

CITY OF MORENO VALLEY, CA

POPULAR ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2017

VISION

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

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Note: The financial information contained in this report is derived from the City's Comprehensive Annual Financial Report (CAFR). A complete copy of the CAFR is available from the City's website at <http://www.moval.org>.

INTRODUCTION

The City of Moreno Valley is pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017. This is a user-friendly annual companion to the Comprehensive Annual Financial Report (CAFR), making the City's finances increasingly transparent and accessible to all Moreno Valley Residents. This year, Moreno Valley has experienced pronounced economic activity with continued retail, commercial and industrial construction that has greatly benefited our City.

The City celebrated the groundbreaking of Hyundai of Moreno Valley's new state-of-the-art dealership in March of 2017; which, in addition to offering quality vehicles and generating increased tax revenues, committed to participating in the Hire MoVal program to fill at least 30% of the 35 newly created dealership jobs with Moreno Valley residents. The City additionally partnered with Amazon in hosting a recruiting event with the goal of hiring 10,000 new employees, making the event one of the largest of its kind ever held in the region filling positions in Moreno Valley and nearby communities. Moreover, on June 5, 2017 the employees of Karma celebrated the first customer to take possession of the new Revero built at the Moreno Valley factory which employs 198 people. These exciting highlights are only part of a broader picture of economic development and growth that our community can be proud of.

Bolstering an already great year for our community, Moreno Valley was recognized as one of the financially strongest cities in the United States, according to an analysis of city fiscal strength by The Fiscal Times. The City was ranked third in the survey of 116 cities with populations over 200,000. This accomplishment highlights both strong financial management by the City Council and an expanding local economy that continues to enhance the quality of life for our residents.

Moreno Valley remains one of the most desirable places to live in the Inland Empire. We thank you for taking the time to learn about your City's finances and your shared commitment to the success and vibrancy of our growing community.



ABOUT THIS REPORT

Our Popular Annual Financial Report (PAFR) for the year ended June 30, 2017 was prepared to provide readers with an easy to understand summary of our financial activities in an informative, balanced, and objective manner. The PAFR is a summary of the financial activities of the City of Moreno Valley and is drawn from information found in the 2017 Comprehensive Annual Financial Report (CAFR). Both reports are available online at <http://www.moval.org>.

It is important to note that the financial data in this report is unaudited, includes information exclusively on primary government funds and is presented on a non - GAAP (Generally Accepted Accounting Principles) basis. This means that it excludes discrete component unit and fiduciary fund information, contains condensed financial information and does not provide all of the necessary financial statements and note disclosures required by GAAP standards. However, we believe that the information presented in this PAFR is a balanced and fair summary of the audited CAFR, providing our citizens with a better understanding of the financial health of their City.

We hope you enjoy reading this report and invite you to access our audited financial statements and completed CAFR online for more detailed information on your City's finances. We welcome your questions, comments and suggestions regarding the information in this report. You can contact us at the City of Moreno Valley, Finance Department, at 14177 Frederick Street, Moreno Valley, CA 92552-0805, Tel. 951.413.3021.

GFOA AWARD



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award of Outstanding Achievement in Popular Annual Financial Reporting to Moreno Valley, California for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a governmental unit must publish a PAFR, the contents of which conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year. We believe this report for the fiscal year ended June 30, 2017 also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA for review.

MOMENTUM MOVAL

STRATEGIC PLAN PRIORITIES

Momentum MoVal outlines the City Council's strategic vision for Moreno Valley's evolution as a premier community where residents and businesses will continue to thrive. Momentum MoVal is built around six top priorities toward which our collective efforts are focused. The Plan features detailed objectives and specific initiatives to achieve the Council's priorities. These components serve as the primary Work Plan for efforts by all City employees to fulfill the direction given by the Council.

ECONOMIC DEVELOPMENT

Meet the current and emerging needs of Moreno Valley by expanding the local economy through:

- new business opportunities;
- job creation;
- strategic partnerships; and
- workforce development.

Provide proactive business attraction, small business development, and business support services that grow the City's economic base to enhance the quality of life for Moreno Valley residents.

PUBLIC SAFETY

Provide effective public safety services to enhance the Quality of Life for Moreno Valley families and to attract businesses to our community. Public safety priorities focus on:

- reducing crime through traditional & innovative policing methods;
- preparing our community for emergencies;
- protecting life and property; and
- exploring cost effective solutions.

LIBRARY

Deliver library services that empower our residents through open access to knowledge, employing both traditional and contemporary methods at a level that is appropriate for a diverse community of over 200,000 citizens.

INFRASTRUCTURE

Manage and maximize Moreno Valley's public infrastructure to ensure an excellent quality of life, develop and implement innovative, cost effective infrastructure maintenance programs, public facilities management strategies, and capital improvement programming and project delivery.

BEAUTIFICATION, COMMUNITY ENGAGEMENT, AND QUALITY OF LIFE

Promote an active and engaged community where we work together to beautify our shared environment, care for each other, and enjoy access to cultural and recreational amenities that support a high quality of life for all of our residents as envisioned and articulated throughout the City's adopted General Plan.

YOUTH PROGRAMS

Improve the lives and futures of our City's youth by expanding healthy lifestyle choices and learning opportunities. Build systems that continually and effectively assess the conditions affecting families in Moreno Valley, and develop context appropriate strategies responsive to those needs that build on community strengths.

MORENO VALLEY AT A GLANCE

Moreno Valley is governed by a five-member elected City Council consisting of four District Representatives and one City Mayor. Volunteer Commissions and Boards, as well as several Citizen Advisory Committees help guide the Council in its decisions. The Council appoints the City Manager, who oversees the daily operations of the City, along with the City Attorney and City Clerk.

