,000	-
Due from other governments	31,370	-
Cash with fiscal agents (note 3)	4,825,047	189,555
Total Assets	<u>\$ 12,122,422</u>	<u>3,271,398</u>
Liabilities		
Accounts payable	195,351	-
Accrued interest	-	627,867
Deposits payable	6,540,372	-
Payable to trustee	5,386,699	-
Short-term debt - due within one year (note 12)	-	930,010
Long-term debt - due in more than one year (note 12)	-	52,971,534
Total Liabilities	<u>\$ 12,122,422</u>	<u>54,529,411</u>
Net Position		
Held in trust for other purposes		<u>(51,258,013)</u>
Total Net Position		<u>\$ (51,258,013)</u>

See notes to financial statements

City of Moreno Valley, California

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2019

	Private-Purpose Trust Fund
	Successor Agency of the Former RDA
Additions	
Taxes	\$ 5,157,856
Use of money and property	321,560
Total Additions	5,479,416
Deductions	
Administrative expenses	255,450
Contractual services	391,955
Interest expenses	2,604,738
Transfers to City	150,000
Transfer to Agency Funds	1,451,370
Total Deductions	4,853,513
Change in net position	625,903
Net Position - beginning of the year	(51,883,916)
Net Position - end of the year	\$ (51,258,013)

See notes to financial statements

City of Moreno Valley, California

Notes to Financial Statements Year Ended June 30, 2019

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 legally separate component units and are included in the City's reporting entity because of their operational significance or financial relationships with the City. The City Council members, in separate session, serve as the governing board of the Moreno Valley Community Service District, the Moreno Valley Public Facilities Financing Corporation, and the Moreno Valley Housing Authority, as such; these entities are presented on a blended basis. 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 California Government Code, Division 3 of Title 6. The District was established to allow for the continued provision of certain services provided by the County of Riverside through the use of County Service Areas prior to the City incorporation.
- Community Facilities District 2014-01 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, California

**Notes to Financial Statements
Year Ended June 30, 2019 (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. The City manages, administers and has operational responsibility for the operations of the Housing Authority. 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 resource 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

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.

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 Neighborhood Stabilization Grant Fund accounts for the grant allocation received by the City from the U.S. Department of Housing and Urban Development 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 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, park improvements, 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.

The Housing Authority accounts for the housing assets as a result of the dissolution of the former Community Redevelopment Agency of the City.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

The CSD Zones Special Revenue Fund accounts for restricted property taxes for the various Community Services District (CSD) programs. There are ten zones within the Community Services District providing services. Zone A-Parks and Community Services provide citywide park maintenance and recreation programming. Lighting Maintenance District (LMD) 2014-01 – Residential Street Lighting provides the funding for the operation and maintenance of residential subdivision street lighting. Zone C-Arterial and Intersection Street Lighting provides funding for the operation and maintenance of arterial and intersection street lighting. Landscape Maintenance District (LMD) 2014-02, Zone D and Zone E provide funding for the maintenance of public landscaping throughout the City. Zone L-Library Services provides funding for library services to City residents. Zone M-Medians provides funding for the landscape maintenance of public medians within the City. Community Facilities District (CFD) #1 provides funding for the maintenance of new parks, trails and class 1 bikeways. Zone S – Sunnymead Boulevard Maintenance provides funding for the maintenance of certain landscape improvements along Sunnymead Boulevard.

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 vehicles and equipment, the City's self-insurance programs, compensated absences, 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

Amounts reported as program revenues include: 1) charges to customers or applicant for goods, services or privileges provided, 2) operating grants and contributions, an 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 non-operating 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 on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d. Assets, Deferred Outflows, 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.

Inventory and Prepaid Items:

Inventory in proprietary funds consist of expendable supplies held for consumption. Proprietary funds value inventory at cost and expense supply inventory using the first-in/first-out (FIFO) method. This is referred to as the consumption method of inventory

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

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

accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material.

Payments to vendors for services benefiting future periods are recorded as prepaid items in both governmental and proprietary funds and expenditures are recognized when item are consumed. 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 \$5,000 or more 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 acquisition value at the date of donation. Donated infrastructure assets are recorded at estimated historical cost provided by the developer.

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

Deferred Outflows and Inflows of Resources:

Pursuant to GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 8 and Note 9 for the list of deferred outflows and deferred inflows of resources the City has recognized as of June 30, 2019.

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

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

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.

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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

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 Chief Financial Officer 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. General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

An individual governmental fund could include non-spendable 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 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

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.

Pensions:

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Moreno Valley Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Implementation of New Accounting Pronouncements

GASB No. 83

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations." This Statement is effective for financial statements for fiscal years beginning after June 15, 2018 and did not impact the City.

GASB No. 88

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." The requirements of this Statement are effective for financial statements for the period beginning after June 15, 2018. The Statement's objective is to improve the information that is disclosed in notes to government financial statements

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

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

related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Accordingly, the City has updated the debt disclosures to comply with the requirements of this new Statement.

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 XIII B of the State Constitution.

The City's formal budgetary process begins at the operating program level. Departmental budgets are comprised of the various operating program budgets. 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 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 and departments, provided that such transfers do not increase the overall fund budget. Appropriations that increase the fund budget require City Council approval.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (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:

Fund	Final Budget	Expenditures	Excess
General Fund			
Non-departmental	\$1,010,000	\$1,365,252	\$ 355,252
Housing Authority			
Community and economic development	250,000	341,763	91,763
Storm Water Maintenance			
Public works	482,259	489,342	7,083
ASES Program Grant			
Community and cultural	7,534,800	7,542,604	7,804
Other Grants			
Capital outlay	-	697	697
2014 Refunding of 2005 Lease Revenue Bonds			
General government	3,000	3,323	323

c. Fund Deficits

The following fund contained a deficit fund balance as of June 30, 2019:

Nonmajor Governmental Funds	
Capital Projects Fund:	
TUMF Capital Projects	\$ 198,206

This deficit fund balance is a result of reimbursement monies not yet received and will be funded through future revenues.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments

As of June 30, 2019, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	\$	198,736,899
Business-type Activities		32,856,783
Fiduciary Funds		15,342,450
Total Cash and Investments	<u>\$</u>	<u>246,936,132</u>

Cash and investments as of June 30, 2019, consist of the following:

Cash and Cash Equivalents		
Petty Cash and Cash Boxes	\$	10,630
Demand Deposits		4,734,649
Investments		221,670,054
Cash and Investments with Fiscal Agents		20,520,799
Total Cash and Investments	<u>\$</u>	<u>246,936,132</u>

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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments (Continued)

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
- Bonds, notes or other indebtedness of supranationals (IBRD, IFC or IADB)
- Bankers Acceptances
- Commercial Paper
- Mortgage/Asset backed securities
- Time Deposits and Non-negotiable Certificates of Deposit
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Corporate Obligations (Medium-term Notes)
- 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 the provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments (Continued)

GASB Statements No. 31 and 72:

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. 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. GASB Statement No. 72 clarified the definition of fair value, established general principles for measuring fair value and enhanced disclosures about fair value measurements.

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, 2019, the City's investment in medium term notes consisted of investments with PepsiCo Inc., JP Morgan Chase, JPM Chase Bank Corp, IBM Credit Corp, Wells Fargo Bank, Costco Wholesale, Qualcomm Inc., Bank of New York Mellon., John Deere Capital, Exxon/Mobil, Microsoft, State Street Corp, Chevron Corp, Apple Inc., U.S. Bankcorp, Cisco Systems, American Honda Finance, Toyota Motor Credit, American Express, Oracle, Berkshire Hathaway, Walt Disney Corp., Paccar Financial, Bank of America, Boeing CIT, General Dynamics, PNC Bank, Royal Bank of Canada and Chubb INA. At June 30, 2019, 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, 2019, 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 \$4,734,649 at June 30, 2019. 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 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments (Continued)

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, 2019, 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	\$ 63,017,951	\$ -	\$ -	\$ -	\$ 63,017,951
Money Market Fund	3,798,455	-	-	-	3,798,455
Medium Term Notes	6,979,105	6,234,791	15,540,704	10,629,068	39,383,668
Supranationals	-	1,394,624	2,296,550	848,742	4,539,916
US Treasury Notes	1,098,845	3,233,675	18,528,429	12,281,575	35,142,524
Federal Farm Credit Bank	1,499,955	2,252,303	5,238,502	-	8,990,759
Federal Home Loan Bank	4,187,607	-	11,086,848	5,333,317	20,607,772
Federal Home Loan Mortgage Corp	-	2,637,629	2,458,415	3,919,486	9,015,530
Federal National Mortgage Association	4,873,925	5,327,724	12,820,297	2,792,671	25,814,616
Asset Backed Security	-	9,443	1,634,822	2,943,518	4,587,783
Collateralized Mortgage Obligations	-	-	1,548,003	5,223,077	6,771,080
Held By Bond Trustee:					-
Money Market Funds	20,520,799	-	-	-	20,520,799
Totals	\$ 105,976,642	\$ 21,090,189	\$ 71,152,569	\$ 43,971,453	\$ 242,190,853

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 Type	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 California	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 Repurchases 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
Supranationals	5 years	30%	5%

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments (Continued)

As of June 30, 2019, 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 Home Loan Bank	8.51%
Federal National Mortgage Association	10.66%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this.

Fair Value Measurement:

GASB 72, *Fair Value Measurement and Application* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Cash and Investments (Continued)

Fair Value Measurement:

The following table represents the City's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

Investments by Fair Value Level	Fair Value	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Money Market Fund	\$ 3,798,455	\$ 3,798,455
Medium Term Notes	39,383,668	39,383,668
Supranationals	4,539,916	4,539,916
US Treasury Notes	35,142,524	35,142,524
Federal Farm Credit Bank	8,990,759	8,990,759
Federal Home Loan Bank	20,607,772	20,607,772
Federal Home Loan Mortgage Corp	9,015,530	9,015,530
Federal National Mortgage Association	25,814,616	25,814,616
Asset Backed Security	4,587,783	4,587,783
Collateralized Mortgage Obligations	6,771,080	6,771,080
Held by Trustee:		
Money Market Funds	20,520,799	20,520,799
Total	<u>179,172,902</u>	<u>\$ 179,172,902</u>
Uncategorized:		
Local Agency Investment Fund	<u>63,017,951</u>	
Total Uncategorized	<u>63,017,951</u>	
Total Investments measured at Fair Value	<u><u>\$ 242,190,853</u></u>	

The City and the third-party trustees that hold the City's assets utilize the Market Approach in valuing the investment portfolio through the use of a pricing service that utilized matrix pricing. The market approach utilizes prices and other relevant data from market transactions for similar assets.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Notes and Loans

a. Notes and Loans Receivable

Notes and loans receivables of \$46,483,445 consist primarily of revolving home improvement loans and are due beyond one year.

A summary of amounts owed at June 30, 2019, follows:

	Housing Authority	Neighborhood Stabilization Grant	Nonmajor Governmental Funds	Total
Cottonwood Properties	\$ 2,907,065	\$ -	\$ 2,033,402	\$ 4,940,467
Sheila Street Rehabilitation	2,651,875	-	-	2,651,875
RHDC Properties	1,814,730	883,643	1,967,221	4,665,594
Coachella Valley Housing Coalition	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	656,220	5,277,541	543,738	6,477,500
Totals	\$ 33,462,257	\$ 6,161,185	\$ 6,860,003	\$ 46,483,445

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, 2019, the balance of \$12,516,341 consists of the following:

The Towngate Regional Mall notes (Sears Note) totaling \$9,811,715 which 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 at 4.9% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Payments on this agreement are determined and pre-approved by the Department of Finance. 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, 2019, accrued interest amounts to \$2,704,626.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 5 Capital Assets

The following is a schedule of changes in governmental activities capital assets for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Non-Depreciable Assets:				
Land	\$ 310,197,236	\$ -	\$ (5,115,930)	\$ 305,081,306
Construction in progress	18,515,378	10,389,301	(12,071,944)	16,832,735
Total Non-Depreciable Assets	<u>328,712,614</u>	<u>10,389,301</u>	<u>(17,187,874)</u>	<u>321,914,041</u>
Depreciable Assets:				
Buildings and Improvements	146,893,113	2,356,389	-	149,249,502
Furniture and Equipment	20,205,240	2,056,154	(3,039,928)	19,221,466
Vehicles	12,031,529	1,268,492	(1,962,392)	11,337,629
Infrastructure	877,523,044	18,810,542	(202,248)	896,131,338
Total Depreciable Assets	<u>1,056,652,926</u>	<u>24,491,577</u>	<u>(5,204,568)</u>	<u>1,075,939,935</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(67,279,430)	(3,976,759)	-	(71,256,189)
Furniture and Equipment	(13,435,038)	(1,569,128)	2,918,293	(12,085,873)
Vehicles	(6,923,659)	(1,294,044)	1,962,392	(6,255,311)
Infrastructure	(409,141,254)	(26,895,802)	202,248	(435,834,808)
Total Accumulated Depreciation	<u>(496,779,381)</u>	<u>(33,735,733)</u>	<u>5,082,933</u>	<u>(525,432,181)</u>
Total Depreciable Assets, Net	<u>559,873,545</u>	<u>(9,244,156)</u>	<u>(121,635)</u>	<u>550,507,754</u>
Total Net Capital Assets	<u>\$ 888,586,159</u>	<u>\$ 1,145,145</u>	<u>\$ (17,309,509)</u>	<u>\$ 872,421,795</u>

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

Governmental Activities:	
General Government	\$ 1,389,206
Public Safety	1,117,394
Community and Economic Development	149,393
Community and Cultural	2,178,356
Public Works	28,149,673
Internal Service Funds	751,711
Total	<u>\$ 33,735,733</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Non-Depreciable Assets:				
Land	\$ 1,729,408	\$ -	\$ -	\$ 1,729,408
Construction in progress	4,563,078	11,303,134	(4,931,306)	10,934,906
Total Non-Depreciable Assets	<u>6,292,486</u>	<u>11,303,134</u>	<u>(4,931,306)</u>	<u>12,664,314</u>
Depreciable Assets:				
Furniture and Equipment	1,105,204	-	-	1,105,204
Infrastructure	59,925,092	7,411,527	(605,027)	66,731,592
Total Depreciable Assets	<u>61,030,296</u>	<u>7,411,527</u>	<u>(605,027)</u>	<u>67,836,796</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(424,158)	(63,957)	-	(488,115)
Infrastructure	(9,753,232)	(1,781,785)	151,319	(11,383,698)
Total Accumulated Depreciation	<u>(10,177,390)</u>	<u>(1,845,742)</u>	<u>151,319</u>	<u>(11,871,813)</u>
Total Depreciable Assets, Net	<u>50,852,906</u>	<u>5,565,785</u>	<u>(453,708)</u>	<u>55,964,983</u>
Total Net Capital Assets	<u>\$ 57,145,392</u>	<u>\$ 16,868,919</u>	<u>\$ (5,385,014)</u>	<u>\$ 68,629,297</u>

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

Electric Utility	<u>\$ 1,845,742</u>
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City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2019 (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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Moreno Valley Public Facilities Financing Authority:					
Direct Placements					
2011 Private Placement Refunding of 1997 Lease Revenue Bonds	\$ 1,527,000	\$ -	\$ (282,000)	\$ 1,245,000	\$ 291,000
Other Debt					
2013 Refunding of 2005 Lease Revenue Bonds	6,581,000	-	(1,183,000)	5,398,000	1,256,000
Unamortized Premium	585,064	-	(117,013)	468,051	117,013
2014 Refunding of 2005 Lease Revenue Bonds	22,602,069	-	-	22,602,069	-
Unamortized Premium	1,234,791	-	(72,635)	1,162,156	72,635
City:					
2013 Total Road Improvement Program COP's	18,995,000	-	(540,000)	18,455,000	570,000
Unamortized Discount	(113,357)	-	5,398	(107,959)	(5,398)
Totals	<u>\$ 51,411,567</u>	<u>\$ -</u>	<u>\$ (2,189,250)</u>	<u>\$ 49,222,317</u>	<u>\$ 2,301,250</u>

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 6 Long-term Debt (Continued)

Direct Borrowing/Direct Placements

2011 Private Placement Refunding

The 2011 Private Placement Refunding Bonds mature in serial and term fashion through November 1, 2022 and bear interest of 3.98%. 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 City Hall Annex and Fire Station 65 (John F. Kennedy Park). These properties also act as the security for the agreement. There are no provisions or events of default or termination identified in the Lease Agreements which would result in finance-related consequences or the acceleration clauses. Events of default would result in the ability of the lessor to sublease the leased property for the remainder of the life of the agreement.

The annual debt service requirements for the 2011 Private Placement Refunding, 1997 Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2011 Private Placement Refunding	
	Principal	Interest
2020	\$ 291,000	\$ 43,760
2021	305,000	31,900
2022	318,000	19,502
2023	331,000	6,587
Totals	<u>\$ 1,245,000</u>	<u>\$ 101,749</u>

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 6 Long-term Debt (Continued)

Other Debt

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, 2022 and bear interest ranging from 3% to 5.00%. The bonds are not subject to optional redemption or mandatory redemption. The bonds are payable from lease payments made by the City under a project lease dated Dec 1, 2013, 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. The transaction resulted in an economic gain of \$540,661 and a reduction of \$554,000 in future debt service payments.

The annual debt service requirements for the 2013 Refunding Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2013 Refunding Lease Revenue Bonds	
	Principal	Interest
2020	\$ 1,256,000	\$ 238,026
2021	1,312,000	173,920
2022	1,377,000	106,806
2023	1,453,000	36,233
Totals	<u>\$ 5,398,000</u>	<u>\$ 554,985</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2013 Total Road Improvement Program Certificates of Participation

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. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the 2013 Total Road Improvement Program COPs outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2013 Total Road Improvement Program Certificates of Participation	
	Principal	Interest
2020	\$ 570,000	\$ 914,062
2021	600,000	885,562
2022	630,000	855,563
2023	660,000	824,063
2024	685,000	797,663
2025-2029	3,915,000	3,503,687
2030-2034	4,985,000	2,433,506
2035-2039	6,410,000	1,018,850
Totals	<u>\$ 18,455,000</u>	<u>\$ 11,232,956</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2014 Refunding Lease Revenue Bonds

Refunding Lease Revenue Bonds 2014 in the original issue amount of \$25,325,000 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 \$25,325,000 originally issued, the portion for the electric utility infrastructure (\$2,669,255) 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, 2035 and bear interest ranging from 2% to 5%. The bonds are subject to optional redemption and are subject to mandatory redemption beginning November 2035. The bonds are payable from lease payments made by the City under a project lease dated December 1, 2013, 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. The refunding transaction resulted in an economic gain of \$4,180,553 and a reduction of \$6,604,104 in future debt service payments.

The annual debt service requirements for the 2014 Refunding Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2014 Refunding Lease Revenue Bonds	
	Principal	Interest
2020	\$ -	\$ 1,009,332
2021	-	1,009,332
2022	-	1,009,332
2023	-	1,009,332
2024	1,297,170	976,903
2025-2029	7,496,748	3,822,179
2030-2034	9,460,395	1,855,199
2035-2036	4,347,756	175,699
Totals	\$ 22,602,069	\$ 10,867,308

Compensated Absences

At June 30, 2019, the amount of compensated absences liability was \$6,460,218. This amount consists of \$6,206,647 for governmental funds, principally paid by the General Fund, and \$253,571 for internal service funds.

Pension and OPEB Liability

Pension and OPEB obligations will be met from unrestricted revenues of the General Fund.

Lines of Credit

The City has no available, unused lines of credit.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Direct Placements					
Capital Leases - Streetlight Financing	\$ -	\$ 8,110,892	\$ -	\$ 8,110,892	\$ 21,135
Other Debt					
Refunding Lease Revenue Bonds, 2013	784,000	-	(142,000)	642,000	149,000
Plus Unamortized Premium	63,034	-	(12,606)	50,428	12,606
Refunding Lease Revenue Bonds, 2014	2,662,931	-	-	2,662,931	-
Plus Unamortized Premium	140,326	-	(7,796)	132,530	7,796
Lease Revenue Bonds, 2015	10,055,000	-	(205,000)	9,850,000	210,000
Less Unamortized Discount	(37,393)	-	1,438	(35,955)	(1,438)
Refunding Lease Revenue Bonds, 2016	22,975,000	-	(840,000)	22,135,000	850,000
Less Unamortized Discount	(457,069)	-	22,853	(434,216)	(22,853)
Lease Revenue Bonds, 2019	-	15,830,000	-	15,830,000	-
Less Unamortized Discount	-	(330,088)	-	(330,088)	(11,003)
Totals	\$ 36,185,829	\$ 23,610,804	\$ (1,183,111)	\$ 58,613,522	\$ 1,215,243

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

Direct Borrowing/Direct Placements

2018 Streetlight Financing

Lease/Purchase agreement in the amount of \$8,110,892 was executed to purchase approximately 9,411 streetlights from Southern California Edison and to retrofit approximately 11,100 City-owned streetlights with LED fixtures. Interest on the lease will be charged at 5.42%. Debt service payments start in FY 2019/20 and end in FY 2033/34 and will be paid through MVU streetlight rates. The security for the agreement is the poles themselves, and no General Fund assets will be used to secure this agreement. There are no provisions or events of default or termination identified in the Lease Agreement which would result in finance-related consequences or the acceleration clauses. Events of default would result in the ability of the lessor to take ownership of the leased light poles.

The annual debt service requirements for the 2018 Streetlight Financing outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2018 Streetlight Financing	
	Principal	Interest
2020	\$ 21,135	\$ 810,837
2021	398,839	433,133
2022	420,749	411,223
2023	443,862	388,109
2024	468,245	363,726
2025-2029	2,756,520	1,403,337
2030-2034	3,601,542	558,315
Totals	<u>\$ 8,110,892</u>	<u>\$ 4,368,680</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

Other Debt

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, 2022 and bear interest ranging from 3% to 5.00%. The bonds are not subject to 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. The refunding transaction resulted in an economic gain of \$540,667 (\$58,446 attributable to the electric fund) and a reduction of \$554,000 (\$59,887 attributable to the electric fund) in the future debt service payments.

The annual debt service requirements for the 2013 Refunding Lease Revenue Bonds outstanding at June 30, 2019, are as follows

Year Ending June 30,	2013 Refunding Lease Revenue Bonds	
	Principal	Interest
2020	\$ 149,000	\$ 28,849
2021	158,000	21,080
2022	163,000	12,945
2023	172,000	4,392
Totals	\$ 642,000	\$ 67,266

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2014 Refunding Lease Revenue Bonds

Refunding Lease Revenue Bonds 2014 in the original issue amount of \$25,325,000 were issued for the purpose of paying off the remaining portion of the 2005 Lease Revenue Bonds and certain costs related to the issuance of the Bonds. Of the \$25,325,000 originally issued, the portion for the electric utility infrastructure (\$2,669,255) has been separated and is shown as long-term debt for Electric Fund business-type activities. The bonds mature in serial fashion between November 2023 and November 2035 and bear interest ranging from 2% to 5%. The bonds are not subject to optional redemption but are subject to mandatory redemption beginning 2035. The bonds are payable from lease payments made by the City under a project lease dated December 1, 2013, 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, Sunnymead Park and Fire Station 99 (Morrison Park). The transaction resulted in an economic gain of \$4,180,553 (\$440,650 attributable to the electric fund) and a reduction of \$6,604,104 (\$696,043 attributable to the electric fund) in future debt service payments.

The annual debt service requirements for the 2014 Refunding Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2014 Refunding Lease Revenue Bonds	
	Principal	Interest
2020	\$ -	\$ 118,918
2021	-	118,918
2022	-	118,918
2023	-	118,918
2024	152,830	115,097
2025-2029	883,252	450,322
2030-2034	1,114,605	218,576
2035-2036	512,244	20,701
Totals	<u>\$ 2,662,931</u>	<u>\$ 1,280,368</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2015 Lease Revenue Bonds

2015 Lease Revenue Bonds (Taxable) in the original issue amount of \$10,430,000 were issued for the purpose of financing certain capital improvements of the City including installation of new electrical substation and associated feeders. The bonds mature in serial and term fashion through November 1, 2045 and bear interest ranging from 1.25% to 5.00%. The bonds are payable from base rental payments made by the City pursuant to a master facilities sublease dated December 1, 2015, between the City and the Moreno Valley Public Financing Authority (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 conference and recreation center. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the 2015 Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2015 Lease Revenue Bonds	
	Principal	Interest
2020	\$ 210,000	\$ 448,325
2021	215,000	442,344
2022	220,000	435,681
2023	225,000	428,447
2024	235,000	420,391
2025-2029	1,305,000	1,956,394
2030-2034	1,605,000	1,644,103
2035-2039	2,030,000	1,212,594
2040-2044	2,585,000	640,625
2045-2046	1,220,000	61,750
Totals	<u>\$ 9,850,000</u>	<u>\$ 7,690,654</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2016 Refunding Lease Revenue Bonds

2016 Refunding Lease Revenue Bonds, in the original issue amount of \$24,655,000 were issued for the purpose of retiring the outstanding portion of the 2007 Lease Revenue Bonds as well as certain costs related to the issuance of the bonds. The bonds are comprised of a combination of serial and term bonds with maturities between 2017 and 2038 and bear interest ranging from 1% to 4.375%. The bonds are subject to optional redemption beginning in 2021. The bonds are payable from lease payments made by the City as rent for the use of the Kitching Electrical Substation, the Moreno Beach Electrical Substation and the Conference and Recreation Center pursuant to a master facility sublease between the City and the Moreno Valley Public Financing Authority (MVPFA) dated December 15, 2015. The transaction resulted in an economic gain of \$2.1 million and a reduction of debt service costs of \$2.8 million.

The annual debt service requirements for the 2016 Refunding Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2016 Refunding Lease Revenue Bonds	
	Principal	Interest
2020	\$ 850,000	\$ 844,475
2021	875,000	825,350
2022	895,000	803,475
2023	920,000	778,863
2024	945,000	751,263
2025-2029	5,215,000	3,268,700
2030-2034	6,325,000	2,161,375
2035-2038	6,110,000	682,281
Totals	<u>\$ 22,135,000</u>	<u>\$ 10,115,782</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

2019 Lease Revenue Bonds

2019 Lease Revenue Bonds (Taxable) in the original amount of \$15,830,000 were issued for the purpose of financing capital improvements of the City including installation of approximately 5.8 miles of 12Kv backbone infrastructure, retrofit and/or replacement of switches, and installation of smart meters and associated data collection system. The bonds will mature in serial and term fashion through 2049 and bear a true interest cost of 6.00% per annum. The Series 2019 Bonds will share the “Master Lease” bond structure to secure repayment of the bonds that is also being used to secure the 2015 and the 2016 Lease Revenue Bonds. This allows the City to pledge fewer assets over time for future lease financings. The bonds will be secured primarily by four assets in the master lease, Kitching Substation, Moreno Beach Substation, the Conference and Recreation Center and the Corporation Yard.

The annual debt service requirements for the 2019 Lease Revenue Bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2019 Lease Revenue Bonds	
	Principal	Interest
2020	\$ -	\$ 668,378
2021	-	633,200
2022	-	633,200
2023	-	633,200
2024	-	633,200
2025-2029	-	3,166,000
2030-2034	-	3,166,000
2035-2039	1,025,000	3,166,000
2040-2044	5,765,000	2,518,200
2045-2049	9,040,000	1,189,200
Totals	\$ 15,830,000	\$ 16,406,578

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

Compensated Absences

At June 30, 2019, the amount of compensated absences liability totaled \$295,438. Based on the current trend of usage, \$177,263 is expected to be paid within one year.

c. Non-Commitment Debts

2007 Community Facilities District No. 5 Special Tax Bonds

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, 2019 was \$5,350,000.

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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 6 Long-term Debt (Continued)

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. This debt is not the responsibility of the City but the City will act as the administrator for the collection of the special tax and the transfer of special tax funds to the trustee for the payment of debt service. The outstanding balance at June 30, 2019 was \$1,580,000.

