

City of Moreno Valley, CA

POPULARANNUAL FINANCIALREPORT



FISCAL YEAR ENDED JUNE 30, 2018

POPULARANNUAL

FINANCIALREPORT

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, 2018. 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.

More than 17,000 new jobs have been created in Moreno Valley in the last five years. The City's award-winning Hire MoVal program, which encourages local businesses to hire Moreno Valley residents in exchange for incentives, is putting the City's residents to work in record numbers and providing businesses with access to the workforce of the future.

The U.S. Small Business Administration named the City of Moreno Valley the recipient of the 2018 Community Excellence Award, recognizing the City's Economic Development Department's passion for helping small businesses succeed at every stage of development, from start-up to expansion. The City was recognized for its efforts to increase jobs, innovation and the quality of life in Moreno Valley through business attraction, business retention and local workforce development.

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, 2018 was prepared to provide readers of interest an easy to understand summary of our financial activities in an informative, balanced, and objective manner. The PAFR is a summary of the financial activities of the City of Moreno Valley and is drawn from information found in the 2018 Comprehensive Annual Financial Report (CAFR). Both reports are available online at 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 residents with a solid understanding of the financial health of our 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 of this report. 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, 2017. 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, 2018 also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA for review.

STATISTICS

DEMOGRAPHICS

Population Estimate	207,629
Median Age	31.5
Average Household Income	\$74,823
Average Unemployment Rate (FY 17/18)	5%

PRINCIPAL EMPLOYERS

	Employees
March Air Reserve Base	9,600
Amazon Fulfillment	7,500
Riverside University Health System Medical Center	3,400
Moreno Valley Unified School District	3,100
Ross Dress For Less / dd's Discounts	2,400
Moreno Valley Mall (excludes major tenants)	1,500

ANIMAL SERVICES

Adoption events	20
Cats saved by Trap-Neuter Release Program	399
Shelter Visitors	31,296
Positive Pet Outcomes	4,380

HOUSING HOUSEHOLDS

Total Households	55,449
Median Housing Value	\$257,145
Average Household Size	3.79
Housing Units, Owner-Occupied	64.30%
Housing Units, Renter-Occupied	35.70%

TOP 5 OCCUPATIONS

Office/Administrative Support	16%
Transportation/Material Moving	12%
Sales/Related	11%
Contraction/Extraction	7%
Production	6%

RECREATION & CULTURE

Rounds of golf played	7,652
Facility rentals	1,026
Participants in recreation programs	48,000

UTILITIES

New Residential Connections	231
New Commercial Connections	21

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 which structure the services we provide to our community. Momentum MoVal features detailed objectives and specific initiatives to achieve the Council's priorities on a specified five-year timeline.

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 more than 200,000 residents.

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, & 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.