CITY ORGANIZATION

CITIZENS

CITY COUNCIL

MAYOR

MAYOR PRO TEM

COUNCIL MEMBER

COUNCIL MEMBER

COUNCIL MEMBER



Dr. Yxstian A. Gutierrez

Victoria Baca
DISTRICT 1

Jeffrey J. Giba
DISTRICT 2

David Marquez
DISTRICT 3

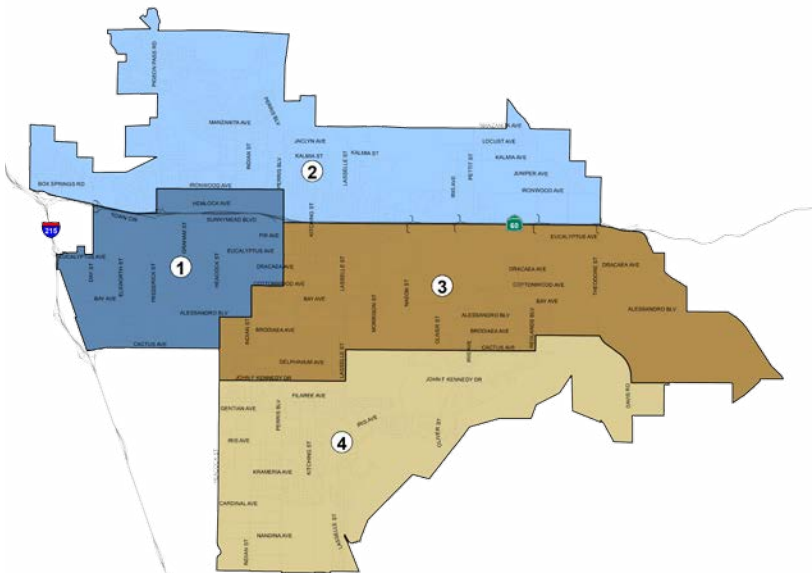
Ulises Cabrera
DISTRICT 4

City Manager | City Attorney | City Clerk

CITY DEPARTMENTS

Community Development | Economic Development
Financial & Management Services | Fire | Human Resources
Parks & Community Services | Police | Public Works

CITY COUNCIL DISTRICTS



KNOW YOUR CITY DEPARTMENTS

City Manager - Responsible for the efficient management of all City business including the coordination and implementation of City Council policies and programs.

City Attorney - Acts as legal advisor on all legal matters for the City Council and City Manager, City boards and commissions and City staff.

City Clerk - Serves as custodian of City records and seal and as clerk to the City Council.

Community Development - The Community Development Department provides a variety of development, business, and neighborhood services directly related to enhancing the quality of life in Moreno Valley.

Economic Development - Facilitates the creation of new jobs, along with the development of quality businesses for the community.

Financial & Management Services - Provides a wide range of support services to other City departments while effectively managing the City's finances.

Fire - Provides fire protection, inspection and suppression services and coordinates overall operations and management of the Fire Department.

Human Resources - Administers recruitment, selection, retention, training and development and benefits services for City departments and employees.

Parks & Community Services - Manages and provides maintenance services for City Parks and Facilities, and provides a wide range of recreation activities, programs and services throughout the community.

Police - Provides law enforcement services and coordinates the overall operations of the Police Department including patrol, traffic enforcement, crime prevention, detective unit, and special enforcement.

Public Works - Develops, builds, and maintains the City's infrastructure to the standards and expectations set forth by the City Council.

STATISTICS

Moreno Valley continues to soar, as our population grows and demand for services rises.

DEMOGRAPHICS

Population Estimate	206,750
Median Age	31.1
Average Household Income	\$69,610
Average Unemployment Rate (FY 16/17)	6%

BUILDING & SAFETY

Customer Counter Visits	7,895
Total Building Permits Issued	2,823
Total Construction Valuation	\$ 198,183,426
Total Construction Inspections	15,281

PRINCIPLE EMPLOYERS

March Air Reserve Base	8,000
Amazon	5,000
Moreno Valley Unified School District	3,468
Riverside University Health System	2,882
Ross Dress For Less/ dd's Discounts	1,953
Val Verde Unified School District	1,404

CODE & NEIGHBORHOOD SERVICES

Cases Initiated	5,627
Parking Citations Issued	27,495
Counter Customers	4,523

HOUSING & HOUSEHOLDS

Total Households	55,393
Median Housing Value	\$226,993
Average Household Size	3.78
Housing Units, Owner-Occupied	64%
Housing Units, Renter-Occupied	36%

FIRE PROTECTION

Sworn and Non-Sworn Personnel	83
Responses to emergency calls	21,268
Counter/Public inquires	2,162

POLICE DEPARTMENT

Sworn and Support Personnel	200
Responses to emergency calls	84,947

TOP 5 OCCUPATIONS

Office/Administrative Support	16%
Transportation/Material Moving	12%
Sales/Related	11%
Construction/Extraction	6%
Production	6%

RECREATION & CULTURE

City Facility Rentals	1,300
Participants in recreation programs	46,000

UTILITIES

New Residential Connections	129
New Commercial Connections	10

ANIMAL SERVICES

Adoption events	19
Cats saved by Trap-Neuter Release Program	573
Shelter Visitors	30,754
Positive Pet Outcomes	4,600



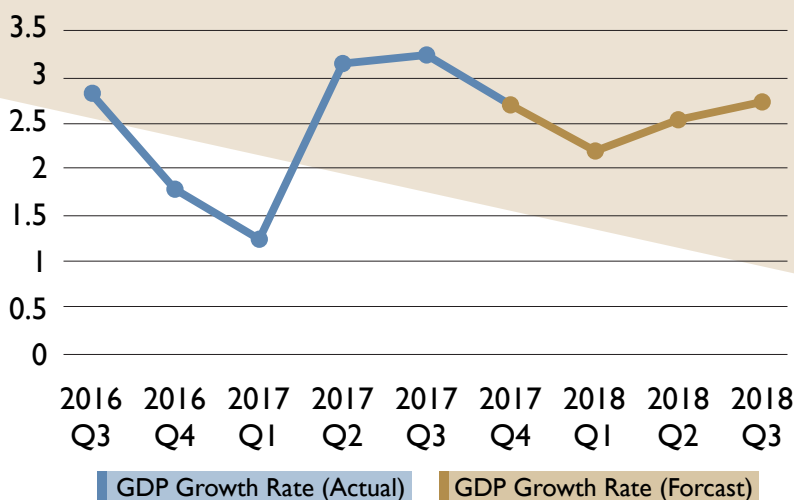
ECONOMIC OUTLOOK

Economic forecasting is always subject to considerable uncertainty, even in the near term. The conditions of the following outlooks are dependent on many volatile and unpredictable economic conditions, including fluctuations in monetary policy and the stock market. As such, while we have reasonable confidence in our expectations about the economy's performance in the near term, it is impossible to accurately predict what will actually come to pass.