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. This debt is not the responsibility of the City but the City acts as the administrator for the collection of the special tax and the transfer of special tax funds to the trustee for the payment of debt service. The outstanding balance at June 30, 2019 was \$2,845,000.

2016 Community Facilities District 7 Improvement Area 1 Special Tax Bonds

Community Facilities District No. 7 of the City of Moreno Valley issued bonds in the amount of \$3,265,000 in September 2016 to reimburse the site developer for the cost of certain site improvements. These bonds consist of both serial and term bonds that mature on September 1, 2047 and bear interest rates ranging from 1% to 3.25%. The bonds will be repaid from a special tax assessment levied on the parcels and are subject to optional redemption beginning in September 2026. This debt is not the responsibility of the City but the City acts as the administrator for the collection of the special tax and the transfer of special tax funds to the trustee for the payment of debt service. The outstanding balance at June 30, 2019 was \$3,190,000.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 7 Interfund Receivables, Payables and Transfers

	Due To Other Funds		
	CSD Zones	Nonmajor Governmental Funds	Total
<u>Due From Other Funds</u>			
General Fund	\$ 77,618	\$ 1,789,944	\$ 1,867,562
CSD Zones	-	4,756	4,756
	<u>\$ 77,618</u>	<u>\$ 1,794,700</u>	<u>\$ 1,872,318</u>

a. Due To/From other Funds

The City of Moreno Valley utilizes the State of California Local Agency Investment Fund (LAIF) as a short-term investment tool. Interest earnings related to investments are due to the General Fund in compliance with Administrative Policy 3.06, Investment Policy. At June 30, 2019, the CSD Zones Fund included \$77,618 of interest earnings that is due to the General Fund.

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

Nonmajor Governmental Funds:	
Emergency Solution Grant	\$ 18,566
Law Enforcement Grants	6,017
Capital Project Grants	883,521
Storm Water Maintenance	22,332
ASES Program Grant	504,572
Child Care Grant	28,461
SCAG Article 3 Transportation	48,991
TUMF Capital Projects	277,484
Total	<u>\$ 1,789,944</u>

b. Advances To/From Other Funds

	<u>Advances from Other Funds</u>
	Development
<u>Advances to Other Funds</u>	<u>Impact Fees</u>
General Fund	<u>\$ 4,400,000</u>

The General Fund loaned \$4,400,000 to the Development Impact Fees Fund 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, 2020.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 7 Interfund Receivables, Payables and Transfers (Continued)

c. Interfund Transfers

Transfers Out	Transfers In					Total
	General Fund	Development Impact Fees	CSD Zones	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 993,691	\$ 4,047,396	\$ 1,908,199	\$ 6,949,286
Development Impact Fees	19,968	-	-	7,967,866	-	7,987,834
CSD Zones	-	-	23,988	8,109	-	32,097
Nonmajor Governmental Funds	-	1,055,000	3,262	2,937,062	-	3,995,324
Internal Service Funds	2,083,273	-	193,939	-	80,000	2,357,212
Electric Utility	-	-	-	-	5,354	5,354
Totals	\$ 2,103,241	\$ 1,055,000	\$ 1,214,880	\$14,960,433	\$ 1,993,553	\$ 21,327,107

The General Fund transferred a total of \$6,949,286 to several funds to provide subsidies to cover the operating and capital deficits, and to cover the cost for general benefit services.

The Development Impact Fees Fund and Non-major Governmental Funds transferred a total of \$7,967,866 and \$2,937,062, respectively, to non-major governmental funds for debt service payments and to provide support for several capital projects in the fiscal year.

The Internal Service Funds transferred a total of \$2,357,212 to the General Fund primarily as a result of reserve funds being used to purchase vehicles and equipment as part of fleet operations and replacement program.

d. Transfer In of Land

The Housing Authority received a transfer in of land from the City of \$1,474,226 during the fiscal year. The City of Moreno Valley City Council serves as the Housing Authority's Commissioners and have authorized the sale of land to generate future revenue opportunities to support programs dedicated to ensure decent, safe, sanitary and affordable housing accommodations to persons of low income.

Note 8 Employee Pension Plan

a. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as common investment and administrative agent for its participating member employers. Benefits provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service,

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 8 Employee Pension Plan (Continued)

equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Prior to December 23, 2011	December 23, 2011 thru December 31, 2012	On or after January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-55	50-55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	32.685%	32.685%	32.685%

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Active Employees	307
Retired Employees	349
Inactive Employees	254

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

b. Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 8 Employee Pension Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method
 Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	Varies by Entry Age and Service (1)
Investment rate of return	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a 2014 CalPERS actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is without reduction of pension plan administrative expenses and will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 8 Employee Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Public Equity	51%	4.80%	5.98%
Global Fixed Income	20%	1.00%	2.62%
Inflation Sensitive	6%	0.77%	1.81%
Private Equity	10%	6.30%	7.23%
Real Assets	12%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 8 Employee Pension Plan (Continued)

c. Changes in the Net Pension Liability

The changes in the Net Pension Liability over the measurement period are as follows:

Miscellaneous Plan:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Governmental Activities Net Pension Liability (Asset)	Enterprise Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 202,124,074	\$ 129,714,046	\$ 72,410,028	\$ 70,428,778	\$ 1,981,250
Changes in the year:					
Service Cost	4,096,701	-	4,096,701	3,961,326	135,375
Interest on the Total Pension Liability	14,018,703	-	14,018,703	13,555,457	463,246
Changes of Assumptions	(1,695,079)	-	(1,695,079)	(1,639,065)	(56,014)
Differences between Expected and Actual Experience	(2,163,560)	-	(2,163,560)	(2,092,066)	(71,494)
Net Plan to Plan Resource Movement	-	(323)	323	312	11
Contributions - Employer	-	6,385,610	(6,385,610)	(6,174,598)	(211,012)
Contributions - Employees	-	1,721,640	(1,721,640)	(1,664,749)	(56,891)
Net Investment Income	-	11,053,578	(11,053,578)	(10,688,314)	(365,264)
Benefit Payments, including Refunds of Employee Contributions	(8,495,988)	(8,495,988)	-	-	-
Administrative Expense	-	(202,130)	202,130	195,451	6,679
Other Miscellaneous Income/(Expense)	-	(383,849)	383,849	371,165	12,684
Net Changes	<u>5,760,777</u>	<u>10,078,538</u>	<u>(4,317,761)</u>	<u>(4,175,081)</u>	<u>(142,680)</u>
Balance at June 30, 2019	<u>\$ 207,884,851</u>	<u>\$ 139,792,584</u>	<u>\$ 68,092,267</u>	<u>\$ 66,253,697</u>	<u>\$ 1,838,570</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using the discount rate for the Miscellaneous Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease to 6.15%	Current Discount Rate 7.15%	1% Increase to 8.15%
Net Pension Liability	\$ 96,431,254	\$ 68,092,267	\$ 44,688,271

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 8 Employee Pension Plan (Continued)

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$9,525,258, principally paid by General Fund, Community Services District, and the Electric Utility. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,092,364	\$ -
Changes of assumptions	2,667,667	(1,067,271)
Differences between expected and actual experiences	-	(1,492,901)
Net difference between projected and actual earnings on pension plan investments	154,351	-
	\$ 9,914,382	\$ (2,560,172)

\$7,092,364 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Periods Ending June 30:	
2019	\$ 2,636,213
2020	(678,229)
2021	(1,321,844)
2022	(374,294)
2023	-
Thereafter	-

As of June 30, 2019, the City did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 9 Other Post Employment Benefits (OPEB)

a. 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 CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. The City administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date and employment status (Management or Non-Management). Benefits continue to the surviving spouses.

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.

Benefits Provided

The Public Employees' Medical and Hospital Care Act (PEMHCA) minimum amount for retirees participating in PEMHCA is \$136 per month for 2019 PEMHCA amounts are adjusted on an annual basis.

An additional \$318.73 per month will be paid for medical, dental, and vision for full-time employees hired and for City Council elected before September 30, 2011. The total subsidy will not be greater than the premium for the retiree and spouse. Coverage is allowed under any medical plan.

Employees Covered by Benefit Terms

At June 30, 2018 (the census date), the following employees were covered by the benefit terms:

Category	Count
Active employees	296
Inactive employees or beneficiaries currently receiving benefit payments	270
Inactive employees entitled to but not yet receiving benefit payment	0

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Contributions

The City establishes contributions based on the Actuarially Determined Contribution (ADC). For the year ended June 30, 2019, the City's ADC contribution rate was 4.61% of covered-employee-payroll. Employees do not contribute to the plan, but instead pay the difference between the benefit that they receive and the monthly premium for that benefit.

b. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

This valuation assumes that the City will fund the OPEB benefits using the ADC each year, with the ADC calculated as the sum of the Entry Age Normal Cost (cash subsidy only) for the year plus amortization of the Unfunded Actuarial Accrued Liability (UAAL) and estimated administrative expenses. The Normal Cost is the portion of the Actuarial Present Value of benefits allocated to a valuation year. The UAAL is the excess of the Entry Age Normal Actuarial Accrued Liability over the Market Value of Assets.

The total OPEB liability for the June 30, 2018 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.75% Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return	7.28%
Healthcare cost trend rates	6.50% in the first year, trending down to 3.84% over 58 years.

*Mortality Rates were based on CalPERS Tables

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was used and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	5.82%
Fixed Income	27%	2.37%
Treasury Inflation Protection Securities	5%	1.44%
Real Estate Investment Trusts	8%	4.25%
Commodities	3%	2.34%
Total	100%	4.44%

Discount rate

The discount rate used to measure the total OPEB liability was 7.28%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was determined to be the long-term expected rate of return on OPEB plan investments.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Change in the Net OPEB Liability

The prior GASB 75 valuation had a valuation date of December 31, 2016 and was used for the City's financial reporting as of June 30, 2018. Because GASB 75 does not allow a report date more than 30 months into the future, the City is unable to use the prior valuation report for its June 30, 2019 financial reporting. GASB 75 requires a new full valuation. In this full valuation, a one-time change to the valuation approach was made to bring the census date in line with the measurement date, and to set the report date one year ahead of the measurement date to allow the City to complete reports ahead of the fiscal year-end. The prior report also used the same measurement date. This report updates the values as of the same measurement date, which is June 30, 2018, from the prior report. Some of the prior values were estimates, and some have been changed after the audited CERBT fund information became available. The values in the measurement period of July 1, 2017 to June 30, 2018, only measure the difference in values between the two reports for that measurement period.

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 17,484,881	\$ 10,385,546	\$ 7,099,335
Changes for the year:			-
Differences Between Expected and Actual Experience	135,598	-	135,598
Changes of Assumptions	(854,050)	-	(854,050)
Net Investment Income	-	(72,538)	72,538
Benefit Payments, Including Refunds of Employee Contributions	26,466	26,466	-
Administrative Expenses	-	(66)	66
Net Changes	<u>(691,986)</u>	<u>(46,138)</u>	<u>(645,848)</u>
Balance at June 30, 2019	<u>\$ 16,792,895</u>	<u>\$ 10,339,408</u>	<u>\$ 6,453,487</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) follows:

	1% Decrease 6.28%	Discount Rate 7.28%	1% Increase 8.28%
Net OPEB liability	\$ 8,183,997	\$ 6,453,487	\$ 4,977,564

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.84%) or one percentage point higher (4.84%) than current healthcare cost trend rates follows:

	1% Decrease 5.50% decreasing to 2.84%	Healthcare Cost Trend Rate 6.50% decreasing to 3.84%	1% Increase 7.50% decreasing to 4.84%
Net OPEB liability	\$ 6,218,627	\$ 6,453,487	\$ 6,723,153

c. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized a reduction in OPEB expense of \$208,809. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 115,657	\$ -
Changes of Assumptions	-	(728,454)
Net Difference Between Projected and Actual Earnings on Plan Investments	-	(124,213)
City Contribution Subsequent to the Measurement Date	956,519	-
Total	\$ 1,072,176	\$ (852,667)

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	\$ (208,875)
2021	(208,875)
2022	(37,934)
2023	(91,149)
2024	(105,655)
Thereafter	(84,522)

Note 10 Commitments and Contingencies

a. 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.

b. Construction Commitments

The following material construction commitments existed at June 30, 2019:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of 6/30/2019</u>	<u>Remaining Commitments</u>
<u>Governmental Activities</u>			
Alessandro Blvd/Grant St Traffic Signal	\$ 579,251	\$ 211,180	\$ 368,071
Cycle 7 ADA Pedestrian Access Ramps & Liberty Lane	616,550	211,180	405,370
SR- 60/ Moreno Beach IC Phase 2	1,415,659	352,123	1,063,536
SR- 60/ World Logistics Center Parkway Interchange	3,315,222	2,074,178	1,241,044
Other projects	2,254,395	1,585,008	669,387
<u>Electric Utility</u>			
Alessandro Crosstown Tie	\$ 2,622,010	\$ 1,221,589	\$ 1,400,421
Heacock Crosstown Tie	1,579,824	1,531,975	47,849
Bay & Indian Line Extensions	192,318	150,995	41,323
ENCO Work Authorizations on MVU CIP Projects	279,692	175,562	104,130

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 10 Commitments and Contingencies (Continued)

c. 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.

d. Grants Review

The City has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expense disallowances under terms of the grants or contracts, it is believed that any required reimbursements will not be material.

e. Tax Abatements

GASB 77

As of June 30, 2019, the City has entered into two agreements to provide tax abatements to local businesses. These abatements are designed to encourage businesses to hire city residents and have "local hire" clauses in them. The structure of the abatement, or rebate, and the local-hire requirement is specific to each agreement and may vary with each one.

Agreement # 1

The terms of Agreement # 1, approved by City Council Resolution 2015-54, require that sales tax is refunded based on preset percentages over the life of the agreement. The original agreement covered a ten-year period but on August 23, 2018, the participating business completed the additional conditions which were required to extend the agreement to the full twenty-year period. Payments are made to the business on a quarterly basis as the detailed sales tax data is received from the California Board of Equalization.

The participating business is required to certify their compliance annually. If hiring levels fall below the 30% for a given year, the City is entitled to recapture a pro-rate share of the revenues abated for that year. The recapture clause is limited to the payments that pertain to the particular year where the requirement was not met and cannot be applied to any payments previously earned.

<u>Agreement Years</u>	<u>Tax Abatement Rate</u>
Years 1 through 5	60%
Years 6 through 10	50%
Years 11 through 15	50%
Years 16 through 20	40%

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 10 Commitments and Contingencies (Continued)

Agreement # 2

The terms of Agreement # 2, approved by City Council Resolution 2016-11, require that sales tax be refunded based on reaching established thresholds as shown in the following table. The term of this agreement is four years and is capped at \$60,000 per year and at \$240,000 over the life of the agreement.

The participating business is required to certify their compliance annually. If hiring levels fall below the 30% for a given year, the City is entitled to withhold the abatement for that year.

<u>Threshold #</u>	<u>Annual Threshold Range</u>	<u>Distribution</u>
Threshold #1	\$0-\$60,000	Retained by City
Threshold #2	\$60,001-\$120,000	Due to Business
Threshold #3	Over \$120,000	Retained by City

Section 7056.a.1 of the California Revenue and Taxation Codes states that “it is unlawful for the board, any person having an administrative duty under this part or any person who obtains access to information contained in, or derived from, sales or transactions and use tax records of the board pursuant to subdivision (b), to make known in any manner whatever the business affairs, operations, or any other information pertaining to any retailer or any other person required to report to the board or pay a tax pursuant to this part”. As such the City is unable to provide the amount of the tax that was abated during the year since this would result in a breach of the confidentiality standard.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 11 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 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 \$1,294,000 and \$713,000 for the workers' compensation claims and general liability claims, respectively, for a total of \$2,007,000. Of these amounts, the current year's adjustment is a decrease of \$120,000.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 11 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:

	<u>General Liability</u>	<u>Workers Compensation</u>	<u>Total</u>
Amounts of accrued claims at June 30, 2017	\$ 954,000	\$ 1,446,000	\$ 2,400,000
Incurred claims, representing the total of 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.	(233,291)	239,443	6,152
Payments on claims attributable to events of both the current fiscal year and prior fiscal years.	<u>(53,709)</u>	<u>(225,443)</u>	<u>(279,152)</u>
Amount of accrued claims at June 30, 2018	667,000	1,460,000	2,127,000
Incurred claims, representing the total of 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.	270,270	99,048	369,318
Payments on claims attributable to events of both the current fiscal year and prior fiscal years.	<u>(224,270)</u>	<u>(265,048)</u>	<u>(489,318)</u>
Amount of accrued claims at June 30, 2019	<u><u>\$ 713,000</u></u>	<u><u>\$ 1,294,000</u></u>	<u><u>\$ 2,007,000</u></u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 12 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).

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 City acts as the Successor Agency for the former redevelopment agency and accounts for its activities in a private purpose trust fund.

Cash and Investments

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

Cash and Investments	\$	3,081,843
Cash and Investments with Fiscal Agent		<u>189,555</u>
	\$	<u><u>3,271,398</u></u>

The Successor Agency’s cash and investments are pooled with the City’s cash and investments 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, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 12 Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

Long-term Debt

A description of long-term debt outstanding of the Successor Agency as of June 30, 2019, follows:

	Balance July 1, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year
Fiduciary Activities					
City loans - Principal	\$ 10,406,856	\$ -	\$ (595,141)	\$ 9,811,715	\$ 595,140
City loans - Interest	2,872,485	-	(167,859)	2,704,626	167,860
2017 Ref of the 2007 TABs, Series A	38,045,000	-	-	38,045,000	-
Unamortized premium	3,507,213	-	(167,010)	3,340,203	167,010
Totals	<u>\$ 54,831,554</u>	<u>\$ -</u>	<u>\$ (930,010)</u>	<u>\$ 53,901,544</u>	<u>\$ 930,010</u>

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 4.9% and are payable solely from available site-generated property tax increment. 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, 2019, the outstanding principal and accrued interest balances are \$9,811,715 and \$2,704,626, respectively.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

**Note 12 Successor Agency Trust for Assets of the Former Redevelopment Agency
(Continued)**

2017 Tax Allocation Bonds Series A

On September 13, 2017, the Successor Agency for the City of Moreno Valley issued bonds in the amount of \$38,045,000 for the purpose of paying off the remaining portion of the 2007 Moreno Valley Redevelopment Agency Tax Allocation Bonds (\$40,855,000 as of August 1, 2017). These bonds are comprised of both serial and term bonds bearing interest rates ranging from 3.125% to 5%. With a final maturity of August 1, 2038 that bear a true interest cost of 3.057%. These bonds include an optional call provision beginning in 2027. The repayment of this debt will be financed through Tax Increment and has been approved by the California Department of Finance to be included in future Recognized Obligation Payment Schedules (ROPS) submitted by the Successor Agency. This transaction is a current refunding of the outstanding debt, and resulted in an economic gain of \$8 million and a net savings in debt service costs of \$9.2 million.

The annual debt service requirements for the 2017 Tax Allocation Bonds Series A outstanding at June 30, 2019, are as follows:

Year Ending June 30,	2017 Tax Allocation Bonds Series A	
	Principal	Interest
2020	\$ -	\$ 1,506,881
2021	-	1,506,881
2022	-	1,506,881
2023	-	1,506,881
2024	-	1,506,881
2025-2029	7,835,000	6,866,356
2030-2034	13,540,000	4,073,106
2035-2039	16,670,000	1,326,047
Totals	<u>\$ 38,045,000</u>	<u>\$ 19,799,914</u>

City of Moreno Valley, California

Notes to Financial Statements
Year Ended June 30, 2019 (Continued)

Note 12 **Successor Agency Trust for Assets of the Former Redevelopment Agency
(Continued)**

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 \$57,844,914 with annual debt service requirements as indicated in the previous chart. 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 \$5,157,856 and the debt service obligation on the bonds was \$2,240,009.

a. 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 11.

b. Commitments and Contingencies

Litigation

At June 30, 2019, 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.

Note 13 **Subsequent Events**

The City has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 10, 2019, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that requires recognition or additional disclosure in the financial statements.

City of Moreno Valley

Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years*

	Measurement Period ended June 30				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 4,630,703	\$ 4,122,713	\$ 3,836,160	\$ 4,154,188	\$ 4,096,701
Interest on total pension liability	11,785,648	12,457,642	12,991,903	13,608,182	14,018,703
Changes in assumptions	—	(3,142,601)	—	11,559,898	(1,695,079)
Differences between expected and actual experience	—	(1,159,680)	(2,531,675)	(566,196)	(2,163,560)
Benefit payments, including refunds of employee contributions	(5,670,706)	(6,643,394)	(7,199,811)	(7,770,872)	(8,495,988)
Net change in total pension liability	10,745,645	5,634,680	7,096,577	20,985,200	5,760,777
Total pension liability - beginning of year	157,661,972	168,407,617	174,042,297	181,138,874	202,124,074
Total pension liability - end of year (a)	\$ 168,407,617	\$ 174,042,297	\$ 181,138,874	\$ 202,124,074	\$ 207,884,851
Plan Fiduciary Net Position					
Contributions - employer	\$ 4,620,745	\$ 4,923,787	\$ 5,086,125	\$ 5,743,170	\$ 6,385,610
Contributions - employee	1,934,518	1,688,857	1,705,426	1,676,844	1,721,640
Net investment income	16,911,034	2,629,698	639,392	13,032,362	11,053,578
Benefit payments	(5,670,706)	(6,643,394)	(7,199,811)	(7,770,872)	(8,495,988)
Net Plan to Plan Resource Movement	—	—	—	(7,368)	(323)
Administrative expenses	—	(132,025)	(71,338)	(173,057)	(202,130)
	—	—	—	—	(383,849)
Net change in plan fiduciary net position	17,795,591	2,466,923	159,794	12,501,079	10,078,538
Plan fiduciary net position - beginning of year	96,790,659	114,586,250	117,053,173	117,212,967	129,714,046
Plan fiduciary net position - end of year (b)	\$ 114,586,250	\$ 117,053,173	\$ 117,212,967	\$ 129,714,046	\$ 139,792,584
Net pension liability - end of year (a)-(b)	\$ 53,821,367	\$ 56,989,124	\$ 63,925,907	\$ 72,410,028	\$ 68,092,267
Plan fiduciary net position as a percentage of the total pension liability	68.04%	67.26%	64.71%	64.18%	67.25%
Covered payroll	\$ 23,278,052	\$ 22,079,654	\$ 20,814,759	\$ 20,793,815	\$ 20,860,026
Net pension liability as percentage of covered payroll	231.21%	258.11%	307.12%	348.23%	326.42%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumption - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were base on the 7.5 percent discount rate.

* Historical information is required only for measurement periods where GASB 68 is applicable.

City of Moreno Valley

**Schedule of Pension Plan Contributions
Last Ten Years***

	For the Fiscal Years Ended June 30					
	2014	2015	2016	2017	2018	2019
Actually determined contributions	\$ 4,616,283	\$ 4,919,325	\$ 5,081,663	\$ 5,738,708	\$ 6,385,610	\$ 7,210,453
Contributions in relation to the actuarially determined contributions	(4,620,745)	(4,923,787)	(5,086,125)	(5,743,170)	(6,385,610)	(7,092,364)
Contribution deficiency / (excess)	\$ (4,462)	\$ (4,462)	\$ (4,462)	\$ (4,462)	\$ -	\$ 118,089
Covered payroll	\$23,278,052	\$22,079,654	\$20,814,759	\$20,793,815	\$20,860,026	\$21,699,131
Contributions as a percentage of covered payroll	19.85%	22.30%	24.44%	27.62%	30.61%	32.69%

Notes to Schedule:

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
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The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2016 public agency valuations.

Actuarial cost method	Entry Age Normal
Amortization method / Period	For details, see June 30, 2016 Funding Valuation
Asset valuation method	Market Value of Assets. For details, see June 30, 2016 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, Net of Pension Plan Investment and Administrative Expenses; including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Historical information is required only for measurement periods where GASB 68 is applicable.

City of Moreno Valley

**Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years***

	Measurement Period Ended		
	June 30, 2016	June 30, 2017	June 30, 2018
Total OPEB Liability			
Service cost	\$ 397,604	\$ 409,532	\$ -
Interest on total OPEB liability	1,103,301	1,149,342	-
Differences between expected and actual experience	-	-	135,598
Changes of Assumptions	-	-	(854,050)
Benefit payments, including refunds of employee contributions	(977,892)	(700,673)	26,466
Implicit rate subsidy fulfilled	-	(285,661)	-
Net change in total OPEB liability	<u>523,013</u>	<u>572,540</u>	<u>(691,986)</u>
Total OPEB liability - beginning of year	<u>16,389,328</u>	<u>16,912,341</u>	<u>17,484,881</u>
Total OPEB liability - end of year (a)	<u>\$ 16,912,341</u>	<u>\$ 17,484,881</u>	<u>\$ 16,792,895</u>
Plan Fiduciary Net Position			
Net investment income	\$ 1,450,417	\$ 423,688	\$ (72,538)
Contributions - employer	1,116,747	642,216	-
Employer - implicit subsidy	-	285,661	-
Benefit payments, including refunds of employee contributions	(977,892)	(700,673)	26,466
Implicit rate subsidy fulfilled	-	(285,661)	-
Administrative expenses	(4,601)	(5,244)	(66)
Net change in plan fiduciary net position	<u>1,584,671</u>	<u>359,987</u>	<u>(46,138)</u>
Plan fiduciary net position - beginning of year	<u>8,440,888</u>	<u>10,025,559</u>	<u>10,385,546</u>
Plan fiduciary net position - end of year (b)	<u>\$ 10,025,559</u>	<u>\$ 10,385,546</u>	<u>\$ 10,339,408</u>
Net OPEB liability - end of year (a)-(b)	<u>\$ 6,886,782</u>	<u>\$ 7,099,335</u>	<u>\$ 6,453,487</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>59.28%</u>	<u>59.40%</u>	<u>61.57%</u>
Covered - employee payroll	<u>\$ 20,650,038</u>	<u>\$ 21,269,539</u>	<u>\$ 20,129,158</u>
Net OPEB liability as percentage of covered-employee payroll	<u>33.35%</u>	<u>33.38%</u>	<u>32.06%</u>

* Historical information is required only for measurement periods where GASB 75 is applicable.

City of Moreno Valley

**Schedule of Contributions - OPEB
Last Ten Years***

	For the Fiscal Years Ended June 30		
	2017	2018	2019
Actually determined contributions	\$ 642,132	\$ 659,902	\$ 659,902
Contributions in relation to the actuarially determined contributions	(838,855)	(642,216)	(927,877)
Contribution deficiency / (excess)	<u>\$ (196,723)</u>	<u>\$ 17,686</u>	<u>\$ (267,975)</u>
Covered-employee payroll	<u>\$ 20,650,038</u>	<u>\$ 21,269,539</u>	<u>\$ 20,129,158</u>
Contributions as a percentage of covered-employee payroll	<u>4.06%</u>	<u>3.02%</u>	<u>4.61%</u>

Notes to Schedule:

Valuation date	6/30/2017	6/30/2018	6/30/2018
Actuarial cost method	Entry age normal cost, level percent of pay		
Amortization method	Closed period, level percent of pay		
Amortization period	20 years		
Inflation	2.50%		
Assumed Payroll Growth	2.75%		
Healthcare trend rates	6.50%, trending down to 3.84%		
Rate of return on assets	7.28%		
Mortality rate	CalPERS rates		
Retirement rates	CalPERS rates		

* Historical information is required only for measurement periods where GASB 75 is applicable.