UNITED STATES

The U.S. economy is looking healthy according to leading data on key economic indicators. One of the most critical economic indicators is gross domestic product (GDP), which measures the nation's production output. For FY 2016/2017, GDP fluctuated from a low of 1.2% in Q1 2017 to a high of 3.3% in Q3 2017. According to the International Monetary Fund (IMF), the U.S. GDP growth rate is expected to remain in a range between 2-3% throughout 2017 and into 2018.¹ In addition, the national unemployment rate is forecast to continue its downward trend, with some analysts predicting levels as low as 3.5% by early 2019.² This is good news for workers, for as the labor market tightens and employers find it harder to recruit new employees, real wages begin to rise. In fact, according to the University of California Riverside Center for Economic Forecasting, "on average, wages are rising at almost the fastest rate they have in 25 years".³

U.S. GROSS DOMESTIC PRODUCT (GDP) GROWTH RATE⁴



CALIFORNIA

In line with the nation's positive outlook, California's economy has grown at a solid pace in recent years. Different groups and regions have shared in California's growth to varying degrees as incomes have risen, poverty rates decline, and job growth continues to outpace the nation. In fact, California's economy has been among the fastest growing of all 50 states in both job gains and economic activity. According to UCLA Anderson School of Management's Economic Forecast for 2017, 2018 and 2019, total employment growth in California is expected to be 1.1%, 0.9% and 0.9%, respectively. Payrolls will grow at about the same rate over the forecast horizon and real personal income is forecast to grow 2.0%, 3.1% and 3.1% in 2017, 2018 and 2019, respectively.⁵ Overall, the State is expected to continue its growth at a moderate pace, largely constrained by a lack of housing and in turn a dwindling labor pool.

¹International Monetary Fund. 2017. Seeking Sustainable Growth: Short-Term Recovery, Long-Term Challenges. Washington, DC, October.

²Murray, Brendan. "Goldman Sachs Sees Four 2018 Fed Rate Hikes as U.S. Growth Gains." Bloomberg Markets, Bloomberg, 8 Nov. 2017

³UCR School of Business Center for Economic Forecasting & Development 8th Annual Economic Forecast Conference

⁴U.S. Department of Commerce-Bureau of Economic Analysis: U.S. Economy At A Glance December 2017

⁵University of California Riverside Center for Economic Forecasting

INLAND EMPIRE

On October 25th, 2017 the UCR School of Business Center for Economic Forecasting and Development held its 8th Annual Economic Forecast Conference. The conference advanced the idea that the Inland Empire is an economic powerhouse in its own right, and that economic indicators point to an economy on solid footing compared to other regions throughout California.

Key findings from the Centers latest report include:

- From July 2016 to July 2017, bright spots in job growth by sector in the Inland Empire are: Construction adding 15,200 jobs, Leisure and Hospitality adding 5,400 jobs, Transportation/Warehouse/Utilities adding 4,600 jobs and Manufacturing adding 700 jobs.
- The Inland Empire's job growth is forecast to hold steady over the next couple of years and adjust to between 2 percent and 2.5 percent to reflect the supply of available labor. Most of the job gains will occur in health care, leisure and hospitality, and construction.
- In the Inland Empire, average annual wages grew 6.5 percent from the first quarter of 2016 to the first quarter of 2017.
- Production has grown across the region from 2015 to 2016 as real gross metropolitan product (a measure similar to national GDP) grew by 2.6%, outpacing the average national growth rate at 1.5%, though slightly behind California's 2.9%.
- Consumer spending, as measured by taxable sales, increased in 2016 to 4.7% compared to the rest of California at 3.7%, indicating that consumers are feeling optimistic about the economy. This trend is expected to continue over the next couple of years at a rate between 4.5% and 6% a year.
- Home prices in the Inland Empire are forecast to appreciate in the 5 percent-to-6 percent range over the next two years, driven by tight supply and a renter population that is consuming a greater share of single-family dwellings.

MORENO VALLEY

On August 16, 2017, in his first State of the City address as Moreno Valley's directly elected mayor, Yxstian Gutierrez highlighted how the City's efforts to attract and retain businesses is paying off, resulting in the creation of 14,000 jobs over the last four years. "City revenues are growing, key services are being enhanced, and the City's budget is balanced for the sixth straight year," Mayor Gutierrez said. In line with the region's growth, Moreno Valley continues to be a leader with employment growth at 6.8% and taxable sales growth at 5% from 2016-2017. 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.

FINANCIAL REPORT HIGHLIGHTS

The City of Moreno Valley is continuing to prepare for the future, adopting a **comprehensive financial reserve policy** to direct the City's \$43.8 million in reserves for specific purposes. Financial reserves protect against future economic downturns, which bring unpredictable shortfalls in tax revenue, and better prepare the City, its residents and its businesses for unforeseen events.

The City's assets and deferred outflows of resources **exceeded** its liabilities and deferred inflows of resources by \$1.03 billion (net position) at June 30, 2017.

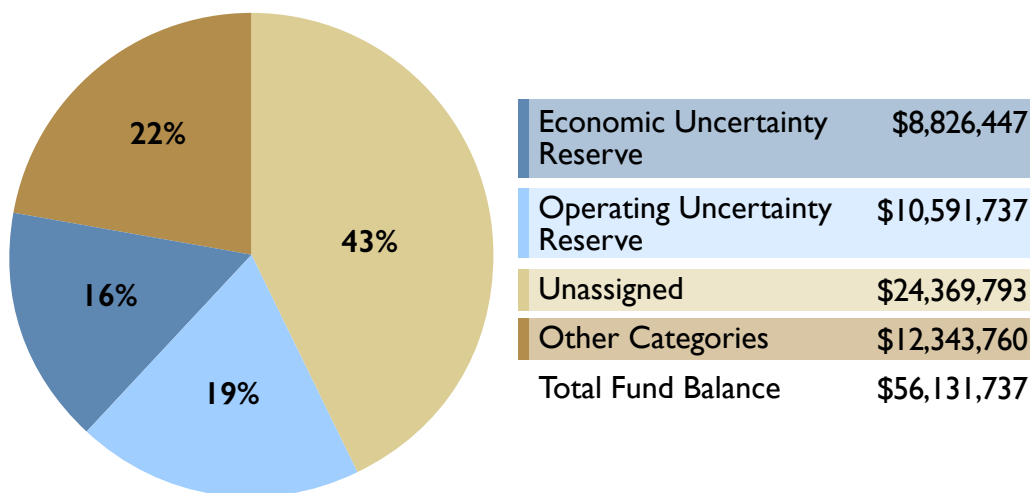
The City's total net position **decreased** \$4.9 million for fiscal year 2016-2017 mainly due to increases in pension liability and Other Post Employment Benefits (OPEB) liability as the result of the early implementation of Governmental Accounting Standards Board (GASB) 75.

The General Fund had an end of year fund balance of \$56.1 million. This was an increase of \$5.0 million and an increase of 9.8% over the prior year.

The General Fund had \$24.4 million in unassigned fund balance, a **decrease** of \$12.6 million in comparison with the prior year. This was primarily due to the adoption of the **financial reserve policy** mentioned above. Unassigned amounts are not constrained in any way and are available for any purpose.

GENERAL FUND

GENERAL FUND: FUND BALANCE



Economic Uncertainty Reserve - Established at a minimum of 10% of the General Fund's current operating expenditures. These funds are to be used during times of severe economic distress such as recessionary periods, State raids on local resources, or other impactful unforeseen events which greatly diminish the financial ability of the City to deliver core services.