City of Moreno Valley

**Schedule of Investment Returns - OPEB
Last Ten Years***

	<u>Fiscal Year Ended June 30, 2017</u>	<u>Fiscal Year Ended June 30, 2018</u>	<u>Fiscal Year Ended June 30, 2019</u>
Annual money-weighted rate of return, net of investment expense	9.77%	10.24%	-0.70%

Notes: The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

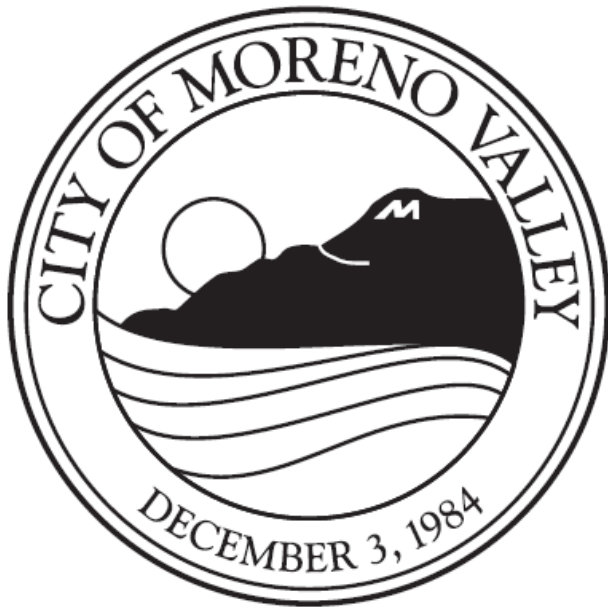
* Historical information is required only for measurement periods where GASB 75 is applicable.

Supplemental Schedules



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

State Gasoline Tax Fund

This fund is used to account for the City's share of state gas tax revenue restricted for street improvement and maintenance. The revenue is apportioned under the Streets and Highway Code of the State of California.

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.

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.

Special Districts Administration Fund

This fund is used to account for the coordination and administration of all special financing districts formed to finance the construction of public infrastructure improvements and/or fund the operation and maintenance of public improvements and administered by the City or CSD.

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 providing for routine street sweeping, cleaning of all catch basins, connector pipes and culverts on an annual basis, and by providing emergency services, as needed.

Storm Water Management Fund

This fund is used to account for the city-wide storm water and non-storm water pollution prevention work conducted to comply with regulations set forth by the Federal Clean Water Act and State Water Resources Control Board.

CFD No. 4-M Fund

This fund is used to account for the maintenance and administration costs of the detention basin within Centerpointe Business Park.

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.

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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED):

Emergency Services Agency Fines Fund

This fund is used to account for the financial transactions involving American Medical Response (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.

General Plan Amendments Fund

This fund is used to account for revenues and expenditures related to support future General Plan Amendments.

Quimby In-Lieu Park Fees Fund

This fund is used to account for residential development fees in lieu of land dedication. In accordance with the Quimby Act, a 1965 provision in the State Subdivision Map Act for the dedication of park land. This revenue may be used for the development of parks and recreation facilities, including land acquisition, park improvements and rehabilitation of existing parks and facilities.

CFD No. 2014-01 Fund

This fund is used to account for the maintenance and administrative services related to public landscape maintenance and street lighting for developments that have annexed into the district.

Child Care Grant Fund

This fund is used to account for the Child Care grant program which provides valuable, subsidized, after-school day care services for qualifying City residents year-round. Nutritious meals and snacks are served to the children, and partially reimbursed to the City through participation in the Child and Adult Care Food Program (CACFP).

ASES Program Grant Fund

This fund is used to account for state-funded After School Education & Safety (ASES) program grants which provide expanded learning opportunities in an after-school setting, at no cost. Services are provided to participants from kindergarten through eighth grade. Children are also served a nutritious snack daily.

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 support for convenient used oil collection sites.

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 beverage recycling, energy efficiency, and animal services programs.

Capital Projects Grants Fund

This fund is used to account for capital projects financed by grants.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED):

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).

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.

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.

Emergency Solutions Grants 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 assist, protect, and improve living conditions for the homeless and to provide homeless prevention services for low-income families.

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.

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 capital projects with co-op and reimbursement agreements with Riverside County Flood Control (RCFC) and Eastern Municipal Water District (EMWD).

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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS (CONTINUED):

Traffic Signal Mitigation Fund

This fund is used to account for traffic signal projects funded by revenues received from traffic mitigation fees.

Parks and Community Services Development and Capital Projects Fund

This fund is used to account for parks acquisition and development projects, including 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.

DIF Capital Projects Fund

This fund is used to account for construction of capital improvements by the development impact fee (DIF) revenues.

DEBT SERVICE FUNDS:

TRIP COP 13A

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 of 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.

2014 Refunding of 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.

2011 Private Placement Refunding 97 Lease Revenue 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.

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 may use 85% of the interest earned to sponsor a community event/activity 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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

PERMANENT FUNDS (CONTINUED):

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 to provide recreational opportunities to the surrounding development areas.

NPDES Endowment Fund

This fund is used to account for the endowment program provided for property owners to facilitate compliance with regulations set forth by the Federal Clean Water Act and State Water Resources Control Board. The principal endowment was provided by a property owner. The interest earned will be used for the benefit of the National Pollutant Discharge Elimination System (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.

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City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

	STATE GASOLINE TAX	MEASURE A	AIR QUALITY MANAGEMENT	SPECIAL DISTRICTS ADMINISTRATION
Assets				
Pooled cash and investments	\$ 4,799,200	\$ 3,255,498	\$ 263,924	\$ 1,846,755
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	322,577	328,001	69,818	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 5,121,777	\$ 3,583,499	\$ 333,742	\$ 1,846,755
Liabilities				
Accounts payable	\$ 12,956	\$ 14,279	\$ 10,050	\$ 1,647
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	12,956	14,279	10,050	1,647
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	5,108,821	3,569,220	323,692	1,845,108
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	5,108,821	3,569,220	323,692	1,845,108
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,121,777	\$ 3,583,499	\$ 333,742	\$ 1,846,755

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

STORM WATER MAINTENANCE	STORM WATER MANAGEMENT	CFD No. 4-M	PUBLIC EDUCATION GOVERNMENT ACCESS	
\$ -	\$ 1,381,280	\$ 78,815	\$ 882,209	Assets
2,163	644	-	113,446	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
252,125	16,870	-	-	Notes and loans
-	-	-	-	Interest
-	-	-	-	Due from other governments
-	-	-	-	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 254,288</u>	<u>\$ 1,398,794</u>	<u>\$ 78,815</u>	<u>\$ 995,655</u>	Total Assets
\$ 8,328	\$ 48,373	\$ 7,523	\$ -	Liabilities
-	-	-	-	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
22,332	-	-	-	Due to other funds
<u>30,660</u>	<u>48,373</u>	<u>7,523</u>	<u>-</u>	Total Liabilities
-	-	-	-	Deferred Inflows of Resources
-	-	-	-	Unavailable revenues
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total Deferred Inflows of Resources
-	-	-	-	Fund Balances
-	-	-	-	Nonspendable:
-	-	-	-	Permanent fund principal
-	-	-	995,655	Restricted:
223,628	-	71,292	-	Community development projects
-	-	-	-	Public safety
-	-	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	1,350,421	-	-	Water quality
-	-	-	-	Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>223,628</u>	<u>1,350,421</u>	<u>71,292</u>	<u>995,655</u>	Total Fund Balances
<u>\$ 254,288</u>	<u>\$ 1,398,794</u>	<u>\$ 78,815</u>	<u>\$ 995,655</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

	<u>CIVIL PENALTIES</u>	<u>EMERGENCY SERVICES AGENCY FINES</u>	<u>ENERGY EFFICIENCY REVOLVING</u>	<u>GENERAL PLAN AMENDMENTS</u>
Assets				
Pooled cash and investments	\$ 8,211	\$ 618,440	\$ 149,434	\$ 1,950,000
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 8,211	\$ 618,440	\$ 149,434	\$ 1,950,000
Liabilities				
Accounts payable	\$ 5,055	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	5,055	-	-	-
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	3,156	-	-	-
Public safety	-	618,440	-	-
Public works	-	-	149,434	1,950,000
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	3,156	618,440	149,434	1,950,000
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,211	\$ 618,440	\$ 149,434	\$ 1,950,000

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

QUIMBY IN-LIEU PARK FEES	CFD No. 2014-01	CHILD CARE GRANT	ASES PROGRAM GRANT	
\$ 1,166,125	\$ 499,493	\$ 8,109	\$ -	Assets
-	-	-	-	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
-	-	-	-	Notes and loans
-	-	-	-	Interest
-	993	94,705	565,110	Due from other governments
-	-	-	-	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 1,166,125</u>	<u>\$ 500,486</u>	<u>\$ 102,814</u>	<u>\$ 565,110</u>	Total Assets
				Liabilities
\$ -	\$ 4,354	\$ 26,677	\$ 23,962	Accounts payable
-	-	34,811	-	Accrued liabilities
-	-	-	-	Unearned revenues
-	-	33,217	504,572	Due to other funds
<u>-</u>	<u>4,354</u>	<u>94,705</u>	<u>528,534</u>	Total Liabilities
				Deferred Inflows of Resources
-	-	-	-	Unavailable revenues
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total Deferred Inflows of Resources
				Fund Balances
				Nonspendable:
-	-	-	-	Permanent fund principal
				Restricted:
1,166,125	-	8,109	36,576	Community development projects
-	-	-	-	Public safety
-	496,132	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
				Committed:
-	-	-	-	Library development
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Unassigned
<u>1,166,125</u>	<u>496,132</u>	<u>8,109</u>	<u>36,576</u>	Total Fund Balances
<u>\$ 1,166,125</u>	<u>\$ 500,486</u>	<u>\$ 102,814</u>	<u>\$ 565,110</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

	USED OIL RECYCLING	OTHER GRANTS	CAPITAL PROJECTS GRANTS	LAW ENFORCEMENT GRANTS
Assets				
Pooled cash and investments	\$ 55,313	\$ 113,544	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	42,375	1,916,652	6,017
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 55,313	\$ 155,919	\$ 1,916,652	\$ 6,017
Liabilities				
Accounts payable	\$ 50	\$ 50,422	\$ 468,705	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	55,263	56,340	-	-
Due to other funds	-	-	883,521	6,017
Total Liabilities	55,313	106,762	1,352,226	6,017
Deferred Inflows of Resources				
Unavailable revenues	-	49,157	-	-
Total Deferred Inflows of Resources	-	49,157	-	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	-	-	564,426	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	-	564,426	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 55,313	\$ 155,919	\$ 1,916,652	\$ 6,017

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Special Revenue Funds

HOME	COMMUNITY DEVELOPMENT BLOCK GRANT	EMERGENCY SOLUTIONS GRANT	ARTICLE 3 TRANSPORTATION	
\$ 52,591	\$ 715,825	\$ -	\$ -	Assets
-	-	-	-	Pooled cash and investments
6,860,003	-	-	-	Receivables:
605,045	-	-	-	Accounts
228,936	722,408	132,347	48,991	Notes and loans
-	-	-	-	Interest
<u>\$ 7,746,575</u>	<u>\$ 1,438,233</u>	<u>\$ 132,347</u>	<u>\$ 48,991</u>	Due from other governments
				Restricted assets:
				Cash with fiscal agents
				Total Assets
\$ 103,951	\$ 1,438,233	\$ 113,781	\$ -	Liabilities
-	-	-	-	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
-	-	18,566	48,991	Due to other funds
<u>103,951</u>	<u>1,438,233</u>	<u>132,347</u>	<u>48,991</u>	Total Liabilities
1,928,587	-	-	-	Deferred Inflows of Resources
<u>1,928,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	Unavailable revenues
				Total Deferred Inflows of Resources
-	-	-	-	Fund Balances
5,714,037	-	-	-	Nonspendable:
-	-	-	-	Permanent fund principal
-	-	-	-	Restricted:
-	-	-	-	Community development projects
-	-	-	-	Public safety
-	-	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
-	-	-	-	Committed:
-	-	-	-	Library development
<u>5,714,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	Unassigned
				Total Fund Balances
<u>\$ 7,746,575</u>	<u>\$ 1,438,233</u>	<u>\$ 132,347</u>	<u>\$ 48,991</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Capital Project Funds

	FACILITY CONSTRUCTION	PUBLIC WORKS CAPITAL PROJECTS	TUMF CAPITAL PROJECTS	TRAFFIC SIGNAL MITIGATION
Assets				
Pooled cash and investments	\$ 16,241,673	\$ 1,065,043	\$ -	\$ 283,163
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	4,493,500	15,323	379,729	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 20,735,173	\$ 1,080,366	\$ 379,729	\$ 283,163
Liabilities				
Accounts payable	\$ 51,763	\$ 67,308	\$ 102,245	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	277,484	-
Total Liabilities	51,763	67,308	379,729	-
Deferred Inflows of Resources				
Unavailable revenues	4,493,500	-	198,206	-
Total Deferred Inflows of Resources	4,493,500	-	198,206	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	9,421,910	1,013,058	-	283,163
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	6,768,000	-	-	-
Unassigned	-	-	(198,206)	-
Total Fund Balances	16,189,910	1,013,058	(198,206)	283,163
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 20,735,173	\$ 1,080,366	\$ 379,729	\$ 283,163

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Capital Project Funds		Debt Service Funds		
PARKS & COMMUNITY SERVICES DEVELOPMENT & CAPITAL PROJECTS	DIF CAPITAL PROJECTS	TRIP COP 13A	2013 REFUNDING OF 2005 LEASE REVENUE BONDS	
\$ 2,402,546	\$ 3,746,769	\$ -	\$ -	Assets
-	-	-	-	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
-	-	-	-	Notes and loans
-	-	-	-	Interest
-	6,762	-	-	Due from other governments
-	-	3,846	282	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 2,402,546</u>	<u>\$ 3,753,531</u>	<u>\$ 3,846</u>	<u>\$ 282</u>	Total Assets
				Liabilities
\$ 144,162	\$ 27,395	\$ -	\$ -	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
-	-	-	-	Due to other funds
<u>144,162</u>	<u>27,395</u>	<u>-</u>	<u>-</u>	Total Liabilities
				Deferred Inflows of Resources
-	-	-	-	Unavailable revenues
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total Deferred Inflows of Resources
				Fund Balances
				Nonspendable:
-	-	-	-	Permanent fund principal
				Restricted:
-	-	-	-	Community development projects
-	-	-	-	Public safety
-	-	-	-	Public works
2,258,384	3,726,136	-	-	Capital projects
-	-	3,846	282	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
				Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>2,258,384</u>	<u>3,726,136</u>	<u>3,846</u>	<u>282</u>	Total Fund Balances
<u>\$ 2,402,546</u>	<u>\$ 3,753,531</u>	<u>\$ 3,846</u>	<u>\$ 282</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Debt Service Funds		Permanent Funds	
	2014 REFUNDING OF 2005 LEASE REVENUE BONDS	2011 PRIVATE PLACEMENT REFUNDING 97 LEASE REVENUE BONDS	CELEBRATION PARK ENDOWMENT	EQUESTRIAN TRAIL ENDOWMENT
Assets				
Pooled cash and investments	\$ 6,019,058	\$ -	\$ 51,329	\$ 11,183
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash with fiscal agents	215	-	-	-
Total Assets	<u>\$ 6,019,273</u>	<u>\$ -</u>	<u>\$ 51,329</u>	<u>\$ 11,183</u>
Liabilities				
Accounts payable	-	-	-	-
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	49,050	10,000
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	-	-	-	-
Debt service	6,019,273	-	-	-
Endowment	-	-	2,279	1,183
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>6,019,273</u>	<u>-</u>	<u>51,329</u>	<u>11,183</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,019,273</u>	<u>\$ -</u>	<u>\$ 51,329</u>	<u>\$ 11,183</u>

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Permanent Funds

ROCKRIDGE PARK ENDOWMENT	NPDES ENDOWMENT	CULTURAL PRESERVATION	Total Nonmajor Governmental Funds	
\$ 114,567	\$ 33,610	\$ 126,154	\$ 47,939,861	Assets
-	-	-	116,253	Pooled cash and investments
-	-	-	6,860,003	Receivables:
-	-	-	605,045	Accounts
-	-	-	9,643,239	Notes and loans
-	-	-	-	Interest
-	-	-	4,343	Due from other governments
<u>\$ 114,567</u>	<u>\$ 33,610</u>	<u>\$ 126,154</u>	<u>\$ 65,168,744</u>	Restricted assets:
				Cash with fiscal agents
				Total Assets
-	-	-	\$ 2,731,219	Liabilities
-	-	-	34,811	Accounts payable
-	-	-	111,603	Accrued liabilities
-	-	-	1,794,700	Unearned revenues
-	-	-	<u>4,672,333</u>	Due to other funds
				Total Liabilities
-	-	-	6,669,450	Deferred Inflows of Resources
-	-	-	<u>6,669,450</u>	Unavailable revenues
				Total Deferred Inflows of Resources
100,000	14,506	114,542	288,098	Fund Balances
-	-	-	7,923,658	Nonspendable:
-	-	-	618,440	Permanent fund principal
-	-	-	13,737,327	Restricted:
-	-	-	17,267,077	Community development projects
-	-	-	6,023,401	Public safety
14,567	19,104	11,612	48,745	Public works
-	-	-	1,350,421	Capital projects
-	-	-	6,768,000	Debt service
-	-	-	(198,206)	Endowment
<u>114,567</u>	<u>33,610</u>	<u>126,154</u>	<u>53,826,961</u>	Water quality
				Committed:
				Library development
				Unassigned
				Total Fund Balances
<u>\$ 114,567</u>	<u>\$ 33,610</u>	<u>\$ 126,154</u>	<u>\$ 65,168,744</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

Special Revenue Funds

	STATE GASOLINE TAX	MEASURE A	AIR QUALITY MANAGEMENT	SPECIAL DISTRICTS ADMINISTRATION
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,036,548	4,744,560	269,308	-
Fees and charges for services	625	-	-	732,189
Use of money and property	-	58,950	4,694	49,157
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	8,037,173	4,803,510	274,002	781,346
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community & economic development	-	-	-	-
Community & cultural	-	-	-	-
Public works	3,853,862	1,991,910	220,345	629,758
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	1,250,798	673,837	14,297	-
Total Expenditures	5,104,660	2,665,747	234,642	629,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,932,513	2,137,763	39,360	151,588
Other Financing Sources (Uses)				
Transfers in (note 7)	300,000	-	-	-
Transfers from Successor Agency	-	-	-	-
Transfers out (note 7)	(50,000)	(2,542,905)	-	-
Total Other Financing Sources (Uses)	250,000	(2,542,905)	-	-
Net change in Fund Balances	3,182,513	(405,142)	39,360	151,588
Fund Balances				
Fund Balances - Beginning of Year	1,926,308	3,974,362	284,332	1,693,520
Fund Balances - End of Year	\$ 5,108,821	\$ 3,569,220	\$ 323,692	\$ 1,845,108

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

Special Revenue Funds

STORM WATER MAINTENANCE	STORM WATER MANAGEMENT	CFD No. 4-M	PUBLIC EDUCATION GOVERNMENT ACCESS	
				Revenues
				Taxes:
\$ -	\$ -	\$ -	\$ -	Other taxes
-	-	-	-	Intergovernmental
483,363	753,405	25,696	-	Fees and charges for services
-	-	2,761	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	678,378	Miscellaneous
<u>483,363</u>	<u>753,405</u>	<u>28,457</u>	<u>678,378</u>	Total Revenues
				Expenditures
				Current:
-	-	-	718,564	General government
-	-	-	-	Public safety
-	-	-	-	Community & economic development
-	-	-	-	Community & cultural
489,342	558,866	29,871	-	Public works
-	-	-	-	Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	-	-	-	Capital outlay
<u>489,342</u>	<u>558,866</u>	<u>29,871</u>	<u>718,564</u>	Total Expenditures
<u>(5,979)</u>	<u>194,539</u>	<u>(1,414)</u>	<u>(40,186)</u>	Excess (Deficiency) of Revenues Over (Under) Expenditures
				Other Financing Sources (Uses)
50,000	223	-	-	Transfers in (note 7)
-	-	-	-	Transfers from Successor Agency
-	-	-	-	Transfers out (note 7)
<u>50,000</u>	<u>223</u>	<u>-</u>	<u>-</u>	Total Other Financing Sources (Uses)
44,021	194,762	(1,414)	(40,186)	Net change in Fund Balances
179,607	1,155,659	72,706	1,035,841	Fund Balances
<u>\$ 223,628</u>	<u>\$ 1,350,421</u>	<u>\$ 71,292</u>	<u>\$ 995,655</u>	Fund Balances - Beginning of Year
				Fund Balances - End of Year

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Special Revenue Funds

	<u>CIVIL PENALTIES</u>	<u>EMERGENCY SERVICES AGENCY FINES</u>	<u>ENERGY EFFICIENCY REVOLVING</u>	<u>GENERAL PLAN AMENDMENTS</u>
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	95,104	-	-
Fees and charges for services	-	-	-	-
Use of money and property	-	19,624	-	-
Fines and forfeitures	286	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	286	114,728	-	-
Expenditures				
Current:				
General government	81,406	-	-	-
Public safety	-	721	-	-
Community & economic development	-	-	-	-
Community & cultural	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	90,924	-	-
Total Expenditures	81,406	91,645	-	-
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(81,120)	23,083	-	-
Other Financing Sources (Uses)				
Transfers in (note 7)	-	-	-	200,000
Transfers from Successor Agency	-	-	-	-
Transfers out (note 7)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	200,000
Net change in Fund Balances	(81,120)	23,083	-	200,000
Fund Balances				
Fund Balances - Beginning of Year	84,276	595,357	149,434	1,750,000
Fund Balances - End of Year	\$ 3,156	\$ 618,440	\$ 149,434	\$ 1,950,000

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Special Revenue Funds

QUIMBY IN-LIEU PARK FEES	CFD No. 2014-01	CHILD CARE GRANT	ASES PROGRAM GRANT	
\$ -	\$ 209,744	\$ -	\$ -	Revenues
-	-	803,118	7,534,800	Taxes:
890,208	28,501	11,397	-	Other taxes
23,888	6,743	-	-	Intergovernmental
-	-	-	-	Fees and charges for services
-	-	-	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	-	Miscellaneous
<u>914,096</u>	<u>244,988</u>	<u>814,515</u>	<u>7,534,800</u>	Total Revenues
-	-	-	-	Expenditures
-	-	-	-	Current:
-	-	-	-	General government
-	-	-	-	Public safety
-	-	-	-	Community & economic development
-	-	814,515	7,542,604	Community & cultural
-	59,883	-	-	Public works
-	-	-	-	Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	-	-	-	Capital outlay
-	<u>59,883</u>	<u>814,515</u>	<u>7,542,604</u>	Total Expenditures
<u>914,096</u>	<u>185,105</u>	-	<u>(7,804)</u>	Excess (Deficiency) of Revenues Over (Under) Expenditures
387,650	-	8,109	-	Other Financing Sources (Uses)
-	-	-	-	Transfers in (note 7)
(135,621)	(3,262)	-	-	Transfers from Successor Agency
-	-	-	-	Transfers out (note 7)
<u>252,029</u>	<u>(3,262)</u>	<u>8,109</u>	-	Total Other Financing Sources (Uses)
1,166,125	181,843	8,109	(7,804)	Net change in Fund Balances
-	314,289	-	44,380	Fund Balances
<u>\$ 1,166,125</u>	<u>\$ 496,132</u>	<u>\$ 8,109</u>	<u>\$ 36,576</u>	Fund Balances - Beginning of Year
				Fund Balances - End of Year

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Special Revenue Funds

	USED OIL RECYCLING	OTHER GRANTS	CAPITAL PROJECTS GRANTS	LAW ENFORCEMENT GRANTS
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	47,663	246,224	2,845,505	498,192
Fees and charges for services	-	-	-	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	47,663	246,224	2,845,505	498,192
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	44,570	-	473,663
Community & economic development	-	69,112	-	24,529
Community & cultural	-	105,750	-	-
Public works	47,663	26,095	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	697	3,047,418	-
Total Expenditures	47,663	246,224	3,047,418	498,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(201,913)	-
Other Financing Sources (Uses)				
Transfers in (note 7)	-	-	-	-
Transfers from Successor Agency	-	-	-	-
Transfers out (note 7)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in Fund Balances	-	-	(201,913)	-
Fund Balances				
Fund Balances - Beginning of Year	-	-	766,339	-
Fund Balances - End of Year	\$ -	\$ -	\$ 564,426	\$ -

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Special Revenue Funds

HOME	COMMUNITY DEVELOPMENT BLOCK GRANT	EMERGENCY SOLUTIONS GRANT	ARTICLE 3 TRANSPORTATION	
				Revenues
				Taxes:
\$ -	\$ -	\$ -	\$ -	Other taxes
355,933	1,027,248	171,036	22,682	Intergovernmental
-	-	-	-	Fees and charges for services
47,643	-	-	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	-	Miscellaneous
<u>403,576</u>	<u>1,027,248</u>	<u>171,036</u>	<u>22,682</u>	Total Revenues
				Expenditures
				Current:
-	-	-	-	General government
-	81,919	-	-	Public safety
455,709	720,132	171,036	-	Community & economic development
-	-	-	-	Community & cultural
-	-	-	-	Public works
				Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	1,022,419	-	22,682	Capital outlay
<u>455,709</u>	<u>1,824,470</u>	<u>171,036</u>	<u>22,682</u>	Total Expenditures
				Excess (Deficiency) of Revenues Over (Under) Expenditures
<u>(52,133)</u>	<u>(797,222)</u>	<u>-</u>	<u>-</u>	
				Other Financing Sources (Uses)
-	797,222	-	-	Transfers in (note 7)
-	-	-	-	Transfers from Successor Agency
-	-	-	-	Transfers out (note 7)
<u>-</u>	<u>797,222</u>	<u>-</u>	<u>-</u>	Total Other Financing Sources (Uses)
(52,133)	-	-	-	Net change in Fund Balances
5,766,170	-	-	-	Fund Balances
<u>\$ 5,714,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Fund Balances - Beginning of Year
				Fund Balances - End of Year

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Capital Project Funds

	FACILITY CONSTRUCTION	PUBLIC WORKS CAPITAL PROJECTS	TUMF CAPITAL PROJECTS	TRAFFIC SIGNAL MITIGATION
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,000,000	19,444	210,526	-
Fees and charges for services	4,808	-	-	127,044
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,004,808	19,444	210,526	127,044
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community & economic development	-	-	-	-
Community & cultural	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	373,188	2,415,709	408,732	72
Total Expenditures	373,188	2,415,709	408,732	72
Excess (Deficiency) of Revenues Over (Under) Expenditures	631,620	(2,396,265)	(198,206)	126,972
Other Financing Sources (Uses)				
Transfers in (note 7)	4,931,629	1,800,000	204,086	-
Transfers from Successor Agency	-	-	-	-
Transfers out (note 7)	-	-	-	-
Total Other Financing Sources (Uses)	4,931,629	1,800,000	204,086	-
Net change in Fund Balances	5,563,249	(596,265)	5,880	126,972
Fund Balances				
Fund Balances - Beginning of Year	10,626,661	1,609,323	(204,086)	156,191
Fund Balances - End of Year	\$ 16,189,910	\$ 1,013,058	\$ (198,206)	\$ 283,163

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Capital Project Funds		Debt Service Funds		
PARKS & COMMUNITY SERVICES DEVELOPMENT & CAPITAL PROJECTS	DIF CAPITAL PROJECTS	TRIP COP 13A	2013 REFUNDING OF 2005 LEASE REVENUE BONDS	
\$ -	\$ -	\$ -	\$ -	Revenues
-	6,761	-	-	Taxes:
-	-	-	-	Other taxes
-	-	-	-	Intergovernmental
-	-	1,556	650	Fees and charges for services
-	-	-	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	-	Miscellaneous
<u>-</u>	<u>6,761</u>	<u>1,556</u>	<u>650</u>	Total Revenues
-	-	-	-	Expenditures
-	-	-	-	Current:
-	-	-	-	General government
-	-	-	-	Public safety
-	-	-	-	Community & economic development
-	-	-	-	Community & cultural
-	-	8,049	2,368	Public works
-	-	540,000	1,183,000	Debt service:
-	-	941,063	298,898	Principal retirement
1,080,695	135,359	-	-	Interest and fiscal charges
<u>1,080,695</u>	<u>135,359</u>	<u>1,489,112</u>	<u>1,484,266</u>	Capital outlay
<u>(1,080,695)</u>	<u>(128,598)</u>	<u>(1,487,556)</u>	<u>(1,483,616)</u>	Total Expenditures
				Excess (Deficiency) of Revenues
				Over (Under) Expenditures
916,521	1,194,000	1,487,905	1,483,656	Other Financing Sources (Uses)
-	-	-	-	Transfers in (note 7)
(1,263,313)	-	-	-	Transfers from Successor Agency
<u>(346,792)</u>	<u>1,194,000</u>	<u>1,487,905</u>	<u>1,483,656</u>	Transfers out (note 7)
				Total Other Financing Sources (Uses)
(1,427,487)	1,065,402	349	40	Net change in Fund Balances
3,685,871	2,660,734	3,497	242	Fund Balances
<u>\$ 2,258,384</u>	<u>\$ 3,726,136</u>	<u>\$ 3,846</u>	<u>\$ 282</u>	Fund Balances - Beginning of Year
				Fund Balances - End of Year