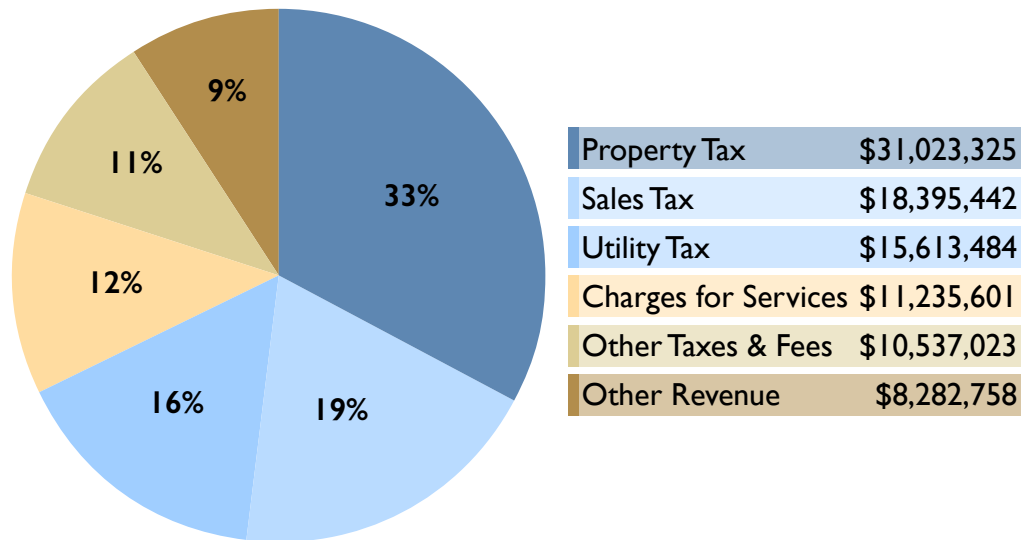
Operating Uncertainty Reserve - Established at a minimum of 12% for the purpose of providing funds for an urgent catastrophic event or major disaster that affects the safety of residents, employees, or property (e.g. earthquake, wildfires, terrorist attack, etc.)

Unassigned funds – Established at minimum of 17% to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain budgeted level of services.

GENERAL FUND: REVENUES

The City of Moreno Valley strives to provide our citizens with the very best value for their dollars while offering the level of services our Citizens expect. The City of Moreno Valley is committed to exceeding these expectations while ensuring the long-term financial stability and sustainability of the City government.

FY 2016/2017 REVENUES: \$95,087, 633



The three largest and most important revenue sources for the City are Property, Sales, and Utility Taxes. These vital taxes represent relatively stable sources of revenue for the City, which enables it to effectively manage and provide for critical public services. The largest revenue source for the City was property tax at \$31.0 million, which is a 6.7% increase over FY15/16. Sales taxes provided \$18.4 million in revenue, which is a 2.9% decrease from the prior year; and Utility Taxes generated \$15.6 million, a 1.3% decrease.

The rest of the City's General Fund revenues came from a mixture of charges for services and other taxes and revenues (including transfers from other funds). Charges for services are charges and fees collected by the City for services such as inspections, animal services, developer services, etc. Charges for services generated \$11.2 million, a 5.7% increase over FY 15/16. Other taxes and fees include the Transient Occupancy Tax (paid by hotel guests), franchise fees, and business license gross receipts. Other taxes generated \$10.5 million, a 3.4% increase over last year. The last piece of General Fund revenues include monies collected from licenses, permits, fines, forfeitures, etc. These revenues generated \$8.3 million which saw a 2.0% decrease from last year.

Overall, total General Fund revenues reported an increase of 2.1% as compared to the prior year, primarily due to increased property tax revenue indicating a strengthening housing market.

DISTRIBUTION OF GENERAL FUND REVENUE BY SOURCE

	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
PROPERTY TAX	32%	30%	32%	31%	33%
SALES TAX	19%	19%	19%	20%	19%
UTILITY TAX	21%	19%	19%	17%	16%
CHARGES FOR SERVICES	11%	12%	11%	12%	12%
OTHER TAXES AND FEES	11%	11%	12%	11%	11%
OTHER REVENUES	6%	9%	7%	9%	9%
TOTAL REVENUE	\$73,591,937	\$82,042,818	\$84,494,238	\$93,125,680	\$95,087,633

PROPERTY TAX

The City’s most significant source of revenue is property tax paid by its residents and businesses. Property taxes are largely determined by the State of California but also include local (voter approved) special taxes and any other county or city assessments. The County of Riverside collects property taxes and disseminates the revenues to various taxing agencies.

HOW ARE PROPERTY TAXES DETERMINED?

The County Assessor first determines the value of your property, which is based upon the cash or market value of your home at the time of purchase. By law, this value increases no more than 2% per year until the property is sold or any new construction is completed, at which time it must be reassessed. After the Assessor has determined the property value, the County Auditor-Controller applies the appropriate tax rates. A typical California property tax bill consists of many taxes and charges, the largest of which is a 1% general tax levy charged uniformly across the State.

EXAMPLE CALCULATION

The following is a simple property tax calculation based on the average assessed value of a new home in Moreno Valley including the 1% General Tax levy and an additional 0.07% levy representing the average amount of additional fees a property owner may see on their tax bill.

Assessed Value of a typical new home in Moreno Valley:	\$226,993
Property Tax due for 2017 for this residence ($\$226,993 \times 1.07\%$):	\$2,429

After applying the tax rates against the assessed value of a home, the Auditor-Controller calculates the total tax amount. Finally, the County Tax Collector prepares property tax bills based on the Auditor-Controller’s calculations, distributes the bills, and then collects the taxes.

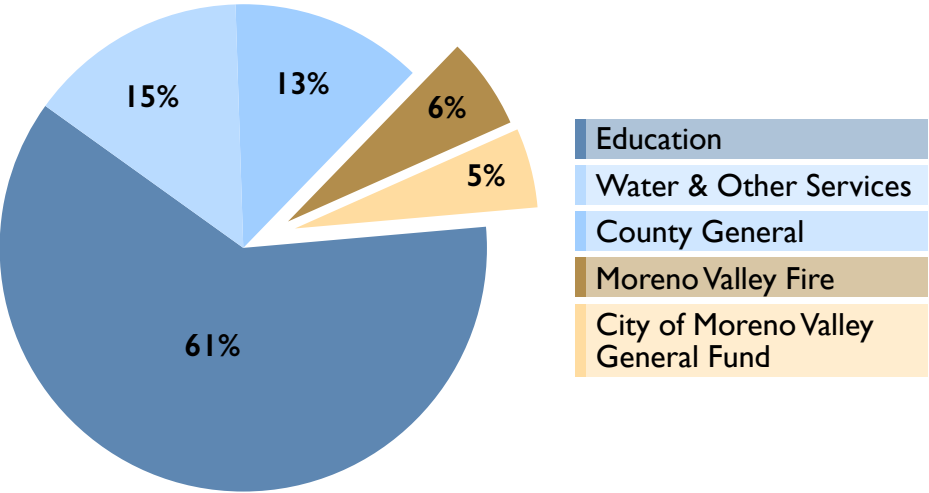
HOW ARE PROPERTY TAXES DISTRIBUTED?