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	Debt Service Funds		Permanent Funds	
	2014 REFUNDING OF 2005 LEASE REVENUE BONDS	2011 PRIVATE PLACEMENT REFUNDING 97 LEASE REVENUE BONDS	CELEBRATION PARK ENDOWMENT	EQUESTRIAN TRAIL ENDOWMENT
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fees and charges for services	-	-	-	-
Use of money and property	436	-	2,067	474
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	436	-	2,067	474
Expenditures				
Current:				
General government	3,323	-	-	-
Public safety	-	-	-	-
Community & economic development	-	-	-	-
Community & cultural	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	282,000	-	-
Interest and fiscal charges	1,009,332	55,163	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,012,655	337,163	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,012,219)	(337,163)	2,067	474
Other Financing Sources (Uses)				
Transfers in (note 7)	1,012,269	187,163	-	-
Transfers from Successor Agency	-	150,000	-	-
Transfers out (note 7)	-	-	-	-
Total Other Financing Sources (Uses)	1,012,269	337,163	-	-
Net change in Fund Balances	50	-	2,067	474
Fund Balances				
Fund Balances - Beginning of Year	6,019,223	-	49,262	10,709
Fund Balances - End of Year	\$ 6,019,273	\$ -	\$ 51,329	\$ 11,183

City of Moreno Valley, California

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

Permanent Funds

ROCKRIDGE PARK ENDOWMENT	NPDES ENDOWMENT	CULTURAL PRESERVATION	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 209,744	Revenues
-	-	-	27,934,652	Taxes:
-	-	-	3,057,236	Other taxes
4,245	1,314	4,726	228,928	Intergovernmental
-	-	-	286	Fees and charges for services
-	-	-	678,378	Use of money and property
<u>4,245</u>	<u>1,314</u>	<u>4,726</u>	<u>32,109,224</u>	Fines and forfeitures
				Miscellaneous
				Total Revenues
-	-	-	803,293	Expenditures
-	-	-	600,873	Current:
-	-	-	1,440,518	General government
-	-	-	8,462,869	Public safety
-	-	-	7,918,012	Community & economic development
-	-	-	2,005,000	Community & cultural
-	-	-	2,304,456	Public works
-	-	-	10,536,827	Debt service:
-	-	-	34,071,848	Principal retirement
<u>4,245</u>	<u>1,314</u>	<u>4,726</u>	<u>(1,962,624)</u>	Interest and fiscal charges
				Capital outlay
				Total Expenditures
				Excess (Deficiency) of Revenues
				Over (Under) Expenditures
-	-	-	14,960,433	Other Financing Sources (Uses)
-	-	-	150,000	Transfers in (note 7)
-	(223)	-	(3,995,324)	Transfers from Successor Agency
-	(223)	-	11,115,109	Transfers out (note 7)
				Total Other Financing Sources (Uses)
4,245	1,091	4,726	9,152,485	Net change in Fund Balances
110,322	32,519	121,428	44,674,476	Fund Balances
<u>\$ 114,567</u>	<u>\$ 33,610</u>	<u>\$ 126,154</u>	<u>\$ 53,826,961</u>	Fund Balances - Beginning of Year
				Fund Balances - End of Year

City of Moreno Valley, California

**Budgetary Comparison Schedule
STATE GASOLINE TAX
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 8,139,284	\$ 7,665,959	\$ 8,036,548	\$ 370,589
Fees and charges for services	-	-	625	625
Use of money and property	1,000	1,000	-	(1,000)
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	8,141,284	7,667,959	8,037,173	369,214
Expenditures				
Current:				
Public works	4,468,450	4,330,207	3,853,862	476,345
Capital outlay	3,788,095	5,015,641	1,250,798	3,764,843
Total Expenditures	8,256,545	9,345,848	5,104,660	4,241,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,261)	(1,677,889)	2,932,513	4,610,402
Other Financing Sources (Uses)				
Transfers in (note 7)	160,000	300,000	300,000	-
Transfers out (note 7)	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (uses)	110,000	250,000	250,000	-
Net change in fund balances	(5,261)	(1,427,889)	3,182,513	4,610,402
Fund balances - Beginning of year	1,926,308	1,926,308	1,926,308	-
Fund balances - End of year	\$ 1,921,047	\$ 498,419	\$ 5,108,821	\$ 4,610,402

City of Moreno Valley, California

Budgetary Comparison Schedule

MEASURE A

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,125,650	\$ 4,286,505	\$ 4,744,560	\$ 458,055
Use of money and property	80,000	80,000	58,950	(21,050)
Miscellaneous	30,000	30,000	-	(30,000)
Total Revenues	4,235,650	4,396,505	4,803,510	407,005
Expenditures				
Current:				
Public works	1,958,478	2,003,248	1,991,910	11,338
Capital outlay	-	2,413,817	673,837	1,739,980
Total Expenditures	1,958,478	4,417,065	2,665,747	1,751,318
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,277,172	(20,560)	2,137,763	2,158,323
Other Financing Sources (Uses)				
Transfers out (note 7)	(2,546,000)	(2,546,000)	(2,542,905)	3,095
Total Other Financing Sources (uses)	(2,546,000)	(2,546,000)	(2,542,905)	3,095
Net change in fund balances	(268,828)	(2,566,560)	(405,142)	2,161,418
Fund balances - Beginning of year	3,974,362	3,974,362	3,974,362	-
Fund balances - End of year	\$ 3,705,534	\$ 1,407,802	\$ 3,569,220	\$ 2,161,418

City of Moreno Valley, California

Budgetary Comparison Schedule
 AIR QUALITY MANAGEMENT
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 269,308	\$ 49,308
Use of money and property	7,000	7,000	4,694	(2,306)
Total Revenues	227,000	227,000	274,002	47,002
Expenditures				
Current:				
Public works	221,663	221,663	220,345	1,318
Capital outlay	30,000	107,649	14,297	93,352
Total Expenditures	251,663	329,312	234,642	94,670
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,663)	(102,312)	39,360	141,672
Net change in fund balances	(24,663)	(102,312)	39,360	141,672
Fund balances - Beginning of year	284,332	284,332	284,332	-
Fund balances - End of year	\$ 259,669	\$ 182,020	\$ 323,692	\$ 141,672

City of Moreno Valley, California

Budgetary Comparison Schedule
SPECIAL DISTRICTS ADMINISTRATION
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 722,500	\$ 745,600	\$ 732,189	\$ (13,411)
Use of money and property	8,500	27,900	49,157	21,257
Total Revenues	731,000	773,500	781,346	7,846
Expenditures				
Current:				
Public works	735,751	779,233	629,758	149,475
Total Expenditures	735,751	779,233	629,758	149,475
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,751)	(5,733)	151,588	157,321
Net change in fund balances	(4,751)	(5,733)	151,588	157,321
Fund balances - Beginning of year	1,693,520	1,693,520	1,693,520	-
Fund balances - End of year	\$ 1,688,769	\$ 1,687,787	\$ 1,845,108	\$ 157,321

City of Moreno Valley, California

Budgetary Comparison Schedule
STORM WATER MAINTENANCE
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 390,000	\$ 390,000	\$ 483,363	\$ 93,363
Total Revenues	390,000	390,000	483,363	93,363
Expenditures				
Current:				
Public works	455,459	482,259	489,342	(7,083)
Total Expenditures	455,459	482,259	489,342	(7,083)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,459)	(92,259)	(5,979)	86,280
Other Financing Sources (Uses)				
Transfers in (note 7)	50,000	50,000	50,000	-
Total Other Financing Sources (uses)	50,000	50,000	50,000	-
Net change in fund balances	(15,459)	(42,259)	44,021	86,280
Fund balances - Beginning of year	179,607	179,607	179,607	-
Fund balances - End of year	\$ 164,148	\$ 137,348	\$ 223,628	\$ 86,280

City of Moreno Valley, California

**Budgetary Comparison Schedule
STORM WATER MANAGEMENT
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 727,440	\$ 731,440	\$ 753,405	\$ 21,965
Total Revenues	727,440	731,440	753,405	21,965
Expenditures				
Current:				
Public works	659,763	659,763	558,866	100,897
Total Expenditures	659,763	659,763	558,866	100,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,677	71,677	194,539	122,862
Other Financing Sources (Uses)				
Transfers in (note 7)	223	223	223	-
Total Other Financing Sources (uses)	223	223	223	-
Net change in fund balances	67,900	71,900	194,762	122,862
Fund balances - Beginning of year	1,155,659	1,155,659	1,155,659	-
Fund balances - End of year	\$ 1,223,559	\$ 1,227,559	\$ 1,350,421	\$ 122,862

City of Moreno Valley, California

Budgetary Comparison Schedule

CFD No. 4-M

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 41,400	\$ 41,400	\$ 25,696	\$ (15,704)
Use of money and property	81	81	2,761	2,680
Total Revenues	41,481	41,481	28,457	(13,024)
Expenditures				
Current:				
Public works	33,815	33,815	29,871	3,944
Total Expenditures	33,815	33,815	29,871	3,944
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,666	7,666	(1,414)	(9,080)
Net change in fund balances	7,666	7,666	(1,414)	(9,080)
Fund balances - Beginning of year	72,706	72,706	72,706	-
Fund balances - End of year	\$ 80,372	\$ 80,372	\$ 71,292	\$ (9,080)

City of Moreno Valley, California

Budgetary Comparison Schedule
PUBLIC EDUCATION GOVERNMENT ACCESS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ 565,000	\$ 565,000	\$ 678,378	\$ 113,378
Total Revenues	565,000	565,000	678,378	113,378
Expenditures				
Current:				
General government	738,670	738,670	718,564	20,106
Total Expenditures	738,670	738,670	718,564	20,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,670)	(173,670)	(40,186)	133,484
Net change in fund balances	(173,670)	(173,670)	(40,186)	133,484
Fund balances - Beginning of year	1,035,841	1,035,841	1,035,841	-
Fund balances - End of year	\$ 862,171	\$ 862,171	\$ 995,655	\$ 133,484

City of Moreno Valley, California

Budgetary Comparison Schedule

CIVIL PENALTIES

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 286	\$ (29,714)
Total Revenues	30,000	30,000	286	(29,714)
Expenditures				
Current:				
General government	31,466	86,466	81,406	5,060
Total Expenditures	31,466	86,466	81,406	5,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,466)	(56,466)	(81,120)	(24,654)
Net change in fund balances	(1,466)	(56,466)	(81,120)	(24,654)
Fund balances - Beginning of year	84,276	84,276	84,276	-
Fund balances - End of year	\$ 82,810	\$ 27,810	\$ 3,156	\$ (24,654)

City of Moreno Valley, California

**Budgetary Comparison Schedule
EMERGENCY SERVICES AGENCY FINES
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 55,000	\$ 55,000	\$ 95,104	\$ 40,104
Use of money and property	4,000	4,000	19,624	15,624
Total Revenues	59,000	59,000	114,728	55,728
Expenditures				
Current:				
Public safety	59,000	59,000	721	58,279
Capital outlay	-	90,924	90,924	-
Total Expenditures	59,000	149,924	91,645	58,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(90,924)	23,083	114,007
Net change in fund balances	-	(90,924)	23,083	114,007
Fund balances - Beginning of year	595,357	595,357	595,357	-
Fund balances - End of year	\$ 595,357	\$ 504,433	\$ 618,440	\$ 114,007

City of Moreno Valley, California

Budgetary Comparison Schedule
 ENERGY EFFICIENCY REVOLVING
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ 10,000	\$ -	\$ (10,000)
Total Revenues	-	10,000	-	(10,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	10,000	-	(10,000)
Net change in fund balances	-	10,000	-	(10,000)
Fund balances - Beginning of year	149,434	149,434	149,434	-
Fund balances - End of year	\$ 149,434	\$ 159,434	\$ 149,434	\$ (10,000)

City of Moreno Valley, California

**Budgetary Comparison Schedule
GENERAL PLAN AMENDMENTS
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
Community and economic development	750,000	1,950,000	-	1,950,000
Total Expenditures	750,000	1,950,000	-	1,950,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(1,950,000)	-	1,950,000
Other Financing Sources (Uses)				
Transfers in (note 7)	-	200,000	200,000	-
Total Other Financing Sources (uses)	-	200,000	200,000	-
Net change in fund balances	(750,000)	(1,750,000)	200,000	1,950,000
Fund balances - Beginning of year	1,750,000	1,750,000	1,750,000	-
Fund balances - End of year	\$ 1,000,000	\$ -	\$ 1,950,000	\$ 1,950,000

City of Moreno Valley, California

**Budgetary Comparison Schedule
 QUIMBY IN-LIEU PARK FEES
 For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ -	\$ 15,000	\$ 890,208	\$ 875,208
Use of money and property	-	12,000	23,888	11,888
Total Revenues	-	27,000	914,096	887,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	27,000	914,096	887,096
Other Financing Sources (Uses)				
Transfers in (note 7)	-	387,650	387,650	-
Transfers out (note 7)	-	(155,000)	(135,621)	19,379
Total Other Financing Sources (uses)	-	232,650	252,029	19,379
Net change in fund balances	-	259,650	1,166,125	906,475
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ 259,650	\$ 1,166,125	\$ 906,475

City of Moreno Valley, California

Budgetary Comparison Schedule

CFD No. 2014-01

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Other taxes	\$ 23,000	\$ 209,657	\$ 209,744	\$ 87
Fees and charges for services	10,000	50,000	28,501	(21,499)
Use of money and property	700	4,600	6,743	2,143
Total Revenues	33,700	264,257	244,988	(19,269)
Expenditures				
Current:				
Public works	33,059	89,216	59,883	29,333
Total Expenditures	33,059	89,216	59,883	29,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	641	175,041	185,105	10,064
Other Financing Sources (Uses)				
Transfers out (note 7)	-	(3,994)	(3,262)	732
Total Other Financing Sources (uses)	-	(3,994)	(3,262)	732
Net change in fund balances	641	171,047	181,843	10,796
Fund balances - Beginning of year	314,289	314,289	314,289	-
Fund balances - End of year	\$ 314,930	\$ 485,336	\$ 496,132	\$ 10,796

City of Moreno Valley, California

Budgetary Comparison Schedule

CHILD CARE GRANT

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 740,788	\$ 822,340	\$ 803,118	\$ (19,222)
Fees and charges for services	15,000	15,000	11,397	(3,603)
Miscellaneous	790	790	-	(790)
Total Revenues	756,578	838,130	814,515	(23,615)
Expenditures				
Current:				
Community & cultural	756,578	838,130	814,515	23,615
Total Expenditures	756,578	838,130	814,515	23,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in (note 7)	-	-	8,109	8,109
Total Other Financing Sources (uses)	-	-	8,109	8,109
Net change in fund balances	-	-	8,109	8,109
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ 8,109	\$ 8,109

City of Moreno Valley, California

Budgetary Comparison Schedule
 ASES PROGRAM GRANT
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,773,200	\$ 7,534,800	\$ 7,534,800	\$ -
Total Revenues	6,773,200	7,534,800	7,534,800	-
Expenditures				
Current:				
Community & cultural	6,773,200	7,534,800	7,542,604	(7,804)
Total Expenditures	6,773,200	7,534,800	7,542,604	(7,804)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(7,804)	(7,804)
Net change in fund balances	-	-	(7,804)	(7,804)
Fund balances - Beginning of year	44,380	44,380	44,380	-
Fund balances - End of year	\$ 44,380	\$ 44,380	\$ 36,576	\$ (7,804)

City of Moreno Valley, California

Budgetary Comparison Schedule

USED OIL RECYCLING

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 55,462	\$ 101,245	\$ 47,663	\$ (53,582)
Total Revenues	55,462	101,245	47,663	(53,582)
Expenditures				
Current:				
Public works	55,462	101,245	47,663	53,582
Total Expenditures	55,462	101,245	47,663	53,582
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

Budgetary Comparison Schedule
OTHER GRANTS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 130,700	\$ 432,543	\$ 246,224	\$ (186,319)
Total Revenues	130,700	432,543	246,224	(186,319)
Expenditures				
Current:				
Public safety	75,700	83,975	44,570	39,405
Public works	55,000	69,663	26,095	43,568
Community and economic development	-	169,839	69,112	100,727
Community & cultural	-	105,750	105,750	-
Capital outlay	-	-	697	(697)
Total Expenditures	130,700	429,227	246,224	183,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	3,316	-	(3,316)
Net change in fund balances	-	3,316	-	(3,316)
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ 3,316	\$ -	\$ (3,316)

City of Moreno Valley, California

Budgetary Comparison Schedule
 CAPITAL PROJECTS GRANTS
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,415,000	\$ 14,594,954	\$ 2,845,505	\$ (11,749,449)
Total Revenues	4,415,000	14,594,954	2,845,505	(11,749,449)
Expenditures				
Capital outlay	143,118	15,081,489	3,047,418	12,034,071
Total Expenditures	143,118	15,081,489	3,047,418	12,034,071
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,271,882	(486,535)	(201,913)	284,622
Net change in fund balances	4,271,882	(486,535)	(201,913)	284,622
Fund balances - Beginning of year	766,339	766,339	766,339	-
Fund balances - End of year	\$ 5,038,221	\$ 279,804	\$ 564,426	\$ 284,622

City of Moreno Valley, California

**Budgetary Comparison Schedule
LAW ENFORCEMENT GRANTS
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 393,730	\$ 516,564	\$ 498,192	\$ (18,372)
Total Revenues	393,730	516,564	498,192	(18,372)
Expenditures				
Current:				
Public safety	347,438	473,664	473,663	1
Community and economic development	46,292	42,900	24,529	18,371
Total Expenditures	393,730	516,564	498,192	18,372
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

Budgetary Comparison Schedule
HOME
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 527,298	\$ 747,906	\$ 355,933	\$ (391,973)
Use of money and property	-	-	47,643	47,643
Total Revenues	527,298	747,906	403,576	(344,330)
Expenditures				
Current:				
Community and economic development	527,298	747,906	455,709	292,197
Total Expenditures	527,298	747,906	455,709	292,197
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(52,133)	(52,133)
Net change in fund balances	-	-	(52,133)	(52,133)
Fund balances - Beginning of year	5,766,170	5,766,170	5,766,170	-
Fund balances - End of year	\$ 5,766,170	\$ 5,766,170	\$ 5,714,037	\$ (52,133)

City of Moreno Valley, California

Budgetary Comparison Schedule
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,068,143	\$ 4,765,199	\$ 1,027,248	\$ (3,737,951)
Total Revenues	2,068,143	4,765,199	1,027,248	(3,737,951)
Expenditures				
Current:				
Public safety	-	81,919	81,919	-
Community end economic development	1,093,803	940,244	720,132	220,112
Capital outlay	974,340	3,743,036	1,022,419	2,720,617
Total Expenditures	2,068,143	4,765,199	1,824,470	2,940,729
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(797,222)	(797,222)
Other Financing Sources (Uses)				
Transfers in (note 7)	-	800,000	797,222	(2,778)
Total Other Financing Sources (uses)	-	800,000	797,222	(2,778)
Net change in fund balances	-	800,000	-	(800,000)
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ 800,000	\$ -	\$ (800,000)

City of Moreno Valley, California

Budgetary Comparison Schedule
EMERGENCY SOLUTIONS GRANT
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 181,852	\$ 186,824	\$ 171,036	\$ (15,788)
Total Revenues	181,852	186,824	171,036	(15,788)
Expenditures				
Current:				
Community and economic development	181,852	186,824	171,036	15,788
Total Expenditures	181,852	186,824	171,036	15,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

Budgetary Comparison Schedule
 ARTICLE 3 TRANSPORTATION
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 22,690	\$ 22,682	\$ (8)
Total Revenues	<u>-</u>	<u>22,690</u>	<u>22,682</u>	<u>(8)</u>
Expenditures				
Capital outlay	-	22,690	22,682	8
Total Expenditures	<u>-</u>	<u>22,690</u>	<u>22,682</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Moreno Valley, California

Budgetary Comparison Schedule
FACILITY CONSTRUCTION
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
Fees and charges for services	-	-	4,808	4,808
Total Revenues	1,000,000	1,000,000	1,004,808	4,808
Expenditures				
Capital outlay	-	5,523,613	373,188	5,150,425
Total Expenditures	-	5,523,613	373,188	5,150,425
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000,000	(4,523,613)	631,620	5,155,233
Other Financing Sources (Uses)				
Transfers in (note 7)	-	4,931,629	4,931,629	-
Total Other Financing Sources (uses)	-	4,931,629	4,931,629	-
Net change in fund balances	1,000,000	408,016	5,563,249	5,155,233
Fund balances - Beginning of year	10,626,661	10,626,661	10,626,661	-
Fund balances - End of year	\$ 11,626,661	\$ 11,034,677	\$ 16,189,910	\$ 5,155,233

City of Moreno Valley, California

**Budgetary Comparison Schedule
PUBLIC WORKS CAPITAL PROJECTS
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,010,382	\$ 506,483	\$ 19,444	\$ (487,039)
Total Revenues	2,010,382	506,483	19,444	(487,039)
Expenditures				
Capital outlay	1,646,882	3,686,354	2,415,709	1,270,645
Total Expenditures	1,646,882	3,686,354	2,415,709	1,270,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	363,500	(3,179,871)	(2,396,265)	783,606
Other Financing Sources (Uses)				
Transfers in (note 7)	-	1,800,000	1,800,000	-
Total Other Financing Sources (uses)	-	1,800,000	1,800,000	-
Net change in fund balances	363,500	(1,379,871)	(596,265)	783,606
Fund balances - Beginning of year	1,609,323	1,609,323	1,609,323	-
Fund balances - End of year	\$ 1,972,823	\$ 229,452	\$ 1,013,058	\$ 783,606

City of Moreno Valley, California

Budgetary Comparison Schedule
TUMF CAPITAL PROJECTS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 2,067,611	\$ 210,526	\$ (1,857,085)
Total Revenues	-	2,067,611	210,526	(1,857,085)
Expenditures				
Capital outlay	-	2,067,611	408,732	1,658,879
Total Expenditures	-	2,067,611	408,732	1,658,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(198,206)	(198,206)
Other Financing Sources (Uses)				
Transfers in (note 7)	-	204,086	204,086	-
Total Other Financing Sources (uses)	-	204,086	204,086	-
Net change in fund balances	-	204,086	5,880	(198,206)
Fund balances - Beginning of year	(204,086)	(204,086)	(204,086)	-
Fund balances - End of year	\$ (204,086)	\$ -	\$ (198,206)	\$ (198,206)

City of Moreno Valley, California

**Budgetary Comparison Schedule
TRAFFIC SIGNAL MITIGATION
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ -	\$ -	\$ 127,044	\$ 127,044
Total Revenues	-	-	127,044	127,044
Expenditures				
Capital outlay	-	75,000	72	74,928
Total Expenditures	-	75,000	72	74,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(75,000)	126,972	201,972
Net change in fund balances	-	(75,000)	126,972	201,972
Fund balances - Beginning of year	156,191	156,191	156,191	-
Fund balances - End of year	\$ 156,191	\$ 81,191	\$ 283,163	\$ 201,972

City of Moreno Valley, California

Budgetary Comparison Schedule
 PARKS & COMMUNITY SERVICES DEVELOPMENT AND CAPITAL PROJECTS
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Capital outlay	155,000	2,148,418	1,080,695	1,067,723
Total Expenditures	155,000	2,148,418	1,080,695	1,067,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,000)	(2,148,418)	(1,080,695)	1,067,723
Other Financing Sources (Uses)				
Transfers in (note 7)	155,000	955,000	916,521	(38,479)
Transfers out (note 7)	-	(1,263,313)	(1,263,313)	-
Total Other Financing Sources (uses)	155,000	(308,313)	(346,792)	(38,479)
Net change in fund balances	-	(2,456,731)	(1,427,487)	1,029,244
Fund balances - Beginning of year	3,685,871	3,685,871	3,685,871	-
Fund balances - End of year	\$ 3,685,871	\$ 1,229,140	\$ 2,258,384	\$ 1,029,244

City of Moreno Valley, California

Budgetary Comparison Schedule
DIF CAPITAL PROJECTS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 6,761	\$ 6,761
Total Revenues	<u>-</u>	<u>-</u>	<u>6,761</u>	<u>6,761</u>
Expenditures				
Capital outlay	350,000	3,850,339	135,359	3,714,980
Total Expenditures	<u>350,000</u>	<u>3,850,339</u>	<u>135,359</u>	<u>3,714,980</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(350,000)</u>	<u>(3,850,339)</u>	<u>(128,598)</u>	<u>3,721,741</u>
Other Financing Sources (Uses)				
Transfers in (note 7)	350,000	1,194,000	1,194,000	-
Total Other Financing Sources (uses)	<u>350,000</u>	<u>1,194,000</u>	<u>1,194,000</u>	<u>-</u>
Net change in fund balances	-	(2,656,339)	1,065,402	3,721,741
Fund balances - Beginning of year	2,660,734	2,660,734	2,660,734	-
Fund balances - End of year	<u>\$ 2,660,734</u>	<u>\$ 4,395</u>	<u>\$ 3,726,136</u>	<u>\$ 3,721,741</u>

City of Moreno Valley, California

Budgetary Comparison Schedule

TRIP COP 13A

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,556	\$ 1,556
Total Revenues	<u>-</u>	<u>-</u>	<u>1,556</u>	<u>1,556</u>
Expenditures				
Current:				
Public works	9,000	9,000	8,049	951
Debt service:				
Principal retirement	540,000	540,000	540,000	-
Interest	942,000	942,000	941,063	937
Total Expenditures	<u>1,491,000</u>	<u>1,491,000</u>	<u>1,489,112</u>	<u>1,888</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,491,000)</u>	<u>(1,491,000)</u>	<u>(1,487,556)</u>	<u>3,444</u>
Other Financing Sources (Uses)				
Transfers in (note 7)	1,491,000	1,491,000	1,487,905	(3,095)
Total Other Financing Sources (uses)	<u>1,491,000</u>	<u>1,491,000</u>	<u>1,487,905</u>	<u>(3,095)</u>
Net change in fund balances	-	-	349	349
Fund balances - Beginning of year	3,497	3,497	3,497	-
Fund balances - End of year	<u>\$ 3,497</u>	<u>\$ 3,497</u>	<u>\$ 3,846</u>	<u>\$ 349</u>

City of Moreno Valley, California

Budgetary Comparison Schedule
2013 REFUNDING OF 2005 LEASE REVENUE BONDS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 650	\$ 650
Total Revenues	-	-	650	650
Expenditures				
Current:				
Public works	3,000	3,000	2,368	632
Debt service:				
Principal retirement	1,183,000	1,183,000	1,183,000	-
Interest	299,000	299,000	298,898	102
Total Expenditures	1,485,000	1,485,000	1,484,266	734
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,485,000)	(1,485,000)	(1,483,616)	1,384
Other Financing Sources (Uses)				
Transfers in (note 7)	1,485,000	1,485,000	1,483,656	(1,344)
Total Other Financing Sources (uses)	1,485,000	1,485,000	1,483,656	(1,344)
Net change in fund balances	-	-	40	40
Fund balances - Beginning of year	242	242	242	-
Fund balances - End of year	\$ 242	\$ 242	\$ 282	\$ 40