All property tax revenue remains within the county in which it is collected to be used exclusively by local governments and provides significant funding for K–12 schools, community college districts, county government, special districts and the City’s General Fund.

For illustration, of the \$2,429 collected in the above example by the County, the City of Moreno Valley receives approximately 11% or \$267 which is distributed to the General Fund to help pay for City services. The other 89% goes to agencies outside the City.

PROPERTY TAX DISTRIBUTION

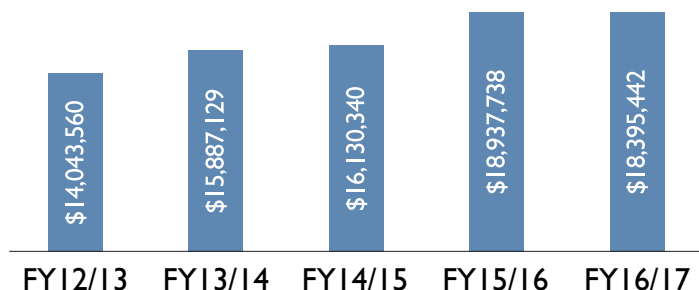
Taxable Assessed Value	\$226,993
General Property Tax	1.00%
Other Taxes	0.07%
Total Property Taxes	\$2,429
Distribution	
County (89%)	\$2,162
City (11%)	\$267



SALES TAX

Sales tax collections generated the City's second highest revenue source in FY 16/17 at \$18.4 million which represents a decrease of 2.9% from last year. Despite this decrease, sales taxes remain at record levels, indicating a local economy that continues to strengthen as it grows.

SALES TAX REVENUES



WHY SHOPPING LOCALLY IS IMPORTANT

Sales tax is a vital source of revenue for the City, used to pay for many critical public services, such as emergency responders, law enforcement, educators, infrastructure improvements and other government programs and services. Shopping locally helps keep your tax dollars in your community, and ensures those dollars are reinvested many times over in everything from schools and roads to trash pick-up and community programs.

WHERE DOES MY SALES TAX GO?

The sales tax rate inside the City limits of Moreno Valley is 7.75% of eligible sales. Of the 7.75%, 6.00% goes to the State of California, with approximately 4% going to the State's General Fund and 2% going to State managed funds that support local programs. The remaining 1.75% stays local, with 1% supporting the City's General Fund and .75% supporting County of Riverside transportation funds.

FOR EACH DOLLAR OF SALES TAX REVENUE:

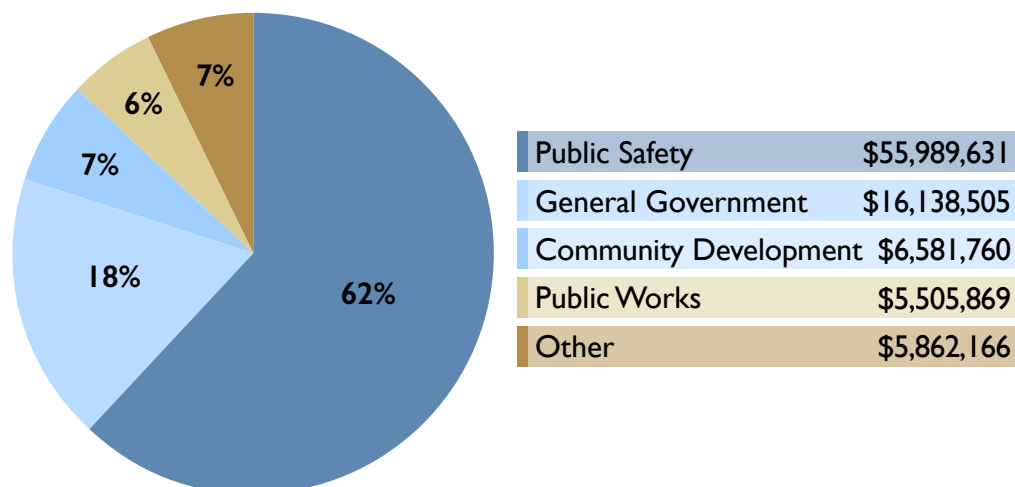


- **STATE GENERAL FUND - 50¢**
Supports a wide variety of programs, including K-12 education, higher education, health and criminal justice programs.
- **MORENO VALLEY GENERAL FUND - 13¢**
Supports critical local services including public safety and infrastructure.
- **COUNTY TRANSPORTATION FUNDS - 10¢**
Supports traffic congestion relief, traffic safety, and air quality improvement programs.
- **STATE LOCAL REVENUE FUND - 20¢**
Supports various health and social service programs such as probation, mental health, drug and alcohol, and foster care programs.
- **STATE LOCAL PUBLIC SAFETY FUNDS - 7¢**
Supports local public safety programs

GENERAL FUND: EXPENDITURES

A total of 62 percent of the City's expenses (\$56.0 million) went to public safety which represents a 2.9% increase from FY 15/16. Expenses for other city services included General Government expenses of \$16.1 million (4.1% increase), Community Development expenses of \$6.6 million (2.4% increase), Public Works expenses at \$5.5 million (7.7% increase) and other expenses at \$5.9 million (49.1% increase).

FY 2016/2017 EXPENDITURES: \$90,077,931



Total expenditures rose 5.5% to \$90.1 million in FY 16/17. This was largely attributed to increases in public safety and other expenses which include capital outlays and transfers to other governmental funds.

DISTRIBUTION OF GENERAL FUND EXPENDITURES BY SOURCE

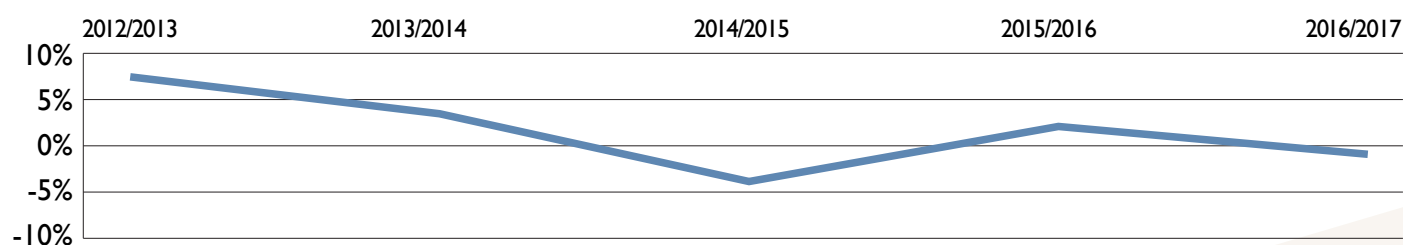
	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
PUBLIC SAFETY	71%	69%	67%	64%	62%
GENERAL GOVERNMENT	14%	15%	15%	18%	18%
COMMUNITY DEVELOPMENT	9%	7%	7%	8%	7%
PUBLIC WORKS	3%	5%	5%	6%	6%
OTHER	3%	4%	6%	4%	7%
TOTAL EXPENDITURE	\$80,684,966	\$75,861,268	\$81,673,910	\$85,379,548	\$90,077,931

CHANGE IN NET POSITION

CITY OF MORENO VALLEY'S NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17
CURRENT AND OTHER ASSETS	\$256,999,701	\$261,340,853	\$28,547,492	\$24,534,893	\$285,547,193	\$285,875,746
CAPITAL ASSETS	\$905,589,728	\$893,088,483	\$40,892,980	\$49,293,140	\$946,482,708	\$42,381,623
TOTAL ASSETS	\$1,162,589,429	\$1,154,429,336	\$69,440,472	\$73,828,033	\$1,232,029,901	\$1,228,257,369
DEFERRED OUTFLOWS OF RESOURCES	\$9,542,694	\$15,174,417	\$352,282	\$2,992,554	\$9,894,976	\$18,166,971
CURRENT LIABILITIES	\$22,109,991	\$27,487,619	\$4,680,075	\$6,743,515	\$26,790,066	\$34,231,134
LONG-TERM LIABILITIES	\$129,439,730	\$131,317,133	\$38,421,844	\$39,601,310	\$167,861,574	\$170,918,443
TOTAL LIABILITIES	\$151,549,721	\$158,804,752	\$43,101,919	\$46,344,825	\$194,651,640	\$205,149,577
DEFERRED INFLOWS OF RESOURCES	\$8,424,289	\$7,316,443	\$226,089	\$184,282	\$8,650,378	\$7,500,725
NET INVESTED IN CAPITAL ASSETS	\$843,153,359	\$839,572,666	\$13,977,670	\$20,512,511	\$857,131,029	\$860,085,177
RESTRICTED	\$141,627,915	\$137,234,571	\$4,605,893	\$4,806,157	\$146,233,808	\$142,040,728
UNRESTRICTED	\$27,376,839	\$26,675,321	\$7,881,183	\$4,972,812	\$35,258,022	\$31,648,133
TOTAL NET POSITION	\$1,012,158,113	\$1,003,482,558	\$26,464,746	\$30,291,480	\$1,038,622,859	\$1,033,774,038

PERCENTAGE CHANGE IN NET POSITION



Net position may serve over time as a useful indicator of a government's financial position. It is a snapshot of the City's entire resources and obligations, or net worth, at the close of the fiscal year. In the case of the City of Moreno Valley, net position as a whole decreased slightly by 0.5% from \$1.039 billion at June 30, 2016 to \$1.034 billion at June 30, 2017.

Accounting for 83.2% of the City's net position is its net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate the liabilities.

COMMUNITY SERVICES DISTRICT

COMMUNITY SERVICES DISTRICT REVENUES & EXPENDITURES

CSD REVENUES	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
TAXES	\$4,422,799	\$9,963,200	\$10,367,655	\$10,717,788	\$11,080,022
CHARGES FOR SERVICES	\$11,244,031	\$5,958,400	\$5,953,549	\$6,015,891	\$5,828,516
OTHER	\$2,290,703	\$3,177,557	\$2,858,029	\$3,004,636	\$2,178,366
TOTAL REVENUES	\$17,957,533	\$19,099,157	\$19,179,233	\$19,738,315	\$19,086,904
CSD EXPENDITURES	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
COMMUNITY AND CULTURAL	\$11,271,743	\$11,888,439	\$11,415,310	\$11,644,268	\$11,666,081
PUBLIC WORKS	\$5,349,478	\$5,760,298	\$5,303,858	\$6,542,816	\$5,548,877
OTHER	\$16,114	\$468,770	\$170,481	\$38,963	\$24,590
TOTAL EXPENDITURES	\$16,637,335	\$18,117,507	\$16,889,649	\$18,226,047	\$17,239,548
CHANGE IN FUND BALANCE	\$1,320,198	\$981,650	\$2,289,584	\$1,512,268	\$1,847,356
TOTAL FUND BALANCE	\$12,219,506	\$13,201,156	\$15,490,740	\$17,003,008	\$18,850,364

Community Services District (CSD): Is a group of funds that are used to account for the revenues expended on various Community Services and is a component unit of the City of Moreno Valley.

MAJOR FUNDS

Zone A – Parks and Community Services: Provides citywide park maintenance and recreation programming.

Landscape Maintenance District (LMD) 2014-02: Provides funding for the maintenance of public landscaping throughout the City.

Zone D – Standard Landscaping: Provides landscaping for residential developments throughout the City.

Zone E – Extensive Landscaping: Provides landscaping in major developments within the City.

Zone L – Library Services: Provides library services to City residents.

NON-MAJOR FUNDS

Zone C – Arterial Street Lighting: Provides citywide street lighting on major arterial streets.

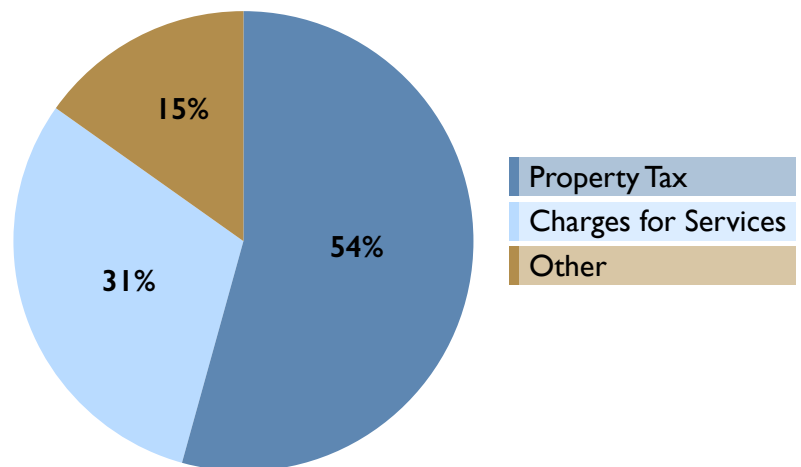
Lighting Maintenance District (LMD) 2014-01: Residential Street Lighting provides the funding for the operation and maintenance of residential subdivision street lighting.