City of Moreno Valley, California

Budgetary Comparison Schedule
 2014 REFUNDING OF 2005 LEASE REVENUE BONDS
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 436	\$ 436
Total Revenues	-	-	436	436
Expenditures				
Current:				
General government	3,000	3,000	3,323	(323)
Debt service:				
Interest	1,010,000	1,010,000	1,009,332	668
Total Expenditures	1,013,000	1,013,000	1,012,655	345
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,013,000)	(1,013,000)	(1,012,219)	781
Other Financing Sources (Uses)				
Transfers in (note 7)	1,013,000	1,013,000	1,012,269	(731)
Total Other Financing Sources (uses)	1,013,000	1,013,000	1,012,269	(731)
Net change in fund balances	-	-	50	50
Fund balances - Beginning of year	6,019,223	6,019,223	6,019,223	-
Fund balances - End of year	\$ 6,019,223	\$ 6,019,223	\$ 6,019,273	\$ 50

City of Moreno Valley, California

Budgetary Comparison Schedule
2011 PRIVATE PLACEMENT REFUNDING OF 97 LEASE REVENUE BONDS
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Debt service:				
Principal retirement	\$ 282,000	\$ 282,000	\$ 282,000	\$ -
Interest	56,000	56,000	55,163	837
Total Expenditures	338,000	338,000	337,163	837
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,000)	(338,000)	(337,163)	837
Other Financing Sources (Uses)				
Transfers in (note 7)	188,000	188,000	187,163	(837)
Transfers from Successor Agency	150,000	150,000	150,000	-
Total Other Financing Sources (uses)	338,000	338,000	337,163	(837)
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

**Budgetary Comparison Schedule
CELEBRATION PARK ENDOWMENT
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 2,067	\$ 1,067
Total Revenues	1,000	1,000	2,067	1,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000	1,000	2,067	1,067
Net change in fund balances	1,000	1,000	2,067	1,067
Fund balances - Beginning of year	49,262	49,262	49,262	-
Fund balances - End of year	\$ 50,262	\$ 50,262	\$ 51,329	\$ 1,067

City of Moreno Valley, California

**Budgetary Comparison Schedule
EQUESTRIAN TRAIL ENDOWMENT
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 200	\$ 200	\$ 474	\$ 274
Total Revenues	200	200	474	274
Expenditures				
Current:				
Community & cultural	200	200	-	200
Total Expenditures	200	200	-	200
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	474	474
Net change in fund balances	-	-	474	474
Fund balances - Beginning of year	10,709	10,709	10,709	-
Fund balances - End of year	\$ 10,709	\$ 10,709	\$ 11,183	\$ 474

City of Moreno Valley, California

**Budgetary Comparison Schedule
ROCKRIDGE PARK ENDOWMENT
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,500	\$ 1,500	\$ 4,245	\$ 2,745
Total Revenues	1,500	1,500	4,245	2,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,500	1,500	4,245	2,745
Net change in fund balances	1,500	1,500	4,245	2,745
Fund balances - Beginning of year	110,322	110,322	110,322	-
Fund balances - End of year	\$ 111,822	\$ 111,822	\$ 114,567	\$ 2,745

City of Moreno Valley, California

Budgetary Comparison Schedule
NPDES ENDOWMENT
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 250	\$ 250	\$ 1,314	\$ 1,064
Total Revenues	250	250	1,314	1,064
Excess (Deficiency) of Revenues Over (Under) Expenditures	250	250	1,314	1,064
Other Financing Sources (Uses)				
Transfers out (note 7)	(223)	(223)	(223)	-
Total Other Financing Sources (uses)	(223)	(223)	(223)	-
Net change in fund balances	27	27	1,091	1,064
Fund balances - Beginning of year	32,519	32,519	32,519	-
Fund balances - End of year	\$ 32,546	\$ 32,546	\$ 33,610	\$ 1,064

City of Moreno Valley, California

Budgetary Comparison Schedule
 CULTURAL PRESERVATION
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,600	\$ 1,600	\$ 4,726	\$ 3,126
Total Revenues	1,600	1,600	4,726	3,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,600	1,600	4,726	3,126
Net change in fund balances	1,600	1,600	4,726	3,126
Fund balances - Beginning of year	121,428	121,428	121,428	-
Fund balances - End of year	\$ 123,028	\$ 123,028	\$ 126,154	\$ 3,126

City of Moreno Valley, California

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.

Workers' 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 Services 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 depreciation on City-owned buildings.

Fleet Operations Fund

This fund is used to account for the maintenance and replacement costs of the City's inventory of vehicles and equipment. This fund receives cash through annual lease fees to benefiting departments.

Equipment Replacement Reserve Fund

This fund is used to account for the accumulation of cash reserves to replace 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.

Compensated Absences Fund

This fund is used to account for the accumulation of cash reserves to provide for payment of future unfunded liabilities to employees attributable to services already rendered.

City of Moreno Valley, California

Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
Assets				
Current:				
Pooled cash and investments	\$ 2,449,241	\$ 3,316,071	\$ 8,766,852	\$ 6,027,494
Receivables:				
Accounts	-	-	-	53
Prepaid costs	-	-	-	4,589
Inventories	-	-	-	17,959
Total Current Assets	2,449,241	3,316,071	8,766,852	6,050,095
Noncurrent:				
Capital assets - net of accumulated depreciation	-	-	2,101,225	10,403,529
Total Noncurrent Assets	-	-	2,101,225	10,403,529
Total Assets	2,449,241	3,316,071	10,868,077	16,453,624
Liabilities				
Current:				
Accounts payable	118,799	2,320	30,738	280,138
Compensated absences	42,316	-	-	80,578
Self-insurance payable	454,000	489,000	-	-
Total Current Liabilities	615,115	491,320	30,738	360,716
Noncurrent:				
Compensated absences	28,211	-	-	53,719
Self-insurance payable	259,000	805,000	-	-
Total Noncurrent Liabilities	287,211	805,000	-	53,719
Total Liabilities	902,326	1,296,320	30,738	414,435
Net Position				
Net investment in capital assets	-	-	2,101,224	10,403,529
Unrestricted	1,546,915	2,019,751	8,736,115	5,635,660
Total Net Position	\$ 1,546,915	\$ 2,019,751	\$ 10,837,339	\$ 16,039,189

City of Moreno Valley, California

Combining Statement of Net Position
Internal Service Funds
June 30, 2019

<u>FLEET OPERATIONS</u>	<u>EQUIPMENT REPLACEMENT RESERVE</u>	<u>COMPENSATED ABSENCES</u>	<u>TOTAL</u>	
\$ 4,722,361	\$ 14,176,573	\$ 2,813,042	\$ 42,271,634	Assets
-	-	-	53	Current:
-	-	-	4,589	Pooled cash and investments
9,702	-	-	27,661	Receivables:
4,732,063	14,176,573	2,813,042	42,303,937	Accounts
				Prepaid costs
				Inventories
				Total Current Assets
				Noncurrent:
99,480	-	-	12,604,234	Capital assets - net of accumulated depreciation
99,480	-	-	12,604,234	Total Noncurrent Assets
4,831,543	14,176,573	2,813,042	54,908,171	Total Assets
				Liabilities
				Current:
35,398	-	-	467,393	Accounts payable
29,249	-	-	152,143	Compensated absences
-	-	-	943,000	Self-insurance payable
64,647	-	-	1,562,536	Total Current Liabilities
				Noncurrent:
19,498	-	-	101,428	Compensated absences
-	-	-	1,064,000	Self-insurance payable
19,498	-	-	1,165,428	Total Noncurrent Liabilities
84,145	-	-	2,727,964	Total Liabilities
				Net Position
99,481	-	-	12,604,234	Net investment in capital assets
4,647,917	14,176,573	2,813,042	39,575,973	Unrestricted
\$ 4,747,398	\$ 14,176,573	\$ 2,813,042	\$ 52,180,207	Total Net Position

City of Moreno Valley, California

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
Operating Revenues				
Sales and service charges	\$ 1,087,130	\$ 485,953	\$ -	\$ 3,983,769
Miscellaneous	125,245	6,612	770	15,032
Total Operating Revenues	1,212,375	492,565	770	3,998,801
Operating Expenses				
Cost of services	564,159	113,981	56,406	3,478,348
Depreciation expense	-	-	362,518	382,018
Self-insurance claims and charges	860,040	329,958	-	-
Total Operating Expenses	1,424,199	443,939	418,924	3,860,366
Operating Income (Loss)	(211,824)	48,626	(418,154)	138,435
Nonoperating Revenues (Expenses)				
Gain (loss) on disposal of capital assets	-	-	(15,785)	-
Total Nonoperating Revenues (Expenses)	-	-	(15,785)	-
Income (Loss) Before Contributions and Transfers	(211,824)	48,626	(433,939)	138,435
Transfers in	525,000	-	923,553	-
Transfers out	-	-	(750,000)	-
Change in Net Position	313,176	48,626	(260,386)	138,435
Total Net Position - Beginning of Year	1,233,739	1,971,125	11,097,725	15,900,754
Total Net Position - End of Year	\$ 1,546,915	\$ 2,019,751	\$ 10,837,339	\$ 16,039,189

City of Moreno Valley, California

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019

FLEET OPERATIONS	EQUIPMENT REPLACEMENT RESERVE	COMPENSATED ABSENCES	TOTAL	
\$ 2,045,746	\$ 581,182	\$ -	\$ 8,183,780	Operating Revenues
-	-	-	147,659	Sales and service charges
2,045,746	581,182	-	8,331,439	Miscellaneous
				Total Operating Revenues
				Operating Expenses
1,132,569	-	-	5,345,463	Cost of services
7,175	-	-	751,711	Depreciation expense
-	-	-	1,189,998	Self-insurance claims and charges
1,139,744	-	-	7,287,172	Total Operating Expenses
906,002	581,182	-	1,044,267	Operating Income (Loss)
				Nonoperating Revenues (Expenses)
258,802	-	-	243,017	Gain (loss) on disposal of capital assets
258,802	-	-	243,017	Total Nonoperating Revenues (Expenses)
1,164,804	581,182	-	1,287,284	Income (Loss) Before Contributions and Transfers
45,000	-	500,000	1,993,553	Transfers in
(1,201,360)	(405,852)	-	(2,357,212)	Transfers out
8,444	175,330	500,000	923,625	Change in Net Position
4,738,954	14,001,243	2,313,042	51,256,582	Total Net Position - Beginning of Year
\$ 4,747,398	\$ 14,176,573	\$ 2,813,042	\$ 52,180,207	Total Net Position - End of Year

City of Moreno Valley, California

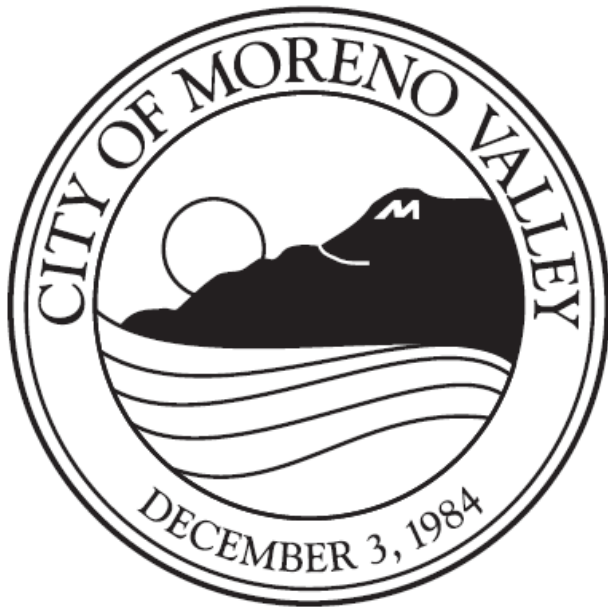
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,212,375	\$ 492,565	\$ 770	\$ 3,998,817
Payments to suppliers	(132,067)	(64,442)	(29,106)	(2,507,895)
Payments to employees	(323,307)	(53,282)	(623)	(836,580)
Cash paid for claims	(814,040)	(495,958)	-	-
Net cash provided (used) by operating activities	(57,039)	(121,117)	(28,959)	654,342
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash transfers in	525,000	-	923,553	-
Cash transfers out	-	-	(750,000)	-
Net cash provided (used) by noncapital financing activities	525,000	-	173,553	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(282,293)	(222,396)
Proceeds from the sale or disposition of capital assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	(282,293)	(222,396)
Net increase (decrease) in cash and cash equivalents	467,961	(121,117)	(137,699)	431,946
Balances - beginning of year	1,981,280	3,437,188	8,904,551	5,595,548
Balances - end of the year	\$ 2,449,241	\$ 3,316,071	\$ 8,766,852	\$ 6,027,494
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$ (211,824)	\$ 48,626	\$ (418,154)	\$ 138,435
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	362,518	382,018
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	15
(Increase) decrease in prepaid costs	-	-	-	9,892
(Increase) decrease in inventories	-	-	-	2,584
Increase (decrease) in accounts payable	107,647	2,320	26,677	115,054
Increase (decrease) in self-insurance payable	46,000	(166,000)	-	-
Increase (decrease) in compensated absences	1,138	(6,063)	-	6,344
Net cash provided (used) by operating activities	\$ (57,039)	\$ (121,117)	\$ (28,959)	\$ 654,342

City of Moreno Valley, California

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

FLEET OPERATIONS	EQUIPMENT REPLACEMENT RESERVE	COMPENSATED ABSENCES	TOTAL	
\$ 2,045,747	\$ 581,182	\$ -	\$ 8,331,456	CASH FLOWS FROM OPERATING ACTIVITIES
(760,985)	-	-	(3,494,495)	Cash receipts from customers
(409,547)	-	-	(1,623,339)	Payments to suppliers
-	-	-	(1,309,998)	Payments to employees
<u>875,215</u>	<u>581,182</u>	<u>-</u>	<u>1,903,624</u>	Cash paid for claims
				Net cash provided (used) by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
45,000	-	500,000	1,993,553	Cash transfers in
(1,201,360)	(405,852)	-	(2,357,212)	Cash transfers out
<u>(1,156,360)</u>	<u>(405,852)</u>	<u>500,000</u>	<u>(363,659)</u>	Net cash provided (used) by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
-	-	-	(504,689)	Acquisition and construction of capital assets
258,802	-	-	258,802	Proceeds from the sale or disposition of capital assets
<u>258,802</u>	<u>-</u>	<u>-</u>	<u>(245,887)</u>	Net cash provided (used) by capital and related financing activities
<u>(22,343)</u>	<u>175,330</u>	<u>500,000</u>	<u>1,294,078</u>	Net increase (decrease) in cash and cash equivalents
4,744,704	14,001,243	2,313,042	40,977,556	Balances - beginning of year
<u>\$ 4,722,361</u>	<u>\$ 14,176,573</u>	<u>\$ 2,813,042</u>	<u>\$ 42,271,634</u>	Balances - end of the year
				Reconciliation of operating income (loss) to net cash provided (used) by operating activities:
\$ 906,002	\$ 581,182	\$ -	\$ 1,044,267	Operating Income
				Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:
7,175	-	-	751,711	Depreciation
-	-	-	15	Changes in assets and liabilities:
-	-	-	9,892	(Increase) decrease in accounts receivable
2,211	-	-	4,795	(Increase) decrease in prepaid costs
(50,218)	-	-	201,480	(Increase) decrease in inventories
-	-	-	(120,000)	Increase (decrease) in accounts payable
10,045	-	-	11,464	Increase (decrease) in self-insurance payable
<u>\$ 875,215</u>	<u>\$ 581,182</u>	<u>\$ -</u>	<u>\$ 1,903,624</u>	Increase (decrease) in compensated absences
				Net cash provided (used) by operating activities



City of Moreno Valley, California

AGENCY FUNDS

Deposit Liability Fund

This fund is used to account for miscellaneous deposits collected by the City.

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.

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.

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.

2007 Towngate Improvement Refunding

This fund is used to account for the collection of the special tax and the transfer of special tax funds to the trustee 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

This fund is used to account for the collection of the special tax and the transfer of special tax funds to the trustee for the payment of principal, interest and trustee and administrative costs related to the Special Tax Refunding Bonds issued November 29, 2007.

IA1 CFD #7

This fund is used to account for the collection of the special tax and the transfer of special tax funds to the trustee for the payment of principal, interest and trustee and administrative costs related to the Community Facilities District 7 Improvement Area #1 Special Tax Bonds issued August 2016.

City of Moreno Valley, California

Combining Balance Sheet
All Agency Funds
June 30, 2019

	<u>Deposit Liability</u>	<u>TUMF Trust</u>	<u>MSHCP Trust</u>	<u>Moreno Valley Foundation Donations</u>	<u>Arts Commission</u>
Assets:					
Current:					
Pooled cash and investments	\$ 6,561,312	\$ 97,603	\$ 56,808	\$ 221,650	\$ 1,423
Accounts receivable	20,000	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted Assets:					
Cash with fiscal agents	-	-	-	-	-
Total Assets	<u>\$ 6,581,312</u>	<u>\$ 97,603</u>	<u>\$ 56,808</u>	<u>\$ 221,650</u>	<u>\$ 1,423</u>
Liabilities:					
Current:					
Accounts payable	\$ 40,940	\$ 97,603	\$ 56,808	\$ -	\$ -
Deposits payable	6,540,372	-	-	-	-
Payable to trustee	-	-	-	221,650	1,423
Total Liabilities	<u>\$ 6,581,312</u>	<u>\$ 97,603</u>	<u>\$ 56,808</u>	<u>\$ 221,650</u>	<u>\$ 1,423</u>

See Notes to Financial Statements

City of Moreno Valley, California

Combining Balance Sheet
All Agency Funds
June 30, 2019

<u>CFD # 5 Stoneridge</u>	<u>2007 Towngate Improvement Refunding</u>	<u>2007 Towngate Refunding</u>	<u>IA1 CFD # 7</u>	<u>Total</u>	
\$ 21,108	\$ 88,022	\$ 195,829	\$ 2,250	\$ 7,246,005	Assets:
-	-	-	-	20,000	Current:
27,185	4,185	-	-	31,370	Pooled cash and investments
					Accounts receivable
					Due from other governments
790,706	700,324	2,759,092	574,925	4,825,047	Restricted Assets:
					Cash with fiscal agents
<u>\$ 838,999</u>	<u>\$ 792,531</u>	<u>\$ 2,954,921</u>	<u>\$ 577,175</u>	<u>\$ 12,122,422</u>	Total Assets
					Liabilities:
\$ -	\$ -	\$ -	\$ -	\$ 195,351	Current:
-	-	-	-	6,540,372	Accounts payable
838,999	792,531	2,954,921	577,175	5,386,699	Deposits payable
					Payable to trustee
<u>\$ 838,999</u>	<u>\$ 792,531</u>	<u>\$ 2,954,921</u>	<u>\$ 577,175</u>	<u>\$ 12,122,422</u>	Total Liabilities

City of Moreno Valley, California

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Deposit Liability</u>				
Assets:				
Pooled cash and investments	\$ 6,521,969	2,009,004	1,969,661	\$ 6,561,312
Accounts receivable	300	524,886	505,186	20,000
Total Assets	\$ 6,522,269	2,533,890	2,474,847	\$ 6,581,312
Liabilities:				
Accounts payable	\$ 7,298	1,217,567	1,183,925	\$ 40,940
Deposits payable	6,514,971	3,717,815	3,692,414	6,540,372
Total Liabilities	\$ 6,522,269	4,935,382	4,876,339	\$ 6,581,312
<u>TUMF Trust</u>				
Assets:				
Pooled cash and investments	\$ 883,106	7,881,236	8,666,739	\$ 97,603
Total Assets	\$ 883,106	7,881,236	8,666,739	\$ 97,603
Liabilities:				
Accounts payable	\$ 883,106	7,881,236	8,666,739	\$ 97,603
Total Liabilities	\$ 883,106	7,881,236	8,666,739	\$ 97,603
<u>MSHCP Trust</u>				
Assets:				
Pooled cash and investments	\$ 157,714	1,321,919	1,422,825	\$ 56,808
Total Assets	\$ 157,714	1,321,919	1,422,825	\$ 56,808
Liabilities:				
Accounts payable	\$ 157,714	1,321,919	1,422,825	\$ 56,808
Total Liabilities	\$ 157,714	1,321,919	1,422,825	\$ 56,808
<u>Moreno Valley Foundation Donations</u>				
Assets:				
Pooled cash and investments	\$ 221,650	-	-	\$ 221,650
Total Assets	\$ 221,650	-	-	\$ 221,650
Liabilities:				
Payable to trustee	\$ 221,650	-	-	\$ 221,650
Total Liabilities	\$ 221,650	-	-	\$ 221,650

City of Moreno Valley, California

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Arts Commission</u>				
Assets:				
Pooled cash and investments	\$ 1,674	-	251	\$ 1,423
Total Assets	\$ 1,674	-	251	\$ 1,423
Liabilities:				
Payable to trustee	\$ 1,674	-	251	\$ 1,423
Total Liabilities	\$ 1,674	-	251	\$ 1,423
<u>CFD # 5 Stoneridge</u>				
Assets:				
Pooled cash and investments	\$ 21,108	456,710	456,710	\$ 21,108
Due from other governments	10,861	27,185	10,861	27,185
Restricted assets:				
Cash with fiscal agents	781,705	438,658	429,657	790,706
Total Assets	\$ 813,674	895,368	886,367	\$ 838,999
Liabilities:				
Payable to trustee	\$ 813,674	25,325	-	\$ 838,999
Total Liabilities	\$ 813,674	25,325	-	\$ 838,999
<u>2007 Towngate Improvement Refunding</u>				
Assets:				
Pooled cash and investments	\$ 87,622	426,260	425,860	\$ 88,022
Due from other governments	4,295	4,185	4,295	4,185
Restricted assets:				
Cash with fiscal agents	686,704	21,806	8,186	700,324
Total Assets	\$ 778,621	448,066	434,046	\$ 792,531
Liabilities:				
Payable to trustee	\$ 778,621	13,910	-	\$ 792,531
Total Liabilities	\$ 778,621	13,910	-	\$ 792,531

City of Moreno Valley, California

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>2007 Towngate Refunding</u>				
Assets:				
Pooled cash and investments	\$ 195,330	1,318,159	1,317,660	\$ 195,829
Restricted assets:				
Cash with fiscal agents	2,724,839	1,235,500	1,201,247	2,759,092
Total Assets	\$ 2,920,169	2,553,659	2,518,907	\$ 2,954,921
Liabilities:				
Payable to trustee	\$ 2,920,169	34,752	-	\$ 2,954,921
Total Liabilities	\$ 2,920,169	34,752	-	\$ 2,954,921
<u>IA1 CFD #7</u>				
Assets:				
Pooled cash and investments	\$ 2,450	32,250	32,450	\$ 2,250
Restricted assets:				
Cash with fiscal agents	762,026	22,956	210,057	574,925
Total Assets	\$ 764,476	55,206	242,507	\$ 577,175
Liabilities:				
Payable to trustee	\$ 764,476	-	187,301	\$ 577,175
Total Liabilities	\$ 764,476	-	187,301	\$ 577,175
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 8,092,623	13,445,538	14,292,156	\$ 7,246,005
Accounts receivable	300	524,886	505,186	20,000
Due from other governments	15,156	31,370	15,156	31,370
Restricted assets:				
Cash with fiscal agents	4,955,274	1,718,920	1,849,147	4,825,047
Total Assets	\$ 13,063,353	15,720,714	16,661,645	\$ 12,122,422
Liabilities:				
Accounts payable	\$ 1,048,118	10,420,722	11,273,489	\$ 195,351
Deposits payable	6,514,971	3,717,815	3,692,414	6,540,372
Payable to trustee	5,500,264	73,987	187,552	5,386,699
Total Liabilities	\$ 13,063,353	14,212,524	15,153,455	\$ 12,122,422

Statistical Section



COMPREHENSIVE **ANNUAL** FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

STATISTICAL SECTION

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.

Contents

Page #

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

184

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its key revenues.

189

Debt Capacity

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.

195

Demographic and Economic Information

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.

200

Operating Information

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.

202

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Moreno Valley
Net Position by Component
Last ten fiscal years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 768,345,954	\$ 784,881,452	\$ 757,856,437	\$ 812,637,341	\$ 841,259,763	\$ 848,135,743	\$ 843,153,359	\$ 839,572,666	\$ 837,174,593	\$ 823,199,477
Restricted for:										
Community development projects	36,341,964	7,079,640	37,716,605	38,269,946	47,104,275	44,564,797	67,426,468	63,563,689	69,723,387	72,126,493
Community and cultural	8,368,534	8,968,479	10,880,981	12,219,506	13,201,156	15,490,740	17,003,008	18,850,364	18,852,822	20,259,407
Public safety	2,103,241	644,786	626,545	328,561	328,236	1,000,633	473,282	509,262	595,357	618,440
Public works/capital projects	61,365,635	109,095,517	27,654,589	40,264,691	56,388,219	43,385,566	45,945,528	47,002,124	50,262,334	59,592,469
Debt service	15,818,072	12,867,643	11,956,354	12,413,131	11,996,640	9,695,909	9,734,330	6,021,727	6,022,962	6,023,401
Other programs	2,545,781	301,868	170,051	311,702	538,101	538,908	707,617	949,249	1,155,659	1,350,421
Permanent funds-nonexpendable	169,287	170,162	188,335	191,646	328,823	332,597	337,682	338,156	324,240	336,843
Unrestricted:	46,594,052	24,461,651	95,014,503	91,359,292	70,552,111	33,342,552	27,376,839	26,675,321	20,688,716	30,516,185
Total Governmental activities net position	<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>	<u>\$ 996,487,445</u>	<u>\$ 1,012,158,113</u>	<u>\$ 1,003,482,558</u>	<u>\$ 1,004,800,070</u>	<u>\$ 1,014,023,136</u>
Business-type activities										
Net investment in capital assets	\$ 12,201,754	\$ 13,942,981	\$ 8,396,845	\$ 9,052,878	\$ 9,569,296	\$ 10,903,412	\$ 13,977,670	\$ 20,512,511	\$ 20,959,563	\$ 25,289,496
Restricted for:										
Regulatory contingencies	1,158,200	1,702,037	2,520,912	3,444,969	3,903,663	3,803,242	-	4,806,157	5,460,607	6,125,796
Unrestricted:	(4,520,034)	(5,623,674)	(413,445)	(652,825)	260,457	4,297,438	12,487,075	4,972,812	12,167,888	12,732,634
Total Business-type activities net position	<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>	<u>\$ 19,004,092</u>	<u>\$ 26,464,745</u>	<u>\$ 30,291,480</u>	<u>\$ 38,588,058</u>	<u>\$ 44,147,926</u>
Primary government										
Net investment in capital assets	\$ 780,547,708	\$ 798,824,433	\$ 766,253,282	\$ 821,690,219	\$ 850,829,059	\$ 859,039,155	\$ 857,131,029	\$ 860,085,177	\$ 858,134,156	\$ 848,488,973
Restricted for:										
Community development projects	36,341,964	7,079,640	37,716,605	38,269,946	47,104,275	44,564,797	67,426,468	63,563,689	69,723,387	72,126,493
Community and cultural	8,368,534	8,968,479	10,880,981	12,219,506	13,201,156	15,490,740	17,003,008	18,850,364	18,852,822	20,259,407
Public safety	2,103,241	644,786	626,545	328,561	328,236	1,000,633	473,282	509,262	595,357	618,440
Public works/capital projects	61,365,635	109,095,517	27,654,589	40,264,691	56,388,219	43,385,566	45,945,528	47,002,124	50,262,334	59,592,469
Debt service	15,818,072	12,867,643	11,956,354	12,413,131	11,996,640	9,695,909	9,734,330	6,021,727	6,022,962	6,023,401
Other programs	2,545,781	301,868	170,051	311,702	538,101	538,908	707,617	949,249	1,155,659	1,350,421
Permanent funds-nonexpendable	169,287	170,162	188,335	191,646	328,823	332,597	337,682	338,156	324,240	336,843
Regulatory contingencies	1,158,200	1,702,037	2,520,912	3,444,969	3,903,663	3,803,242	-	4,806,157	5,460,607	6,125,796
Unrestricted:	42,074,018	18,837,977	94,601,058	90,706,467	70,812,568	37,639,990	39,863,914	31,648,133	32,856,604	43,248,819
Total primary government net position	<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>	<u>\$ 1,015,491,537</u>	<u>\$ 1,038,622,858</u>	<u>\$ 1,033,774,038</u>	<u>\$ 1,043,388,128</u>	<u>\$ 1,058,171,062</u>

184

City of Moreno Valley
Change in Net Position
Last ten fiscal years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 12,093,157	\$ 13,001,340	\$ 11,326,363	\$ 11,758,206	\$ 12,081,324	\$ 26,675,932	\$ 17,250,813	\$ 20,743,087	\$ 17,866,194	\$ 17,692,328
Public safety	58,165,412	59,640,431	56,037,192	56,896,151	53,578,915	56,270,003	56,238,838	57,880,925	62,932,166	62,282,794
Community and economic development	29,663,451	10,003,780	11,317,359	11,886,089	7,755,380	9,873,837	9,228,108	9,895,574	16,127,907	17,643,399
Community and cultural	22,700,681	25,046,848	19,245,060	18,400,148	20,615,807	20,589,032	20,910,986	22,144,633	23,158,730	23,653,269
Public works	14,990,867	34,432,579	36,159,171	39,467,695	43,540,207	29,397,062	34,772,136	39,433,172	47,833,852	50,392,109
Interest and fiscal charges	9,126,054	8,333,540	6,415,304	2,552,119	4,031,673	3,338,928	3,625,888	2,407,992	2,201,392	2,106,238
Total Governmental activities expenses	<u>146,739,622</u>	<u>150,458,518</u>	<u>140,500,449</u>	<u>140,960,408</u>	<u>141,603,306</u>	<u>146,144,794</u>	<u>142,026,769</u>	<u>152,505,383</u>	<u>170,120,241</u>	<u>173,770,137</u>
Business-type activities:										
Electric	13,812,966	14,807,788	16,549,224	18,139,446	19,796,146	22,277,378	24,230,159	25,319,390	26,286,674	28,740,920
Total business-type activities expenses	<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>	<u>22,277,378</u>	<u>24,230,159</u>	<u>25,319,390</u>	<u>26,286,674</u>	<u>28,740,920</u>
Total primary government expenses	<u>\$ 160,552,588</u>	<u>\$ 165,266,306</u>	<u>\$ 157,049,673</u>	<u>\$ 159,099,854</u>	<u>\$ 161,399,452</u>	<u>\$ 168,422,172</u>	<u>\$ 166,256,928</u>	<u>\$ 177,824,773</u>	<u>\$ 196,406,915</u>	<u>\$ 202,511,057</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,148,712	\$ 5,008,441	\$ 7,056,028	\$ 9,505,989	\$ 5,057,964	\$ 4,996,612	\$ 6,142,310	\$ 6,705,689	\$ 7,862,247	\$ 7,531,941
Public safety	4,371,535	2,787,962	2,738,303	2,951,403	3,077,843	3,196,167	3,409,176	3,013,430	3,797,064	3,726,879
Community and economic development	4,071,460	4,911,984	5,973,104	4,821,911	7,620,631	7,529,017	7,437,687	3,710,803	10,912,039	14,891,509
Community and cultural	11,254,752	11,237,049	11,584,756	11,343,108	6,518,337	6,292,363	4,927,785	5,992,611	5,947,505	5,527,271
Public works	2,264,619	3,364,804	1,495,407	3,109,029	2,604,218	3,245,439	3,268,761	3,765,362	6,547,035	4,809,398
Operating contributions and grants:										
General government	66,861	940,799	1,094,413	2,974,751	121,564	154,230	121,850	146,906	325,286	235,088
Public safety	1,016,552	1,009,290	988,848	796,155	687,498	4,213,573	3,954,561	2,459,630	2,896,580	1,925,943
Community and economic development	8,909,018	5,769,165	4,028,880	9,928,414	4,972,354	2,278,546	1,225,925	120,222	363,296	253,588
Community and cultural	5,174,090	6,635,271	6,284,823	7,166,971	7,515,185	7,595,170	7,437,170	7,306,606	8,329,978	8,492,028
Public works	6,345,620	6,353,159	15,499,751	15,250,978	12,279,173	12,837,819	10,131,877	9,395,207	9,940,429	13,026,677
Capital grants and contributions										
General government	31,307	-	5,056,545	-	17,576	-	-	-	-	4,808
Public safety	146,606	534,771	893,608	357,393	-	-	-	-	-	-
Community and economic development	918,785	20,180	-	-	9,729,528	16,679,953	16,349,211	-	-	-
Community and cultural	-	-	-	-	-	-	-	-	431,335	-
Public works	70,826,175	29,208,716	(270,863)	37,847,697	6,544,892	5,052,634	1,638,903	5,544,464	647,635	15,433,181
Total governmental activities program revenues	<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>	<u>74,071,523</u>	<u>66,045,216</u>	<u>48,160,930</u>	<u>58,000,429</u>	<u>75,858,311</u>
Business-type activities:										
Charges for services										
Electric	13,326,364	15,671,939	16,778,766	19,098,088	20,213,736	27,678,542	29,363,663	29,090,573	31,443,140	31,074,323
Capital grants and contributions										
	-	-	-	-	-	-	-	-	-	2,496,022
Total business-type activities program revenues	<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>	<u>27,678,542</u>	<u>29,363,663</u>	<u>29,090,573</u>	<u>31,443,140</u>	<u>33,570,345</u>
Total primary government program revenues	<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>	<u>\$ 101,750,065</u>	<u>\$ 95,408,879</u>	<u>\$ 77,251,503</u>	<u>\$ 89,443,569</u>	<u>\$ 109,428,656</u>

(Continued)

City of Moreno Valley
Change in Net Position
Last ten fiscal years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/ Revenue										
Governmental activities	\$ (28,193,530)	\$ (72,676,927)	\$ (78,076,846)	\$ (34,906,609)	\$ (74,856,543)	\$ (72,073,271)	\$ (75,981,553)	\$ (104,344,453)	\$ (112,119,812)	\$ (97,911,826)
Business-type activities	(486,602)	864,151	229,542	958,642	417,590	5,401,164	5,133,504	3,771,183	5,156,466	4,829,425
Total primary government net (expense)/revenue	<u>\$ (28,680,132)</u>	<u>\$ (71,812,776)</u>	<u>\$ (77,847,304)</u>	<u>\$ (33,947,967)</u>	<u>\$ (74,438,953)</u>	<u>\$ (66,672,107)</u>	<u>\$ (70,848,049)</u>	<u>\$ (100,573,270)</u>	<u>\$ (106,963,346)</u>	<u>\$ (93,082,401)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 16,836,699	\$ 22,699,683	\$ 18,342,475	\$ 13,088,911	\$ 14,281,943	\$ 15,600,436	\$ 17,009,795	\$ 18,233,839	\$ 19,745,795	\$ 20,939,920
Property taxes in lieu	13,703,197	13,055,796	13,170,964	13,414,446	13,871,754	15,137,754	16,409,009	17,430,250	18,406,258	19,577,636
Transient occupancy taxes	535,775	692,586	747,100	831,881	991,431	1,197,143	1,416,343	1,852,584	2,344,159	2,433,358
Sales taxes	10,982,811	12,277,450	14,003,993	14,043,560	15,887,129	16,130,340	18,937,738	18,395,442	19,192,515	21,208,442
Franchise taxes	4,607,594	4,888,143	5,008,507	5,147,342	5,361,531	5,885,913	5,493,936	5,384,726	5,680,137	5,968,690
Business license taxes	961,303	1,053,146	1,175,104	1,305,925	1,581,918	1,886,558	2,249,400	2,291,816	2,351,794	2,451,260
Utility users taxes	15,358,341	15,317,439	15,591,386	15,683,931	15,595,141	16,138,202	15,824,481	15,613,484	15,629,102	15,483,806
Other taxes	2,278,529	1,204,064	1,155,334	1,325,025	6,467,203	6,512,910	6,529,065	6,464,018	6,678,812	6,892,345
Franchise in lieu taxes	132,548	150,456	168,267	189,577	194,943	278,186	293,022	288,383	620,349	617,101
Documentary transfer tax	479,208	424,931	434,554	350,413	447,103	502,822	740,120	719,514	767,591	833,082
Intergovernmental-motor vehicle in lieu, unrestricted	547,188	-	-	-	-	-	-	-	-	-
Use of money and property	10,850,116	5,298,098	8,708,429	2,236,328	4,718,739	3,440,087	4,774,277	2,639,133	6,166,810	9,724,871
Gain on sale of capital assets	-	605	-	-	-	-	-	-	-	-
Miscellaneous	1,238,641	2,784,308	469,671	1,728,104	696,377	403,609	1,975,035	769,125	1,040,861	999,027
Contributed capital	-	-	-	-	-	-	-	-	14,513,139	-
Extraordinary items	-	-	(7,305,736)	31,492,582	26,364,076	-	-	-	-	-
Transfers	225,192	(107,841)	-	-	(904,032)	-	-	-	300,000	5,354
Total governmental activities	<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>	<u>83,113,960</u>	<u>91,652,221</u>	<u>90,082,314</u>	<u>113,437,322</u>	<u>107,134,892</u>
Business-type activities										
Use of property and money	61,428	29,540	89,183	8,848	35,249	137,947	202,544	129,253	47,572	504,300
Miscellaneous	1,250,000	179,892	164,243	373,220	531,523	1,141,838	2,124,605	209,279	293,756	231,497
Contributed capital	-	-	-	-	-	-	-	-	3,098,784	-
Transfers	(225,192)	107,841	-	-	904,032	-	-	-	(300,000)	(5,354)
Total business-type activities	<u>1,086,236</u>	<u>317,273</u>	<u>253,426</u>	<u>382,068</u>	<u>1,470,804</u>	<u>1,279,785</u>	<u>2,327,149</u>	<u>338,532</u>	<u>3,140,112</u>	<u>730,443</u>
Total primary government	<u>\$ 79,823,378</u>	<u>\$ 80,056,137</u>	<u>\$ 71,923,474</u>	<u>\$ 101,220,093</u>	<u>\$ 107,026,060</u>	<u>\$ 84,393,745</u>	<u>\$ 93,979,370</u>	<u>\$ 90,420,846</u>	<u>\$ 116,577,434</u>	<u>\$ 107,865,335</u>
Change in Net Position										
Government activities	\$ 50,543,612	\$ 7,061,937	\$ (6,406,798)	\$ 65,931,416	\$ 30,698,713	\$ 11,040,689	\$ 15,670,668	\$ (14,262,139)	\$ 1,317,510	\$ 9,223,066
Business-type activities	599,634	1,181,424	482,968	1,340,710	1,888,394	6,680,949	7,460,653	4,109,715	8,296,578	5,559,868
Total primary government	<u>\$ 51,143,246</u>	<u>\$ 8,243,361</u>	<u>\$ (5,923,830)</u>	<u>\$ 67,272,126</u>	<u>\$ 32,587,107</u>	<u>\$ 17,721,638</u>	<u>\$ 23,131,321</u>	<u>\$ (10,152,424)</u>	<u>\$ 9,614,088</u>	<u>\$ 14,782,934</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 33,788,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,500,579	-	-	-	-	-	-	-	-	-
Nonspendable	-	5,716,008	5,438,306	5,497,653	9,132,415	8,388,275	8,215,977	8,395,058	11,444,674	10,973,748
Restricted	-	-	1,000,000	-	-	-	-	-	-	-
Committed	-	2,600,000	2,600,000	2,701,000	2,729,722	2,266,281	2,755,281	13,359,691	13,844,094	16,187,828
Assigned	-	1,414,860	2,613,937	646,598	1,156,993	1,115,184	2,621,245	10,007,195	10,742,934	16,433,572
Unassigned	-	36,634,651	29,814,811	25,528,774	27,536,445	31,606,163	37,529,532	24,369,793	19,690,252	22,138,541
Total General Fund	<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>	<u>\$ 43,375,903</u>	<u>\$ 51,122,035</u>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>	<u>\$ 65,733,689</u>
All Other Funds										
Reserved	\$ 79,688,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	30,378,947	-	-	-	-	-	-	-	-	-
Capital projects funds	27,373,151	-	-	-	-	-	-	-	-	-
Permanent funds	169,287	-	-	-	-	-	-	-	-	-
Nonspendable	-	32,582,050	35,169,140	35,479,835	6,848,083	6,351,290	5,869,254	5,863,731	301,800	296,615
Restricted	-	106,735,045	54,025,315	68,502,016	123,037,367	110,373,496	103,223,132	98,182,217	110,783,344	123,852,864
Committed	-	13,321	17,332	17,332	-	-	1,000,000	5,768,000	5,768,000	6,768,000
Assigned	-	15,151,482	19,708,984	11,130,251	-	-	-	-	-	-
Unassigned	-	(33,954,694)	(692,943)	(1,074,556)	(449,279)	(447,628)	(122,130)	(207,251)	(204,086)	(198,206)
Total all other funds	<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>	<u>\$ 116,277,158</u>	<u>\$ 109,970,256</u>	<u>\$ 109,606,697</u>	<u>\$ 116,649,058</u>	<u>\$ 130,719,273</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Taxes:										
Property taxes	\$ 16,836,699	\$ 22,699,683	\$ 18,342,475	\$ 13,088,911	\$ 14,281,943	\$ 15,600,436	\$ 17,009,795	\$ 18,233,839	\$ 19,745,795	\$ 20,939,920
Property taxes in lieu	13,703,197	13,055,796	13,170,964	13,414,446	13,871,754	15,137,754	22,796,457	17,430,250	18,406,258	19,577,636
Utility users taxes	15,358,341	15,317,439	15,591,386	15,683,931	15,595,141	16,138,202	15,824,481	15,613,484	15,629,102	15,483,806
Sales taxes	10,982,811	12,277,450	14,003,993	14,043,560	15,887,129	16,130,340	18,937,738	18,395,442	19,192,515	21,208,442
Other taxes	8,994,957	8,413,326	8,688,866	9,150,163	15,044,129	16,263,532	10,334,438	17,000,816	18,442,840	19,195,836
Licenses and permits	1,354,188	1,532,514	1,523,800	1,585,312	2,164,753	2,020,230	2,834,449	2,860,486	3,020,868	3,468,511
Intergovernmental	39,049,424	27,591,342	28,993,998	38,624,704	28,810,219	32,505,519	27,463,858	27,205,717	25,380,908	28,676,795
Fees and charges for services	20,182,147	21,497,689	25,480,671	27,718,832	20,229,634	21,050,766	21,193,893	20,967,315	27,564,951	30,913,729
Use of money and property	10,850,116	7,027,197	7,605,758	1,749,494	4,034,589	3,405,008	4,734,930	2,639,133	6,166,810	9,724,871
Fines and forfeitures	1,176,403	833,799	653,285	650,259	619,942	630,175	569,383	626,710	654,993	756,901
Miscellaneous	1,238,641	4,251,577	1,424,186	3,162,871	2,269,465	1,623,569	2,273,288	769,126	1,040,861	999,027
Total revenues	139,726,924	134,497,812	135,479,382	138,872,483	132,808,698	140,505,531	143,972,711	141,742,318	155,245,901	170,945,474
Expenditures										
General government	12,607,630	14,504,781	14,442,873	12,099,984	12,019,962	13,146,749	16,275,216	16,860,169	15,663,530	15,912,863
Public safety	58,311,716	58,152,125	54,602,358	58,393,974	53,492,051	55,248,006	55,140,221	56,601,719	61,747,652	61,141,018
Community and economic development	15,003,855	9,061,184	10,530,127	12,374,216	7,923,409	9,883,788	9,116,820	8,759,075	15,367,566	13,531,870
Community and cultural	21,982,074	23,006,061	17,348,779	18,021,610	19,232,689	18,797,257	19,031,065	19,163,687	20,702,253	21,241,618
Public works	13,796,314	15,018,071	15,588,709	15,673,611	18,273,006	18,130,438	19,293,627	18,434,525	19,311,593	20,516,249
Capital outlay	26,269,751	23,879,656	27,709,622	45,615,380	27,212,890	28,898,279	19,586,004	11,038,070	13,234,873	12,203,689
Debt service										
Principal retirement	3,690,094	11,724,021	3,965,407	3,017,500	13,884,500	2,556,230	3,092,176	2,613,000	1,920,000	2,005,000
Interest and fiscal charges	9,198,762	8,345,084	6,250,237	2,462,481	3,284,958	3,388,158	2,950,685	2,500,775	2,399,001	2,304,456
Bond issuance costs	-	-	-	-	895,960	360,956	-	-	-	-
Total expenditures	160,860,196	163,690,983	150,438,112	167,658,756	156,219,425	150,409,861	144,485,814	135,971,020	150,346,468	148,856,763
Excess (Deficiency) of revenues over (under) expenditures	(21,133,272)	(29,193,171)	(14,958,730)	(28,786,273)	(23,410,727)	(9,904,330)	(513,103)	5,771,298	4,899,433	22,088,711
Other Financing Sources (Uses)										
Issuance of debt	-	7,447,764	-	-	-	-	-	-	-	-
Transfers in (note 7)	29,322,934	18,994,235	25,245,873	16,689,425	30,993,218	44,585,720	9,218,855	11,834,731	21,981,064	19,333,554
Transfers out (note 7)	(26,106,962)	(19,012,256)	(25,818,899)	(15,473,618)	(30,111,368)	(44,677,294)	(8,588,009)	(9,397,470)	(20,397,921)	(18,964,541)
Transfers from Successor Agency	-	-	900,124	2,811,741	9,729,528	1,489,134	1,620,000	150,000	150,000	150,000
Transfer in of land	-	-	-	-	-	-	-	-	-	1,474,226
Contributions to Successor Agency	-	-	-	-	-	-	(298,513)	-	-	-
Premium on debt issued	-	-	-	-	905,166	-	-	-	-	-
Other debts issued	-	-	-	-	20,000,000	-	-	-	-	-
Defeased bonds	-	-	-	-	-	(25,940,000)	-	-	-	-
Refunding bonds issued	-	-	-	-	10,454,230	24,108,085	-	-	-	-
Total other financing sources (uses)	3,215,972	7,429,743	327,098	4,027,548	41,970,774	(434,355)	1,952,333	2,587,261	1,733,143	1,993,239
Special Items										
Extraordinary Items	-	-	(2,566,209)	23,492,746	-	-	-	-	-	-
Gains from Land held for Resale	-	-	-	-	-	-	-	-	-	-
Total Special Items	-	-	(2,566,209)	23,492,746	-	-	-	-	-	-
Net change in fund balances	\$ (17,917,300)	\$ (21,763,428)	\$ (17,197,841)	\$ (1,265,979)	\$ 18,560,047	\$ (10,338,685)	\$ 1,439,230	\$ 8,358,559	\$ 6,632,576	\$ 24,081,950
Debt service as a percentage of noncapital expenditures	9.58%	14.35%	8.59%	4.39%	13.06%	5.38%	5.21%	4.35%	3.14%	3.01%

City of Moreno Valley
Tax Revenues by Source, General Fund
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property	Property Tax In-Lieu of Vehicle License Fees	Utility Users	Sales	Transient Occupancy	Franchise	Business License Gross Receipt	Documentary Transfer	Total
2010	\$ 9,917,734	\$ 13,703,197	\$ 15,358,341	\$ 9,298,296	\$ 535,775	\$ 4,757,920	\$ 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	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	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	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	1,581,918	447,103	64,683,789
2015	11,594,459	15,137,754	16,138,202	16,130,340	1,197,143	6,164,099	1,886,558	502,822	68,833,035
2016	12,679,455	16,409,009	15,824,481	18,937,738	1,416,343	5,786,958	2,249,400	740,120	74,124,471
2017	13,593,075	17,430,250	15,613,484	18,395,442	1,852,584	5,673,110	2,291,816	719,514	75,661,282
2018	14,696,576	18,406,258	15,629,102	19,192,515	2,344,159	6,300,485	2,351,794	767,591	79,688,479
2019	15,623,696	19,577,636	15,483,806	21,208,442	2,433,358	6,585,791	2,451,261	833,082	84,197,073
Change 2010 to 2019	58.00%	43.00%	1.00%	128.00%	354.00%	38.00%	155.00%	74.00%	52.00%

Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley
 Key Revenues, General Fund
 Last Ten Fiscal Years

190

<u>Fiscal Year</u>	<u>Utility Users Taxes</u>	<u>Property Taxes</u>	<u>Property Taxes In-Lieu of VLF</u>	<u>Sales Taxes</u>	<u>Property Taxes In-Lieu of Sales Taxes</u>	<u>Development Services</u>
2010	\$ 15,358,341	\$ 9,917,734	\$ 13,703,197	\$ 6,952,123	\$ 2,346,173	\$ 2,631,820
2011	15,317,439	9,430,846	13,055,796	8,113,635	3,169,800	2,675,770
2012	15,591,386	9,397,373	13,170,964	10,848,031	3,155,962	3,928,365
2013	15,683,931	9,765,007	13,414,446	10,523,544	3,520,016	3,586,632
2014	15,595,141	10,668,782	13,871,754	11,478,971	4,408,158	5,832,468
2015	16,138,202	11,594,459	15,137,754	12,347,660	3,782,680	5,323,881
2016	15,824,481	12,679,455	16,409,009	15,412,390	3,525,352	6,453,497
2017	15,613,484	13,593,075	17,430,250	18,395,442	- (1)	7,124,351
2018	15,629,102	14,696,576	18,406,258	19,192,515	-	7,917,171
2019	15,483,806	15,623,696	19,577,636	21,208,442	-	8,780,550

Notes:

1) Per direction of the State Director of Finance, the Triple Flip program ended in 2016.

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 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
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
2015	12,102,252	366,400	12,468,652	(262,713)	12,205,939	0.00179	-	-	-	-	-	-	0.00179
2016	12,991,881	486,350	13,478,231	(256,756)	13,221,475	0.00173	-	-	-	-	-	-	0.00173
2017	13,703,128	609,642	14,312,770	(265,286)	14,047,484	0.00172	-	-	-	-	-	-	0.00172
2018	14,517,849	584,791	15,102,640	(273,025)	14,829,615	0.00169	-	-	-	-	-	-	0.00169
2019	15,490,166	637,631	16,127,798	(360,916)	15,766,881	0.00166	-	-	-	-	-	-	0.00166

191

Notes:

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Direct Rate:	\$0.00160	\$0.00164	\$0.00258	\$0.00183	\$0.00185	\$0.00179	\$0.00173	\$0.00172	\$0.00169	\$0.00166
Redevelopment Agency Direct Rate:	0.00675	0.00575	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Tax Rate:	0.00256	0.00242	0.00258	0.00183	0.00185	0.00179	0.00173	0.00172	0.00169	\$0.00166
Eastern Municipal Water Imp Dist	0.03000	0.03000	0.03000	0.03000	0.03000	0.01100	0.01100	0.01100	0.01000	0.01000
Metropolitan Water Dist Original Area	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Moreno Valley Unified School District	0.02660	0.03357	0.04096	0.04060	0.04354	0.04071	0.10223	0.10320	0.09333	0.09864
Mt. San Jacinto Jr College	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01394	0.01320	0.01320	0.01320
Riverside City Community College District	0.01242	0.01499	0.01700	0.01702	0.01768	0.01791	0.01725	0.01649	0.01616	0.01478
San Jacinto Unified School District	0.09052	0.11744	0.12875	0.12800	0.12746	0.11866	0.11727	0.11656	0.15078	0.15291
Val Verde Unified District	0.04089	0.03347	0.03160	0.08383	0.07235	0.07882	0.07135	0.07210	0.06368	0.06966
Total Tax Rate	\$0.17231	\$0.24298	\$0.25717	\$0.30662	\$0.29823	\$0.27239	\$0.33827	\$0.33777	\$0.35234	\$0.36435

Notes:
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
Hdl Coren & Cone

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

Taxpayer	2019			2010		
	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/(Skechers)	\$ 226,094,211	1	1.43%	\$ -	-	-
Western A West California, LLC	162,850,384	2	1.03%	-	-	-
Duke Realty LP	154,358,513	3	0.98%	-	-	-
First Industrial LP	151,922,179	4	0.96%	-	-	-
Ross Dress For Less, Inc.	137,339,628	5	0.87%	97,084,134	4	0.88%
FR California Indian Avenue	116,938,404	6	0.74%	-	-	-
Walgreen Company	114,599,679	7	0.73%	137,062,594	1	1.24%
Golden State FC, LLC	103,338,843	8	0.66%	-	-	-
Towngate on Memorial Apartments	100,543,290	9	0.64%	-	-	-
AI California	98,897,920	10	0.63%	-	-	-
Stonegate 552, LLC	-	-	-	114,015,600	2	1.04%
Ridge Moreno Valley	-	-	-	101,827,166	3	0.92%
Moreno Valley Day St Apartment	-	-	-	72,131,078	5	0.66%
WNRA Moreno Valley	-	-	-	57,723,068	6	0.52%
Kaiser Foundation Hospitals	-	-	-	56,001,945	7	0.51%
Knickerbocker Properties, Inc.	-	-	-	49,418,999	8	0.45%
Realty Associates Fund IX LP	-	-	-	47,154,744	9	0.43%
Bre Properties, Inc.	-	-	-	43,499,470	10	0.40%
	<u>\$ 1,366,883,051</u>		<u>8.67%</u>	<u>\$ 775,918,798</u>		<u>7.05%</u>

Source: Hdl Coren & Cone

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent years	Total Collections to Date	
		Amount	Percent of Levy ⁽¹⁾		Amount	Percent of Levy
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%
2015	26,455,986	26,154,116	98.86%	301,870	26,455,986	100.00%
2016	27,643,578	27,249,232	98.57%	394,345	27,643,578	100.00%
2017	28,476,155	28,270,448	99.28%	205,707	28,476,155	100.00%
2018	29,595,157	29,425,906	99.43%	169,250	29,595,157	100.00%
2019	30,459,787	30,334,346	99.59%	-	30,334,346	99.59%

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.