Zone M – Medians: Provides maintenance of medians within the City.

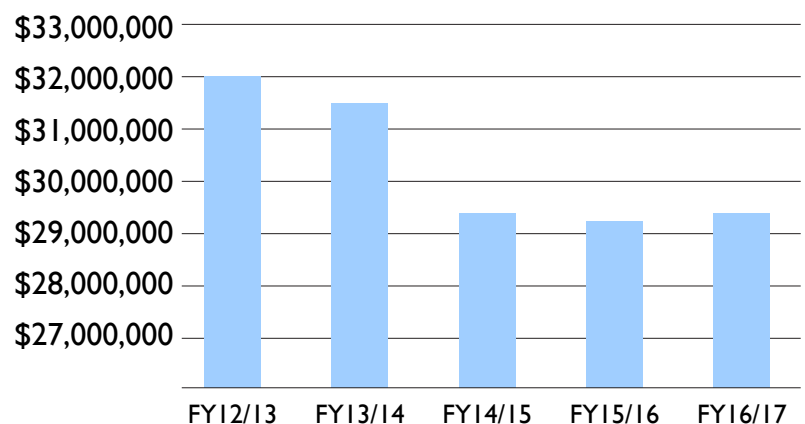
Community Facilities District (CFD) #1: Provides maintenance of new parks, trails and class I bikeways.

Zone S – Sunnymead Boulevard Maintenance: Provides maintenance of extensive landscape services for certain improvements constructed along Sunnymead Boulevard.

FY 16/17 CSD REVENUE BY SOURCE



TOTAL NET POSITION



MORENO VALLEY ELECTRIC UTILITY

MORENO VALLEY UTILITY NET POSITION

MVU REVENUES	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
SALES AND SERVICE CHARGES	\$19,051,214	\$19,905,135	\$27,519,754	\$29,237,200	\$28,815,538
MISCELLANEOUS*	\$428,942	\$1,779,405	\$1,438,573	\$2,453,612	\$613,567
TOTAL REVENUES	\$19,480,156	\$21,684,540	\$28,958,327	\$31,690,812	\$29,429,105
MVU EXPENDITURES	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
ELECTRICITY PURCHASED	\$9,573,589	\$10,200,721	\$10,877,963	\$11,860,074	\$12,112,442
OTHER OPERATING EXPENSES	\$6,963,774	\$7,953,865	\$9,760,855	\$10,642,815	\$10,154,457
INTEREST EXPENSE	\$1,602,083	\$1,641,560	\$1,638,560	\$1,727,269	\$3,052,491
TOTAL EXPENDITURES	\$18,139,446	\$19,796,146	\$22,277,378	\$24,230,158	\$25,319,390
CHANGE IN NET POSITION	\$1,340,710	\$1,888,394	\$6,680,949	\$7,460,654	\$4,109,715
RESTATEMENT OF NET POSITION			\$1,410,273		-\$282,981*
Total Net Position	\$11,845,022	\$13,733,416	\$19,004,092	\$26,464,746	\$30,291,480

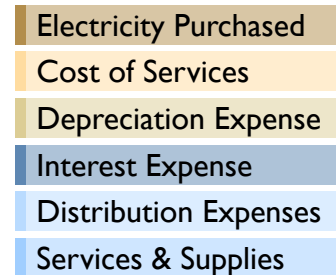
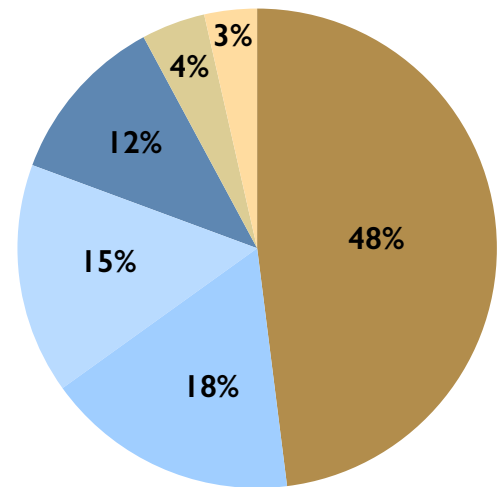
*Includes "other" revenues such as Interest Revenue, Contributed Capital, and Engineering Plan Check Fees.

*Restatement reflects the retroactive effect of GASB 75 implementation.

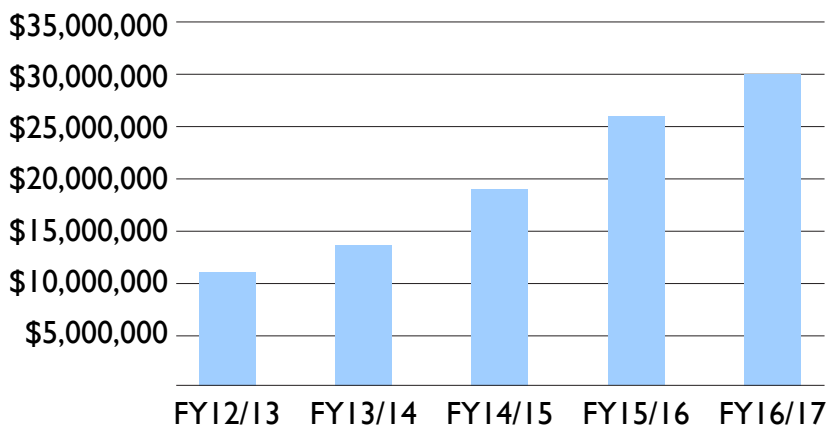
Moreno Valley Electric Utility (MVU): This fund is an Enterprise Fund which is used to account for the operations of MVU, with its basic purpose to purchase and distribute electricity to consumers in the City's newly developed areas under the "Greenfield" concept. The City began serving its first customers in February 2004.

As an Enterprise Fund, MVU generates most of its revenues from charges for services provided, much like a business. As such, the primary source of revenue for MVU is sales and service charges which saw a 1.4% decrease over the prior year. In total, MVU revenues decreased 7.1% to \$29.4 million.

MVU is an electricity distributor, which means it purchases electricity from other sources and distributes that electricity to local customers. As such, electricity purchases are MVU's largest expense which saw a 2.1% increase over the prior year. Other operating expenses include cost of services, depreciation, services and supplies, and distribution share expenses. These expenses saw an increase of 3.9%. In total, MVU operating expenditures increased 4.5% to \$25.3 million.