(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 2018/19 Assessed Valuation

\$ 15,777,801,124

	Total Debt 6/30/2019	% Applicable(1)	City's Share of Debt 6/30/2019
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
Metropolitan Water District	\$ 48,050,000	0.541%	\$ 259,951
Riverside County Flood Control and Water Reclamation District, Zone No.4	14,690,000	30.601	4,495,287
Eastern Municipal Water District I.D. No U-22	2,297,000	100	2,297,000
Riverside Community College District	251,471,071	14.889	37,441,528
Mount San Jacinto Community College District	172,650,000	0.025	43,163
Moreno Valley Unified School District	162,268,521	84.208	136,643,076
San Jacinto Unified School District	64,212,349	0.736	472,603
Val Verde Unified School District	128,604,169	36.595	47,062,696
Moreno Valley Unified School District Community Facilities District No. 2002-1	6,255,000	100	6,255,000
Moreno Valley Unified School District Community Facilities District No. 2003-1&2	9,930,000	100	9,930,000
Moreno Valley Unified School District Community Facilities District No. 2004-1	2,300,000	100	2,300,000
Moreno Valley Unified School District Community Facilities District No. 2004-2	4,775,000	100	4,775,000
Moreno Valley Unified School District Community Facilities District No. 2004-3	3,120,000	100	3,120,000
Moreno Valley Unified School District Community Facilities District No. 2004-4	3,750,000	100	3,750,000
Moreno Valley Unified School District Community Facilities District No. 2004-5	3,800,000	100	3,800,000
Moreno Valley Unified School District Community Facilities District No. 2004-6	24,105,000	100	24,105,000
Moreno Valley Unified School District Community Facilities District No. 2005-1	6,540,000	100	6,540,000
Moreno Valley Unified School District Community Facilities District No. 2005-2, 3 & 5	23,535,000	100	23,535,000
Moreno Valley Unified School District Community Facilities District No. 2007-1	5,015,000	100	5,015,000
Moreno Valley Unified School District Community Facilities District No. 2015-2	6,345,000	100	6,345,000
Moreno Valley Unified School District Community Facilities District No. 2015-3	4,080,000	100	4,080,000
Val Verde Unified School District Community Facilities District No. 98-1	15,190,000	100	15,190,000
Val Verde Unified School District Community Facilities District No. 2003-2	2,560,000	100	2,560,000
Val Verde Unified School District Community Facilities District No. 2014-1	6,900,000	100	6,900,000
Eastern Municipal Water District Community Facilities Districts	13,524,000	100	13,524,000
City of Moreno Valley Community Facilities District No. 5	5,350,000	100	5,350,000
City of Moreno Valley Community Facilities District No. 7, I.A. No. 1	3,190,000	100	3,190,000
City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1	1,580,000	100	1,580,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 380,559,304
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	\$ 760,133,611	5.628%	\$ 42,780,320
Riverside County Pension Obligations	243,850,000	5.628%	13,723,878
Moreno Valley Unified School District Certificates of Participation	13,980,000	84.208%	11,772,278
San Jacinto Unified School District Certificates of Participation	41,505,000	0.736%	305,477
Val Verde Unified School District Certificates of Participation	57,610,000	36.595%	21,082,380
Western Municipal Water District Certificates of Participation	9,020,960	0.143%	12,900
City of Moreno Valley General Fund Obligations	80,365,000	100%	80,365,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 170,042,233
Less: Riverside County self-supporting obligations			97,764
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 169,944,469
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	\$ 72,120,000	31.633-100.%	\$ 50,768,986
TOTAL DIRECT DEBT			80,365,000
TOTAL GROSS OVERLAPPING DEBT			521,005,523
TOTAL NET OVERLAPPING DEBT			520,907,759
GROSS COMBINED TOTAL DEBT			601,370,523 (2)
NET COMBINED TOTAL DEBT			601,272,759

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 2018-19 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt	2.41%
Total Direct Debt (\$80,365,000)	0.51%
Gross Combined Total Debt	3.81%
Net Combined Total Debt	3.81%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$3,253,817,899):

Total Overlapping Tax Increment Debt	1.56%
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AB: (\$500)

Source: MuniServices, LLC

City of Moreno Valley
 Legal Debt Margin
 Last Ten Fiscal Years
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2019:

Assessed Value \$ 15,633,325
 Debt Limit (15% of assessed value) 2,344,999

Debt applicable to limit: -

Total net debt applicable to limit \$ -

196

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Valuation (in thousands)	\$ 10,862,814	\$ 10,366,869	\$ 10,462,566	\$ 10,590,832	\$ 12,199,659	\$ 12,064,572	\$13,082,108	\$ 13,909,814	\$ 14,693,509	\$15,633,325
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation (in thousands)	2,715,704	2,591,717	2,615,642	2,647,708	3,049,915	3,016,143	3,270,527	3,477,454	3,673,377	3,908,331
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit (in thousands)	407,356	388,758	392,346	397,156	457,487	452,421	490,579	521,618	551,007	586,250
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin (in thousands)	407,356	388,758	392,346	397,156	457,487	452,421	490,579	521,618	551,007	586,250
Total net debt applicable to the limit as a percentage of the debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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 Ended June 30	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Debt per Capita
	Certificates of Participation	Lease Revenue Bonds	RDA Tax Allocation Bonds	Notes and Other	Total Governmental Activities	Lease Revenue Bonds	Notes and Other	Total Business- type Activities			
2010	\$ 4,875,000	\$ 44,205,000	\$ 42,605,000	\$ 6,667,850	\$ 98,352,850	\$ 30,285,000	\$ -	\$ 30,285,000	\$ 128,637,850	3.55%	\$ 682
2011	- ⁽²⁾	39,660,000 ⁽²⁾	42,475,000	12,301,668 ⁽²⁾	94,436,668	29,780,000	-	29,780,000	124,216,668	3.63%	636
2012	-	38,775,000	- ⁽³⁾	12,405,733	51,180,733	29,245,000	-	29,245,000	80,425,733	2.35%	409
2013	-	37,855,000	-	12,340,304	50,195,304	28,685,000	-	28,685,000	78,880,304	2.18%	398
2014	20,000,000	36,394,230	-	11,874,411	68,268,641	27,836,607	-	27,836,607	96,105,248	2.66%	482
2015	20,000,000	32,486,745	-	10,620,844	63,107,589	26,982,029	-	26,982,029	90,089,618	2.43%	442
2016	20,000,000	33,788,512	-	2,838,000	56,626,512	36,713,979	-	36,713,979	93,340,491	2.54%	454
2017	19,391,245	32,324,572	-	1,800,000	53,515,817	37,339,941	-	37,339,941	90,855,758	2.41%	439
2018	18,881,643	31,002,924	-	1,527,000	51,411,567	36,185,829	-	36,185,829	87,597,396	2.24%	422
2019	18,347,041	29,630,276	-	1,245,000	49,222,317	50,502,630	8,110,892 ⁽⁴⁾	58,613,522	107,835,839	2.64%	518

197

Notes:

- 1) These ratios are calculated using personal income and population for the prior year.
- 2) In Fiscal Year 2011 the City defeased the 1997 Lease Revenue Bonds and the 1997 City Hall COPs with private placement financing.
- 3) As of 2012, no longer considered general bonded debt as the result of the dissolution of the Redevelopment Agency.
- 4) In Fiscal Year 2019 the City and Moreno Valley Utility entered into an Equipment Lease/Purchase Agreement with Banc of America Leasing & Capital for the purchase and retrofit of streetlights.

Source: City of Moreno Valley Financial and Management Services Department
Riverside County Economic Development Agency
State of California Department of Finance

City of Moreno Valley
Ratio of Bonded Debt
Last Ten Fiscal Years

Fiscal Year Ended June 30, ⁽¹⁾	Certificates of Participation	Lease Revenue Bonds	Private Placement	Total Governmental Activities	Percent of Assessed Value	Per Capita
2010	\$ 4,875,000	\$ 44,205,000	\$ -	\$ 49,080,000	0.45%	\$ 260
2011	- ⁽²⁾	39,660,000 ⁽²⁾	3,272,000 ⁽²⁾	42,932,000	0.40%	220
2012	-	38,775,000	3,011,000	41,786,000	0.39%	213
2013	-	37,855,000	2,789,000	40,644,000	0.38%	205
2014	20,000,000	36,394,230	2,555,000	58,949,230	0.53%	296
2015	20,000,000	32,486,745	2,314,000	54,800,745	0.45%	269
2016	20,000,000	33,788,512	2,062,000	55,850,512	0.42%	272
2017	19,391,245	32,324,572	1,800,000	53,515,817	0.38%	259
2018	18,881,643	31,002,924	1,527,000	51,411,567	0.35%	248
2019	18,347,041	29,630,276	1,245,000	49,222,317	0.31%	236

Notes:

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) In Fiscal Year 2011 the City defeased the 1997 Lease Revenue Bonds and the 1997 City Hall COPs with private placement financing.

Data Source: City of Moreno Valley Financial and Management Services Department
County of Riverside Auditor-Controller

City of Moreno Valley
Pledged Revenue Coverage
Last Ten Years

Fiscal Year Ended June 30,	Community Facilities District No. 3, AutoMall Refinancing				
	Special Tax Levy	Property Tax Increment	Debt Service		Coverage
			Principal	Interest	
2010	\$ 1,173,443	\$ 185,125	\$ 950,000	\$ 205,775	1.18
2011	78,021	96,489	1,045,000	135,950	0.15
2012	74,137	29,292	925,000	64,688	0.10
2013	75,878	31,192	295,000	18,938	0.34
2014	-	-	105,000	3,938	0.00
2015	-	-	-	-	0.00
2016	-	-	-	-	0.00
2017	-	-	-	-	0.00
2018	-	-	-	-	0.00
2019	-	-	-	-	0.00

Community Facilities District No. 5 of the City of Moreno Valley (Stoneridge)				
Special Tax Levy	(Fund 4108) Debt Service		Coverage	
	Principal	Interest		
				\$ 362,124
376,005	20,000	287,613	1.22	
384,249	30,000	286,613	1.21	
388,022	35,000	285,295	1.21	
393,684	45,000	283,633	1.20	
398,468	55,000	281,505	1.18	
405,862	65,000	278,893	1.18	
368,314	75,000	275,775	1.05	
419,663	85,000	272,175	1.17	
429,694	95,000	268,125	1.18	

Towngate Community Facilities District No. 87-1, 2007 Special Tax Refunding Bonds				
Property Tax Increment	(Fund 4106) Debt Service		Coverage	
	Principal	Interest		
				\$ 373,011
1,168,536	630,000	382,569	1.15	
1,175,145	655,000	359,294	1.16	
1,170,595	680,000	335,931	1.15	
1,174,345	700,000	310,906	1.16	
1,186,238	730,000	283,181	1.17	
1,190,000	760,000	253,381	1.17	
1,175,245	790,000	218,431	1.17	
1,173,745	830,000	177,931	1.16	
1,171,595	870,000	136,106	1.16	

Fiscal Year Ended June 30,	Towngate Community Facilities District No. 87-1, Improvement No. 1 Special Tax Refunding Bonds				
	Special Tax Levy	Property Tax Increment	(Fund 4105) Debt Service		Coverage
			Principal	Interest	
2010	\$ 78,519	\$ 303,573	\$ 190,000	\$ 168,029	1.07
2011	112,162	277,359	195,000	160,375	1.10
2012	115,946	274,445	205,000	152,173	1.09
2013	110,672	275,008	210,000	143,719	1.09
2014	117,164	275,007	220,000	135,009	1.10
2015	114,616	277,896	230,000	125,668	1.10
2016	114,070	280,000	240,000	115,739	1.11
2017	16,083	275,803	250,000	105,170	0.82
2018	115,220	278,123	260,000	93,851	1.11
2019	112,239	279,775	275,000	81,676	1.10

Community Facilities District No. 7 Improvement Area 1 Special Tax Bonds Series 2016			
Special Tax Levy	(Fund 4114) Debt Service		Coverage
	Principal	Interest	
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
189,410	-	94,088	2.01
-	75,000	93,338	0.00

Data Source: City of Moreno Valley Financial and Management Services Department
City of Moreno Valley Public Works Department

City of Moreno Valley
 Demographic and Economic Statistics
 Last Ten Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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%
2015	203,696	3,704,415	18,186	7.0%
2016	205,383	3,671,016	17,874	7.1%
2017	206,750	3,775,669	18,262	6.0%
2018	207,629	3,902,595	18,796	4.8%
2019	208,297	4,085,746	19,615	4.7%

Data Source:

California Department of Finance

www.dof.ca.gov/research/demographic

Employment Development Department

<http://www.edd.ca.gov/>

City of Moreno Valley
Principal Employers
Current Year and Nine Years Ago

201

Employer	Sector	Business Type	2019		2010	
			Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
March Air Reserve Base	Military/Public Sector	Military Reserve Base	9,600	10.20%	9,300	37.31%
Amazon	Fulfillment	Retail Distribution	7,500	7.97%		
Riverside University Health Systems Medical Center	Medical Facilities	County Hospital	3,400	3.61%	2,284	9.16%
Moreno Valley Unified School District	Public Sector	Public Schools	3,100	3.29%	3,465	13.90%
Ross Dress for Less / DD's Discounts	Distribution	Retail Distribution	2,400	2.55%	1,200	4.81%
Moreno Valley Mall (excludes major tenants)	Retail	Retail Mall	1,500	1.59%	1,850	7.42%
Kaiser Permanente Community Hospital	Medical Facilities	Hospital/Medical Services	1,457	1.55%	651	2.61%
Skechers USA	Distribution	Retail Distribution	1,200	1.28%		
Harbor Freight Tools	Distribution	Retail Distribution	788	0.84%		
Deckers Outdoor	Distribution	Retail Distribution	700	0.74%		
City of Moreno Valley	Public Sector	Municipal Government			1,128	4.52%
Val Verde Unified School District (MV Only)	Public Sector	Public Schools			959	3.85%
Walgreens	Distribution	Retail Distribution			650	2.61%

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

Source: City of Moreno Valley Economic Development Department
State of CA Employment Development Department

City of Moreno Valley
 Full-time and Part-time City Employees by Function
 Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	150	147	125	96	93	94	91	101	104	112
Public Works	146	143	134	122	121	119	118	121	121	121
Community Development	68	59	66	59	49	51	60	51	60	52.5
Parks and Community Services	453	101 (2)	118	112	113	127	138	147	149	142
Animal Services	27	21	19	21	22	22	22	26	22	22
Redevelopment Agency	14	12	0	0	0	0	0	0	0	0
Public Safety (1)	415	407	407	318	286	287	284	291	289	289.5
	<u>1,273</u>	<u>890</u>	<u>869</u>	<u>728</u>	<u>684</u>	<u>700</u>	<u>713</u>	<u>737</u>	<u>745</u>	<u>739</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. The number includes the County and City employees.

(2) 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.

Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley
 Capital Asset Statistics
 Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lane miles of streets	1,076	1,076	1,076	1,095	1,080	1,080	1,080	1,080	1,090	1,122
Number of street lights	11,046	11,260	11,358	11,381	11,449	11,512	11,620	11,694	12,011	12,083
Number of traffic signals	170	173	175	180	182	186	188	191	190	190
Fire protection:										
Number of stations	6	6	6	7	7	7	7	7	7	7
Police protection:										
Number of policing stations	1	1	1	1	1	1	1	1	1	1
Number of policing substations	4	4	6	6	6	2	3	2	2	4
Recreation and culture:										
Parks	37	37	37	37	37	38	38	38	38	38
Maintained acreage of parks	531	532	520	520	520	533	533	540	540	547
Parks under construction	6	1	1	1	1	-	-	-	-	-
Acreage of parks under construction	25.14	12.25	12.75	12.75	12.75	-	-	-	-	-
Multi-use athletic fields	21	21	21	21	21	24	24	24	24	24
Conference/Recreation centers	1	1	1	1	1	1	1	1	1	1
Square footage of recreation centers	42,413	42,413	42,413	42,413	42,413	42,413	42,800	42,800	42,800	42,800
Senior Centers	1	1	1	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	14,700	14,700	14,700
Equestrian centers	1	1	1	1	1	1	1	1	1	1
Maintained acreage of equestrian centers	45	45	45	45	45	45	45	45	45	45
Multi-use equestrian trails maintained	10 Miles	10 Miles	10 Miles	10 Miles	10 Miles	10 Miles	11 Miles	11 Miles	11 Miles	12 miles
Community centers	4	4	4	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	38,758	38,758	38,758
Sports courts	24	24	24	24	24	24	24	24	24	24
Skate parks	1	1	1	1	1	1	1	1	1	2
Square footage of skate parks	18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500	23,500
Soccer Arena	0	0	1	1	1	1	1	1	1	1
Nine-hole golf courses	1	1	1	1	1	1	1	1	1	1
Play apparatus	26	26	26	26	26	27	27	28	28	28
Water play features	2	2	2	2	2	2	2	2	2	2
Utilities:										
Residential utility meters	4,904	5,003	5,028	5,091	5,202	5,260	5,365	5,494	5,725	5,953
Commercial utility meters	545	599	592	607	639	652	663	673	694	715

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 Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Square mileage of area	52	52	52	52	52	52	52	52	52	52
Fire protection:										
Provided by the County of Riverside in cooperation with the State Department of Forestry and Fire:										
Sworn personnel	80	79	71	72	69	69	69	69	75	75
Volunteers	25	10	16	16	25	18	16	14	11	7
Non-sworn personnel	8	8	8	8	11	13	12	11	10	12
OEM non-sworn personnel	0	0	2	3	3	2	3	3	3	3
Responses to emergency calls	13,530	15,268	14,824	15,905	16,340	17,727	19,006	21,268	19,807	19,753
Inspections and Permits	2,369	3,383	2,304	2,400	3,251	3,445	6,382	4,741	3,737	3,279
Apartment Complex Inspections	0	0	849	872	1,476	1,777	1,943	771	1,160	757
Plan checks	424	358	786	1,218	1,646	1,788	1,317	861	1,202	1,747
Counter/Public inquiries	2,734	2,452	2,671	2,431	2,966	2,683	2,604	2,162	2,472	2,605
Police protection:										
Provided through contract with the County of Riverside Sheriff's Department:										
Sworn officers	184	186	181	181	153	151	150	150	150	150
Classified personnel	54	55	54	51	49	50	50	50	46	44.5
City support personnel	3	3	3	3	2	2	0	0	1	1
Volunteers	62	77	85	77	69	84	72	88	149	62
Responses to Calls:										
Priority 1	519	423	363	425	402	420	461	446	521	473
Priority 1A	1,181	1,274	1,289	1,584	1,500	1,463	1,480	1,398	1,553	1,477
Priority 2	24,938	27,797	26,021	27,733	28,048	28,696	30,294	31,097	31,450	30,544
Priority 3	24,800	27,487	29,393	29,860	28,521	30,499	35,317	33,816	31,841	28,206
Priority 4	16,630	18,625	18,087	17,280	16,662	16,749	17,944	17,841	16,708	15,787
Priority 5	1	1	1	1	63	62	54	18	11	9
Priority 6	0	0	0	0	0	0	0	0	0	0
Priority 7	0	0	0	0	0	1	0	0	0	0
Priority 8	0	1	1	0	0	0	0	0	0	0
Priority 9	279	312	223	347	436	312	295	331	292	296
Cancelled	5,222	5,543	5,991	23,338	26,172	29,095	26,061	22,903	19,210	18,710
Disp/Arr Time Missing	7,638	7,944	8,125	8,941	8,191	9,384	8,807	7,592	7,077	7,493
Same Disp/Arr Time	54,645	54,379	47,638	45,096	40,425	45,041	47,794	67,829	66,269	45,609
T. R. U. Calls	32	37	54	87	76	42	27	39	34	1
Building and Safety:										
Building permits issued	1,645	1,700	1,889	1,797	2,066	2,329	2,411	2,823	4,369	4,499
Counter requests for service	6,611	6,105	6,563	6,407	7,049	7,597	8,066	7,895	9,615	9,572
Planning:										
Planning applications processed	682	644	740	745	752	667	672	494	674	757
Counter requests for services	3,875	3,683	3,853	3,749	3,718	3,527	3,366	3,598	4,018	5,313
Recreation and culture:										
Rounds of golf played	6,638	9,719	n/a	8,209	9,002	7,948	8,237	6,500	7,652	2,635
Community center rentals	1,026	1,005	992	997	1,058	1,087	1,235	1,300	1,026	1,432
Participants in recreation programs	46,561	46,040	48,473	41,992	47,405	43,361	44,000	46,000	48,000	69,430
Utilities:										
Average residential daily consumption (kilowatt hours)	18.5	18.5	19.7	20.7	19.1	20.1	19.7	19.7	20.18	19.63
Average commercial daily consumption (kilowatt hours)	284.4	296.3	371.9	383.0	395.3	573	622.2	646.2	630.75	571.48
New residential connections	93	99	23	63	111	58	105	129	231	228
New commercial connections	5	54	23	15	32	13	11	10	21	21
Employees:										
Members of City Council	5	5	5	5	5	5	5	5	5	5
Members of the Planning Commission	7	7	7	7	7	7	9	8	7	7
Full-time career status (FTE)	312	283	281	277	299	261	264	262	263	272
Part-time career status (FTE)	29	21	66	22	11	14	15	12	13	14
Animal Shelter visitors (prior year information not available)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,788

Sources: City of Moreno Valley Technology Services, Fire Department, Police Department, Community Development, Parks & Community Services, Public Works, Utilities, Human Resources.

Community Services District



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

CITY OF
MORENO VALLEY
C A L I F O R N I A



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
COMMUNITY SERVICES DISTRICT



FISCAL YEAR ENDED JUNE 30, 2019

We Want To Hear From You!
JOIN the conversation
What Are YOUR Priorities For Moreno Valley?



your tax dollars
AT WORK

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

**Financial Statements
Year Ended June 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report 1

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position 3
Statement of Activities 5

Fund Financial Statements:

Balance Sheet - Governmental Funds..... 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities 12

Budgetary Comparison Statements:

Zone L Library Services 13
Zone A Parks and Community Services..... 14
Zone E Extensive Landscaping Administration 15
Landscape Maintenance District No. 2014-02..... 16
Zone D Standard Landscaping Administration 17

Notes to Financial Statements 18

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

Combining Balance Sheet Nonmajor Governmental Funds 36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor
Governmental Funds..... 38

Budgetary Comparison Statements:

Lighting Maintenance District No. 2014-01 40
Zone C Arterial Street Lights Administration 41
Zone M Median..... 42
CFD No. 1 43
Zone S Sunnymead Boulevard Maintenance 44

INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2019, 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 include 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.



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, 2019, and the respective changes in financial position and budgetary comparison for the Zone L Library Services, Zone A Parks and Community Services, Zone E Extensive Landscaping Administration, Landscape Maintenance District No. 2014-02, and Zone D Standard Landscaping Administration for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

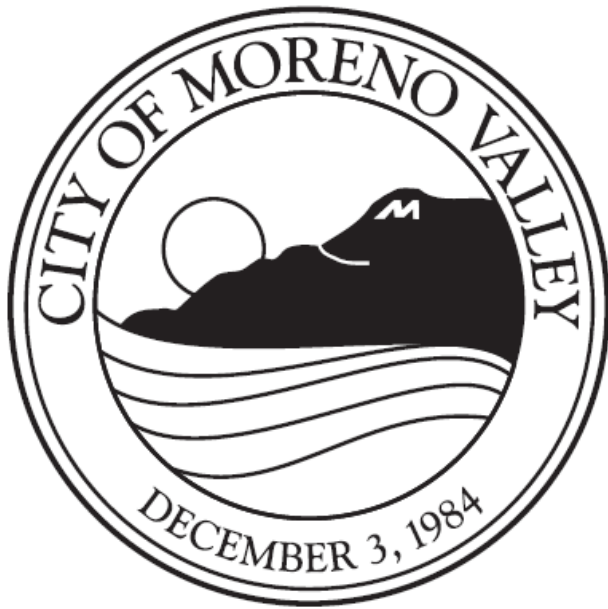
Glendale, California
December 10, 2019

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

**Statement of Net Position
June 30, 2019**

	Governmental Activities
Assets	
Cash and investments (note 2)	\$ 20,850,375
Prepaid costs	8,517
Receivables:	
Accounts	503,914
Due from other governments	310,894
Capital assets not being depreciated (note 3)	1,149,856
Capital assets, net of depreciation (note 3)	20,626,166
Total Assets	43,449,722
 Deferred Outflows of Resources	
Deferred outflows of resources related to pensions (note 4)	1,350,086
Deferred outflows of resources related to OPEB (note 5)	145,240
Total Deferred Outflows of Resources	1,495,326
 Liabilities	
Accounts payable	746,459
Accrued liabilities	104,512
Unearned revenue	477,187
Due to the City of Moreno Valley	77,618
Net pension liability (note 4)	10,766,051
Net OPEB liability (note 5)	823,383
Total Liabilities	12,995,210
 Deferred Inflows of Resources	
Deferred inflows of resources related to pensions (note 4)	687,833
Deferred inflows of resources related to OPEB (note 5)	105,860
Total Deferred Inflows of Resources	793,693
 Net Position	
Net investment in capital assets (note 3)	21,776,022
Restricted for:	
Special zones	9,380,123
Total Net Position	\$ 31,156,145

The notes to financial statements are an integral part of this statement.



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

**Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Community & cultural	\$ 15,188,092	\$ 5,429,961	\$ -	\$ -	\$ (9,758,131)
Public works	5,932,234	-	-	-	(5,932,234)
Total governmental activities	<u>\$ 21,120,326</u>	<u>\$ 5,429,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,690,365)</u>
General revenues:					
Taxes:					
Property taxes					5,316,224
Other taxes					6,682,600
Use of money and property					1,433,517
Other					122,682
Capital assets contribution from the City of Moreno Valley					1,349,845
Contributions from the City of Moreno Valley					1,190,892
Total general revenues, contributions, and transfers					<u>16,095,760</u>
Change in net position					405,395
Net position - Beginning of year					30,750,750
Net position - End of year					<u>\$ 31,156,145</u>

The notes to financial statements are an integral part of this statement.

City of Moreno Valley, California
Community Services District

Balance Sheet
Governmental Funds
June 30, 2019

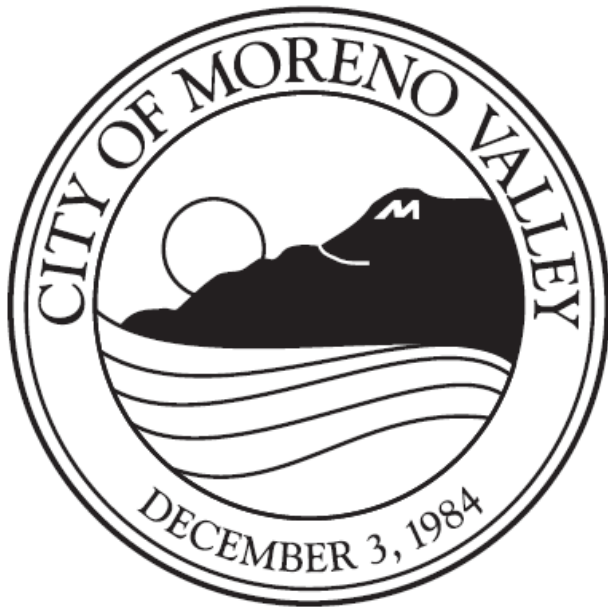
	Special Revenue Funds			
	Zone L Library Services	Zone A Parks & Community Services	Zone E Extensive Landscaping Administration	Landscape Maintenance District No. 2014-02
Assets:				
Pooled cash and investments (note 2)	\$ 1,365,438	\$ 7,327,810	\$ 2,658,489	\$ 5,217,764
Prepays	5,742	2,775	-	-
Receivables:				
Accounts	-	503,914	-	-
Due from other governments	74,356	162,277	76	23,327
Total Assets	\$ 1,445,536	\$ 7,996,776	\$ 2,658,565	\$ 5,241,091
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,674	\$ 296,403	\$ 45,673	\$ 186,615
Accrued liabilities	-	89,955	-	-
Unearned revenues	-	477,187	-	-
Due to the City of Moreno Valley	-	77,618	-	-
Total Liabilities	1,674	941,163	45,673	186,615
 Fund Balances				
Restricted for:				
Special zones	1,443,862	7,055,613	2,612,892	5,054,476
Total Fund Balances	1,443,862	7,055,613	2,612,892	5,054,476
Total Liabilities and Fund Balances	\$ 1,445,536	\$ 7,996,776	\$ 2,658,565	\$ 5,241,091

The notes to financial statements are an integral part of this statement.

City of Moreno Valley, California
Community Services District

Balance Sheet
Governmental Funds
June 30, 2019

Special Revenue Funds			
Zone D Standard Landscaping Administration	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 2,218,098	\$ 2,062,776	\$ 20,850,375	Assets:
-	-	8,517	Pooled cash and investments (note 2)
-	-	503,914	Prepays
11,786	39,072	310,894	Receivables:
<u>\$ 2,229,884</u>	<u>\$ 2,101,848</u>	<u>\$ 21,673,700</u>	Accounts
			Due from other governments
			Total Assets
			 Liabilities and Fund Balances
			Liabilities:
\$ 73,037	\$ 143,057	\$ 746,459	Accounts payable
-	14,557	104,512	Accrued liabilities
-	-	477,187	Unearned revenues
-	-	77,618	Due to the City of Moreno Valley
<u>73,037</u>	<u>157,614</u>	<u>1,405,776</u>	Total Liabilities
			 Fund Balances
			Restricted for:
2,156,847	1,944,234	20,267,924	Special zones
<u>2,156,847</u>	<u>1,944,234</u>	<u>20,267,924</u>	Total Fund Balances
<u>\$ 2,229,884</u>	<u>\$ 2,101,848</u>	<u>\$ 21,673,700</u>	Total Liabilities and Fund Balances



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

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019**

Fund balances of governmental funds		\$ 20,267,924
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, net of depreciation, used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		
Capital assets, not being depreciated	1,149,856	
Depreciable capital assets, net of accumulated depreciation	20,626,166	21,776,022
<p>Long-term liabilities related to pension and OPEB are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Net pension liability	(10,766,051)	
Net OPEB liability	(823,383)	(11,589,434)
<p>Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds.</p>		
		1,495,326
<p>Deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds.</p>		
		(793,693)
Net position of governmental activities		\$ 31,156,145

The notes to financial statements are an integral part of this statement.

City of Moreno Valley, California
Community Services District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds			
	Zone L Library Services	Zone A Parks & Community Services	Zone E Extensive Landscaping Administration	Landscape Maintenance District No. 2014-02
Revenues				
Taxes:				
Property taxes	\$ 2,226,779	\$ 2,713,160	\$ -	\$ -
Other taxes	-	4,975,351	-	-
Fees and charges for services	34,893	1,139,424	71,551	2,091,603
Use of money and property	-	1,023,849	100,471	173,460
Fines and forfeitures	26,676	-	-	-
Miscellaneous	2	90,624	-	5,230
Total Revenues	<u>2,288,350</u>	<u>9,942,408</u>	<u>172,022</u>	<u>2,270,293</u>
Expenditures				
Current:				
Community and cultural	2,237,824	9,290,693	-	-
Public works	-	-	328,142	2,340,172
Capital outlay	-	55,384	-	-
Total Expenditures	<u>2,237,824</u>	<u>9,346,077</u>	<u>328,142</u>	<u>2,340,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,526</u>	<u>596,331</u>	<u>(156,120)</u>	<u>(69,879)</u>
Other Financing Sources (Uses)				
Transfers in	-	722,176	-	188,771
Transfers out	(23,988)	(8,109)	-	-
Total Other Financing Sources (Uses)	<u>(23,988)</u>	<u>714,067</u>	<u>-</u>	<u>188,771</u>
Net Change in Fund Balances	26,538	1,310,398	(156,120)	118,892
Fund Balances - Beginning of Year	1,417,324	5,745,215	2,769,012	4,935,584
Fund Balances - End of Year	<u>\$ 1,443,862</u>	<u>\$ 7,055,613</u>	<u>\$ 2,612,892</u>	<u>\$ 5,054,476</u>

The notes to financial statements are an integral part of this statement.

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019**

Special Revenue Funds			
Zone D Standard Landscaping Administration	Nonmajor Governmental Funds	Total Governmental Funds	
\$ -	\$ 376,285	\$ 5,316,224	Revenues
-	1,707,249	6,682,600	Taxes:
926,198	1,166,292	5,429,961	Property taxes
63,947	71,790	1,433,517	Other taxes
-	-	26,676	Fees and charges for services
-	150	96,006	Use of money and property
990,145	3,321,766	18,984,984	Fines and forfeitures
			Miscellaneous
			Total Revenues
			Expenditures
			Current:
-	1,250,232	12,778,749	Community and cultural
929,716	2,334,204	5,932,234	Public works
-	-	55,384	Capital outlay
929,716	3,584,436	18,766,367	Total Expenditures
			Excess (deficiency) of revenues over (under) expenditures
60,429	(262,670)	218,617	
			Other Financing Sources (Uses)
-	303,933	1,214,880	Transfers in
-	-	(32,097)	Transfers out
-	303,933	1,182,783	Total Other Financing Sources (Uses)
60,429	41,263	1,401,400	Net Change in Fund Balances
2,096,418	1,902,971	18,866,524	Fund Balances - Beginning of Year
\$ 2,156,847	\$ 1,944,234	\$ 20,267,924	Fund Balances - End of Year

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Net change in fund balances - total governmental funds \$ 1,401,400

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	48,455	
Depreciation expense	(2,178,356)	
Capital assets contribution from the City of Moreno Valley	1,349,845	(780,056)

Pension and OPEB expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

(215,949)

Change in net position of governmental activities		\$ 405,395
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The notes to financial statements are an integral part of this statement.

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

**Budgetary Comparison Statement
Zone L Library Services
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,965,227	\$ 1,965,227	\$ 2,226,779	\$ 261,552
Fees and charges for services	18,000	18,000	34,893	16,893
Fines and forfeitures	50,000	50,000	26,676	(23,324)
Miscellaneous	2,000	2,000	2	(1,998)
Total Revenues	2,035,227	2,035,227	2,288,350	253,123
Expenditures				
Current:				
Community & cultural	2,433,229	2,470,602	2,237,824	232,778
Total Expenditures	2,433,229	2,470,602	2,237,824	232,778
Excess (deficiency) of revenues over expenditures	(398,002)	(435,375)	50,526	485,901
Other financing sources (uses)				
Transfers in	475,000	-	-	-
Transfers out	-	(23,988)	(23,988)	-
Total Other Financing Sources (Uses)	475,000	(23,988)	(23,988)	-
Net Change in Fund Balances	76,998	(459,363)	26,538	485,901
Fund Balance - Beginning of Year	1,417,324	1,417,324	1,417,324	-
Fund Balance - End of Year	\$ 1,494,322	\$ 957,961	\$ 1,443,862	\$ 485,901

The notes to financial statements are an integral part of this statement.

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

**Budgetary Comparison Statement
Zone A Parks & Community Services
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 2,403,800	\$ 2,403,800	\$ 2,713,160	\$ 309,360
Other taxes	4,930,000	4,930,000	4,975,351	45,351
Fees and charges for services	1,182,900	1,215,500	1,139,424	(76,076)
Use of money and property	771,601	842,269	1,023,849	181,580
Miscellaneous	11,500	30,700	90,624	59,924
Total Revenues	9,299,801	9,422,269	9,942,408	520,139
Expenditures				
Current:				
Community & cultural	9,563,447	9,837,637	9,290,693	546,944
Capital outlay	-	96,799	55,384	41,415
Total Expenditures	9,563,447	9,934,436	9,346,077	588,359
Excess (deficiency) of revenues over expenditures	(263,646)	(512,167)	596,331	1,108,498
Other financing sources (uses)				
Transfers in	524,084	722,177	722,176	(1)
Transfers out	-	-	(8,109)	(8,109)
Total Other Financing Sources (Uses)	524,084	722,177	714,067	(8,110)
Net Change in Fund Balances	260,438	210,010	1,310,398	1,100,388
Fund Balance - Beginning of Year	5,745,215	5,745,215	5,745,215	-
Fund Balance - End of Year	\$ 6,005,653	\$ 5,955,225	\$ 7,055,613	\$ 1,100,388

The notes to financial statements are an integral part of this statement.

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

**Budgetary Comparison Statement
Zone E Extensive Landscaping Administration
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 295,600	\$ 70,384	\$ 71,551	\$ 1,167
Use of money and property	23,400	42,200	100,471	58,271
Total Revenues	319,000	112,584	172,022	59,438
Expenditures				
Current:				
Public works	320,547	358,606	328,142	30,464
Total Expenditures	320,547	358,606	328,142	30,464
Excess (deficiency) of revenues over expenditures	(1,547)	(246,022)	(156,120)	89,902
Net Change in Fund Balances	(1,547)	(246,022)	(156,120)	89,902
Fund Balance - Beginning of Year	2,769,012	2,769,012	2,769,012	-
Fund Balance - End of Year	\$ 2,767,465	\$ 2,522,990	\$ 2,612,892	\$ 89,902

The notes to financial statements are an integral part of this statement.

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

**Budgetary Comparison Statement
Landscape Maintenance District No. 2014-02
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 2,181,800	\$ 2,091,423	\$ 2,091,603	\$ 180
Use of money and property	11,700	42,420	173,460	131,040
Miscellaneous	-	-	5,230	5,230
Total Revenues	2,193,500	2,133,843	2,270,293	136,450
Expenditures				
Current:				
Public works	2,389,330	2,797,334	2,340,172	457,162
Total Expenditures	2,389,330	2,797,334	2,340,172	457,162
Excess (deficiency) of revenues over expenditures	(195,830)	(663,491)	(69,879)	593,612
Other financing sources (uses)				
Transfers in	220,529	188,771	188,771	-
Total Other Financing Sources (Uses)	220,529	188,771	188,771	-
Net Change in Fund Balances	24,699	(474,720)	118,892	593,612
Fund Balance - Beginning of Year	4,935,584	4,935,584	4,935,584	-
Fund Balance - End of Year	\$ 4,960,283	\$ 4,460,864	\$ 5,054,476	\$ 593,612

The notes to financial statements are an integral part of this statement.

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

**Budgetary Comparison Statement
Zone D Standard Landscaping Administration
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 1,201,900	\$ 927,027	\$ 926,198	\$ (829)
Use of money and property	7,400	27,500	63,947	36,447
Total Revenues	1,209,300	954,527	990,145	35,618
Expenditures				
Current:				
Public works	937,750	1,037,175	929,716	107,459
Capital outlay	200,000	400,000	-	400,000
Total Expenditures	1,137,750	1,437,175	929,716	507,459
Excess (deficiency) of revenues over expenditures	71,550	(482,648)	60,429	543,077
Net Change in Fund Balances	71,550	(482,648)	60,429	543,077
Fund Balance - Beginning of Year	2,096,418	2,096,418	2,096,418	-
Fund Balance - End of Year	\$ 2,167,968	\$ 1,613,770	\$ 2,156,847	\$ 543,077

The notes to financial statements are an integral part of this statement.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019**

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, as a blended component unit. 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 segments 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.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

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

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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 E Extensive Landscaping Administration accounts for the operations necessary to provide landscape maintenance of public landscaping in and around specific residential/commercial developments throughout the City.

Landscape Maintenance District No. 2014-02 provides the funding for the maintenance of public landscaping in defined zones throughout the City.

Zone D Standard Landscaping Administration accounts for the operations necessary to provide landscape maintenance in and around specific residential developments throughout the City.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

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 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. Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund type, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control (legal level) for most funds is established by the amount of expenditures budgeted at the fund levels. Management control is exercised at 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 fund levels.

For the year ended June 30, 2019, there were no funds that had expenditures in excess of appropriations adopted by the City Council.

e. Unavailable Revenue and Unearned Revenue

The District reports unavailable revenue in the fund-level statements as deferred inflows of resources. 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.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

f. Fund Balance

In the fund financial statements, governmental 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 as to 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.

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.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

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 \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings 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 activities and 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.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

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.

l. 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.

m. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 1 Summary of Significant Accounting Policies (Continued)

n. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Moreno Valley Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 \$20,850,375

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 Comprehensive Annual Financial Report (CAFR), which are available at City Hall.

Fair Value Measurement

In accordance with GASB Statement 72, *Fair Value Measurement*, the City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Refer to the City's CAFR for details about fair value measurement disclosures.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 3 Capital Assets

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

	Balances 7/1/2018	Additions	Deletions	Balances 6/30/2019
Non-Depreciable Assets:				
Land	\$ 779,584	\$ -	\$ -	\$ 779,584
Construction	2,093,332	1,404,614	(3,127,674)	370,272
Total Non-Depreciable Assets	<u>2,872,916</u>	<u>1,404,614</u>	<u>(3,127,674)</u>	<u>1,149,856</u>
Depreciable Assets				
Buildings and Improvements	59,928,476	2,279,720	-	62,208,196
Furniture and Equipment	3,366,819	848,569	(94,908)	4,120,480
Total Depreciable Assets	<u>63,295,295</u>	<u>3,128,289</u>	<u>(94,908)</u>	<u>66,328,676</u>
Less Accumulated Depreciation				
Buildings and Improvements	(41,848,682)	(1,824,596)	-	(43,673,278)
Furniture and Equipment	(1,763,451)	(353,760)	87,979	(2,029,232)
Total Accumulated Depreciation	<u>(43,612,133)</u>	<u>(2,178,356)</u>	<u>87,979</u>	<u>(45,702,510)</u>
Total Depreciable Assets, Net of Accumulated Depreciation	<u>19,683,162</u>	<u>949,933</u>	<u>(6,929)</u>	<u>20,626,166</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,556,078</u>	<u>\$ 2,354,547</u>	<u>\$ (3,134,603)</u>	<u>\$ 21,776,022</u>

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

Community and cultural \$ 2,178,356

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Pension Plans

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City of Moreno Valley’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as common investment and administrative agent for its participating member employers. Benefits provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic CalPERS members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPR CalPERS members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Prior to December 23, 2011	December 23, 2011 thru December 31, 2012	On or after January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-55	50-55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	32.685%	32.685%	32.685%

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous
Active Employees	307
Retired Employees	349
Inactive Employees	254

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Pension Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The District’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability follows.

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method
 Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	Varies by Entry Age and Service (1)
Investment rate of return	7.50% (2)
Mortality	Derived using CalPERS’ Membership Data for all Funds

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a 2014 CalPERS actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Pension Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is considered to be adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is without reduction of pension plan administrative expenses and is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Public Equity	51%	4.80%	5.98%
Global Fixed Income	20%	1.00%	2.62%
Inflation Sensitive	6%	0.77%	1.81%
Private Equity	10%	6.30%	7.23%
Real Assets	12%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Pension Plans (Continued)

C. Changes in the Net Pension Liability

The changes in the District's Net Pension Liability over the measurement period are as follows:

<u>Miscellaneous Plan:</u>	<u>Net Pension Liability (Asset)</u>
Balance at June 30, 2018	\$ 11,350,802
Changes in the year:	
Service Cost	554,813
Interest on the Total Pension Liability	1,898,543
Changes of Assumptions	(229,563)
Differences between Expected and Actual Experience	(293,009)
Net Plan to Plan Resource Movement	44
Contributions - Employer	(864,798)
Contributions - Employees	(233,160)
Net Investment Income	(1,496,979)
Administrative Expense	27,374
Other Miscellaneous Income/(Expense)	51,984
Net Changes	<u>(584,751)</u>
Balance at June 30, 2019	<u>\$ 10,766,051</u>

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the District recognized pension expense of \$329,485. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 960,515	\$ -
Changes of assumptions	389,571	(136,922)
Differences between expected and actual experiences	-	(178,135)
Net difference between projected and actual earnings on pension plan investments	-	(372,776)
	<u>\$ 1,350,086</u>	<u>\$ (687,833)</u>

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 4 Pension Plans (Continued)

The amount of \$960,515 reported as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,		
2019	\$	363,921
2020		(182,217)
2021		(379,406)
2022		(100,560)
Thereafter		-

Note 5 Other Post-Employment Benefits (OPEB)

a. General Information about the Pension Plan

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 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. The City administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date and employment status (Management or Non-Management). Benefits continue to the surviving spouses.

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.

Benefits Provided

The Public Employees' Medical and Hospital Care Act (PEMHCA) minimum amount for retirees participating in PEMHCA is \$136 per month for 2019. PEMHCA amounts are adjusted on an annual basis.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

An additional \$318.73 per month will be paid for medical, dental, and vision for full-time employees hired and for City Council elected before September 30, 2011. The total subsidy will not be greater than the premium for the retiree and spouse. Coverage is allowed under any medical plan.

Employees Covered by Benefit Terms

At June 30, 2018 (the census date), the following employees were covered by the benefit terms:

<u>Category</u>	<u>Count</u>
Active employees	296
Inactive employees or beneficiaries currently receiving benefit payments	270
Inactive employees entitled to but not yet receiving benefit payment	0

Contributions

The City establishes contributions based on the Actuarially Determined Contribution (ADC). For the year ended June 30, 2019, the City's ADC contribution rate was 4.61% of covered-employee-payroll. Employees do not contribute to the plan, but instead pay the difference between the benefit that they receive and the monthly premium for that benefit.

b. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

This valuation assumes that the City will fund the OPEB benefits using the ADC each year, with the ADC calculated as the sum of the Entry Age Normal Cost (cash subsidy only) for the year plus amortization of the Unfunded Actuarial Accrued Liability (UAAL) and estimated administrative expenses. The Normal Cost is the portion of the Actuarial Present Value of benefits allocated to a valuation year. The UAAL is the excess of the Entry Age Normal Actuarial Accrued Liability over the Market Value of Assets.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

The total OPEB liability for the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Aggregate salary increases of 2.75%. Individual salary increases based on CalPERS
Investment rate of return	7.28%
Healthcare cost trend rates	6.50% in the first year, trending down to 3.84% over 58 years

*Mortality Rates were based on CalPERS Tables

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was used and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57%	5.82%
Fixed Income	27%	2.37%
Treasury Inflation Protection Securities	5%	1.44%
Real Estate Investment Trusts	8%	4.25%
Commodities	3%	2.34%
Total	<u>100%</u>	<u>4.44%</u>

Discount rate

The discount rate used to measure the total OPEB liability was 7.28%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was determined to be the long-term expected rate of return on OPEB plan investments.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

c. Change in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2018	\$ 910,871
Changes for the year:	
Service cost	-
Interest on the total OPEB liability	-
Changes Between Expected and Actual Experience	18,369
Changes of Assumptions	(115,692)
Contribution - employer	-
Net investment income	9,826
Administrative expense	9
Net Changes	(87,488)
Balance at June 30, 2019	\$ 823,383

d. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expenses of (\$28,287). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,668	\$ -
Changes of assumptions	-	(98,678)
Net differences between projected and actual earnings on OPEB plan investments	-	(7,182)
CSD contribution subsequent to the measurement date	129,572	-
	\$ 145,240	\$ (105,860)

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2019 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

The amount of \$129,572 reported as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

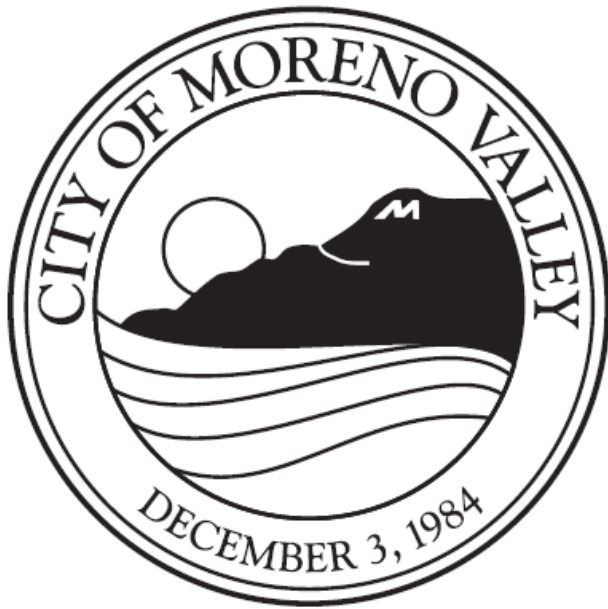
Year Ending June 30		
2020	\$	(25,566)
2021		(25,566)
2022		(4,626)
2023		(11,157)
2024		(12,932)
Remaining		(10,345)

Note 6 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.

Note 7 Subsequent Events

The District has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 10, 2019, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Special Revenue Funds		
	Lighting Maintenance District No. 2014-01	Zone C Arterial Street Lights Administration	Zone M Median
Assets			
Pooled cash and investments	\$ 102,670	\$ 268,048	\$ 787,330
Due from other governments	15,527	12,747	217
Total Assets	\$ 118,197	\$ 280,795	\$ 787,547
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 39,824	\$ 42,267	\$ 23,191
Accrued liabilities	-	-	-
Total Liabilities	39,824	42,267	23,191
 Fund Balances			
Restricted for:			
Special zones	78,373	238,528	764,356
Total Fund Balances	78,373	238,528	764,356
Total Liabilities and Fund Balances	\$ 118,197	\$ 280,795	\$ 787,547

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

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

Special Revenue Funds			
CFD No. 1	Zone S Sunnymead Boulevard Maintenance	Total Nonmajor Governmental Funds	
\$ 772,719	\$ 132,009	\$ 2,062,776	Assets
9,583	998	39,072	Pooled cash and investments
\$ 782,302	\$ 133,007	\$ 2,101,848	Due from other governments
			Total Assets
			 Liabilities and Fund Balances
			Liabilities
\$ 35,974	\$ 1,801	\$ 143,057	Accounts payable
14,557	-	14,557	Accrued liabilities
50,531	1,801	157,614	Total Liabilities
			 Fund Balances
			Restricted for:
731,771	131,206	1,944,234	Special zones
731,771	131,206	1,944,234	Total Fund Balances
\$ 782,302	\$ 133,007	\$ 2,101,848	Total Liabilities and Fund Balances

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

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019**

	Special Revenue Funds		
	Lighting Maintenance District No. 2014-01	Zone C Arterial Street Lights Administration	Zone M Median
	<u>2014-01</u>	<u>Administration</u>	<u>Zone M Median</u>
Revenues			
Taxes:			
Property taxes	\$ 134,057	\$ 242,228	\$ -
Other taxes	-	427,175	-
Fees and charges for services	954,916	1,640	118,523
Use of money and property	9,215	13,280	26,284
Miscellaneous	-	-	150
Total Revenues	<u>1,098,188</u>	<u>684,323</u>	<u>144,957</u>
Expenditures			
Current:			
Community & cultural	-	-	-
Public works	1,269,814	744,944	270,549
Total Expenditures	<u>1,269,814</u>	<u>744,944</u>	<u>270,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,626)</u>	<u>(60,621)</u>	<u>(125,592)</u>
Other Financing Sources (Uses)			
Transfers in	98,183	-	181,762
Total Other Financing Sources (Uses)	<u>98,183</u>	<u>-</u>	<u>181,762</u>
Net change in Fund Balances	(73,443)	(60,621)	56,170
Fund Balances - Beginning of Year	151,816	299,149	708,186
Fund Balances - End of Year	<u>\$ 78,373</u>	<u>\$ 238,528</u>	<u>\$ 764,356</u>

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

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019**

Special Revenue Funds			
CFD No. 1	Zone S Sunnymead Boulevard Maintenance	Total Nonmajor Governmental Funds	
			Revenues
			Taxes:
\$ -	\$ -	\$ 376,285	Property taxes
1,280,074	-	1,707,249	Other taxes
29,443	61,770	1,166,292	Fees and charges for services
19,106	3,905	71,790	Use of money and property
-	-	150	Miscellaneous
1,328,623	65,675	3,321,766	Total Revenues
			Expenditures
			Current:
1,250,232	-	1,250,232	Community & cultural
-	48,897	2,334,204	Public works
1,250,232	48,897	3,584,436	Total Expenditures
			Excess (deficiency) of revenues over (under) expenditures
78,391	16,778	(262,670)	
			Other Financing Sources (Uses)
-	23,988	303,933	Transfers in
-	23,988	303,933	Total Other Financing Sources (Uses)
78,391	40,766	41,263	Net change in Fund Balances
653,380	90,440	1,902,971	Fund Balances - Beginning of Year
\$ 731,771	\$ 131,206	\$ 1,944,234	Fund Balances - End of Year

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

**Budgetary Comparison Statement
Lighting Maintenance District No. 2014-01
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 91,200	\$ 126,960	\$ 134,057	\$ 7,097
Fees and charges for services	955,700	956,931	954,916	(2,015)
Use of money and property	2,500	2,500	9,215	6,715
Total Revenues	1,049,400	1,086,391	1,098,188	11,797
Expenditures				
Current:				
Public works	1,589,879	1,574,379	1,269,814	304,565
Total Expenditures	1,589,879	1,574,379	1,269,814	304,565
Excess (deficiency) of revenues over expenditures	(540,479)	(487,988)	(171,626)	316,362
Other financing sources (uses)				
Transfers In - Cont from City of Moreno Valley	500,000	348,184	98,183	(250,001)
Total Other Financing Sources (Uses)	500,000	348,184	98,183	(250,001)
Net Change in Fund Balances	(40,479)	(139,804)	(73,443)	66,361
Fund Balance - Beginning of Year	151,816	151,816	151,816	-
Fund Balance - End of Year	\$ 111,337	\$ 12,012	\$ 78,373	\$ 66,361

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

**Budgetary Comparison Statement
Zone C Arterial Street Lights Administration
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 150,200	\$ 201,760	\$ 242,228	\$ 40,468
Other taxes	423,200	427,833	427,175	(658)
Fees and charges for services	10,000	-	1,640	1,640
Use of money and property	2,900	2,900	13,280	10,380
Total Revenues	586,300	632,493	684,323	51,830
Expenditures				
Current:				
Public works	901,354	913,854	744,944	168,910
Total Expenditures	901,354	913,854	744,944	168,910
Excess (deficiency) of revenues over expenditures	(315,054)	(281,361)	(60,621)	220,740
Other financing sources (uses)				
Transfers in	325,000	25,850	-	(25,850)
Total Other Financing Sources (Uses)	325,000	25,850	-	(25,850)
Net Change in Fund Balances	9,946	(255,511)	(60,621)	194,890
Fund Balance - Beginning of Year	299,149	299,149	299,149	-
Fund Balance - End of Year	\$ 309,095	\$ 43,638	\$ 238,528	\$ 194,890

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

**Budgetary Comparison Statement
Zone M Median
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 114,900	\$ 118,299	\$ 118,523	\$ 224
Use of money and property	1,100	7,500	26,284	18,784
Miscellaneous	-	-	150	150
Total Revenues	116,000	125,799	144,957	19,158
Expenditures				
Current:				
Public works	242,528	314,148	270,549	43,599
Capital outlay	-	50,000	-	50,000
Total Expenditures	242,528	364,148	270,549	93,599
Excess (deficiency) of revenues over expenditures	(126,528)	(238,349)	(125,592)	112,757
Other financing sources (uses)				
Transfers in	108,500	182,494	181,762	(732)
Total Other Financing Sources (Uses)	108,500	182,494	181,762	(732)
Net Change in Fund Balances	(18,028)	(55,855)	56,170	112,025
Fund Balance - Beginning of Year	708,186	708,186	708,186	-
Fund Balance - End of Year	\$ 690,158	\$ 652,331	\$ 764,356	\$ 112,025

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

**Budgetary Comparison Statement
CFD No. 1
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Other taxes	\$ 1,296,206	\$ 1,296,206	\$ 1,280,074	\$ (16,132)
Fees and charges for services	26,000	26,000	29,443	3,443
Use of money and property	1,500	1,500	19,106	17,606
Total Revenues	1,323,706	1,323,706	1,328,623	4,917
Expenditures				
Current:				
Community & cultural	1,364,358	1,361,821	1,250,232	111,589
Total Expenditures	1,364,358	1,361,821	1,250,232	111,589
Excess (deficiency) of revenues over expenditures	(40,652)	(38,115)	78,391	116,506
Net Change in Fund Balances	(40,652)	(38,115)	78,391	116,506
Fund Balance - Beginning of Year	653,380	653,380	653,380	-
Fund Balance - End of Year	\$ 612,728	\$ 615,265	\$ 731,771	\$ 116,506

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

**Budgetary Comparison Statement
Zone S Sunnymead Boulevard Maintenance
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 59,600	\$ 61,669	\$ 61,770	\$ 101
Use of money and property	600	1,190	3,905	2,715
Total Revenues	60,200	62,859	65,675	2,816
Expenditures				
Current:				
Public works	67,168	68,163	48,897	19,266
Total Expenditures	67,168	68,163	48,897	19,266
Excess (deficiency) of revenues over expenditures	(6,968)	(5,304)	16,778	22,082
Other financing sources (uses)				
Transfers in	-	23,988	23,988	-
Total Other Financing Sources (Uses)	-	23,988	23,988	-
Net Change in Fund Balances	(6,968)	18,684	40,766	22,082
Fund Balance - Beginning of Year	90,440	90,440	90,440	-
Fund Balance - End of Year	\$ 83,472	\$ 109,124	\$ 131,206	\$ 22,082



**City of Moreno Valley
Financial & Management Services**

14177 Frederick Street
Moreno Valley, CA 92552-0805
Tel. 951.413.3021

www.MoVal.org