TOTAL NET POSITION



The Net Position for MVU indicates a positive percentage change of 15.7% from FY 15/16. Positive percentage changes in Net Position indicate that the financial position of the Moreno Valley Electric Utility has improved.

LONG TERM DEBT

Governments, just as businesses and individuals, must finance certain purchases with debt. The key is to match the life of the assets being purchased, with the term of the debt payments. Accordingly, the City's debt is predominantly related to long-lived capital assets.

OUTSTANDING DEBT FOR THE YEAR ENDED JUNE 30, 2017

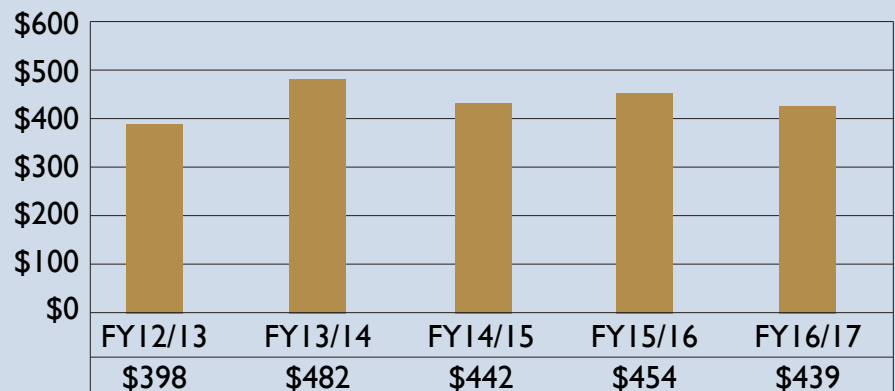
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
CERTIFICATES OF PARTICIPATION	\$21,191,245	-
LEASE REVENUE BONDS	32,324,572	37,339,940
COMPENSATED ABSENCES	6,547,400	302,597
NET PENSION AND OPEB LIABILITY	68,853,916	1,958,773
SELF INSURANCE CLAIMS AND JUDGEMENTS	2,400,000	-
TOTAL OUTSTANDING DEBT	\$131,317,133	\$39,601,310

At year-end, the City's governmental activities had \$131.3 million in bonds, certificates of participation, compensated absences, Pension and Other Post Employment Benefits (OPEB) liability and self-insurance claims and judgments. FY 16/17 is the first year of recognizing OPEB liability as a result of implementing GASB 75.

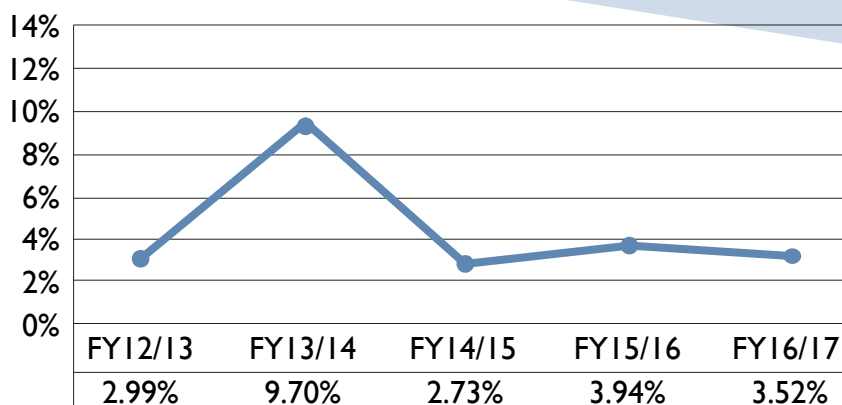
WHY DOES THE CITY BORROW?

Local governments issue bonds to pay for large, expensive, and long-lived capital projects, such as roads and water treatment facilities. Without issuing debt, these important infrastructure needs would be unmet and while local governments can sometimes pay for capital investments with current revenues, borrowing allows them to spread the costs across multiple generations due to their long term benefit.

DEBT PER CAPITA*



DEBT SERVICE TO EXPENDITURE RATIO*



*Does not include Net Pension and OPEB liabilities.

The ratio of debt service expenditures as a percentage of total government fund expenditures can be used to assess service flexibility. As the ratio increases, service flexibility decreases because more operating resources are being committed to a required financial obligation. In other words, the more a government spends on financing its debt, the less it will have available to fund ongoing services.

GLOSSARY OF TERMS

Capital Assets – Non-Current Assets that are used in the operation of the City and have an initial useful life in excess of one year. Examples of capital assets are buildings, computer equipment, machinery, and vehicles.

Current Assets – Liquid assets of the City such as cash or receivables; assets that can be liquidated within a short period of time, usually one year.

Current Liabilities – City's debt and obligations that are due within a year such as accounts payable, payroll taxes, matured principal payments, and the likes.

Deferred inflow (outflow) of resources – Like revenues and expenses, deferrals represent flows of resources into and out of a government during the fiscal year. However, unlike revenues and expenses, which are inflows and outflows of resources related to the period in which they occur, deferrals are related to future periods.

Depreciation - A reduction in the value of an asset with the passage of time, due in particular to wear and tear.

Fund Balance: is the excess of total assets as compared to total liabilities in a governmental fund and are listed under five categories:

- 1) Non-spendable: Amounts that cannot be spent because they are either not in the spendable form or are legally and contractually required to be maintained intact.
- 2) Restricted: Amounts that are constrained on the use of resources by external creditors, grantors, contributor, or laws or regulations of other governments; or, by law through constitutional provisions or enabling legislature.
- 3) Committed: Amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council.
- 4) Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- 5) Unassigned: the residual amounts that have not been restricted, committed, or assigned to specific purposes.

GAAP (Generally Accepted Accounting Principles) - A collection of commonly-followed accounting rules and standards for financial reporting.

Long-Term Debt/Non-Current Liabilities – Debt and obligations that are due usually in more than one-year such as bonds payable, claims payable, landfill post closure, and the likes.

Median vs Average - The median of a set of numbers is that number where half the numbers are lower and half the numbers are higher. In the case of real estate, that means that the median is the price where half the homes sold in any given area that month were cheaper, and half were more expensive than the median. The average of a set of numbers is the total of those numbers divided by the number of items in that set.

Non-Current Assets – Assets that cannot be converted to cash or liquidated in a short period of time such as fixed/capital assets, inventory, Restricted Assets, Deferred Charges, and the likes.

Real Income - The income of an individual or group after taking into consideration the effects of inflation on purchasing power.

Receivable(s) - amounts owed from a business, regarded as assets.



www.moval.org

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Financial & Management Services**

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