CITY ORGANIZATION

CITIZENS

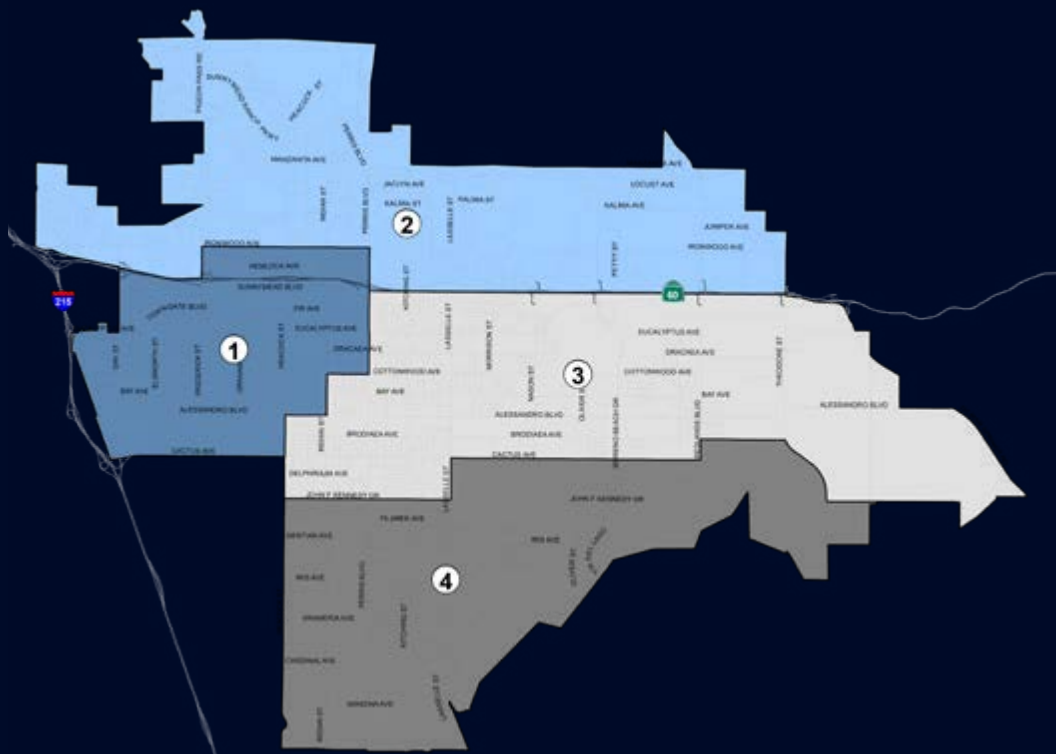
CITY COUNCIL

MAYOR	MAYOR PRO TEM	COUNCIL MEMBER	COUNCIL MEMBER	COUNCIL MEMBER
				
Dr. Yxstian A. Gutierrez MAYOR	Victoria Baca DISTRICT 1	Jeffrey J. Giba DISTRICT 2	David Marquez DISTRICT 3	Ulises Cabrera DISTRICT 4

CITY DEPARTMENTS

City Manager | City Attorney | City Clerk | Community Development | Economic Development
Financial & Management Services | Fire | Human Resources | Parks & Community Services | Police | Public Works

CITY COUNCIL DISTRICTS



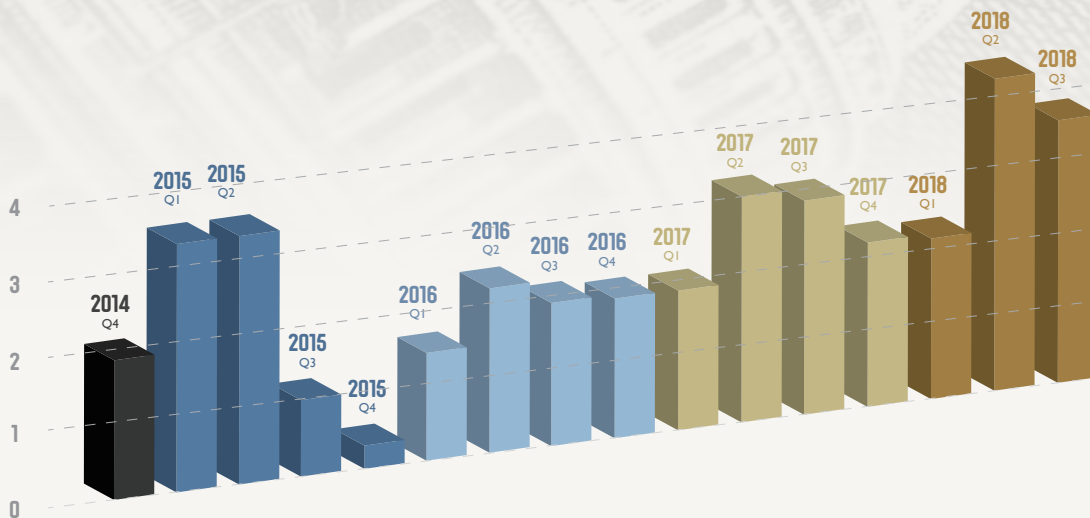
ECONOMIC OUTLOOK

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. 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 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. Real gross domestic product (GDP) increased at an annual rate of 3.5 percent in the third quarter of 2018, according to the "advance" estimate released by the Bureau of Economic Analysis. The increase in real GDP in the third quarter reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, state and local government spending, federal government spending, and nonresidential fixed investment.

REAL GDP: PERCENT CHANGES FROM PRECEDING QUARTER



According to the University of California Riverside (UCR) Center for Economic Forecasting & Development, employment growth over the last three months has totaled over 200,000 jobs added per month even with unemployment below 4%. More importantly, the job openings rate is at 4.2%, suggesting that employers would hire even more workers, if they could find them.

CALIFORNIA

According to the UCLA Anderson Forecast, California employment hit another record high in April 2018. As the economy has been expanding as expected, the current forecast has not changed much since last quarter's forecast, released in March 2018. Full employment has been less of a constraint on this growth with recent increases in the labor force. It is anticipated that California's average unemployment rate will remain higher than the U.S. rate and be at 4.3 percent in 2020, a consequence of a younger and more entrepreneurial workforce. Additionally, the forecast for total employment growth for the current year and the next two years is 1.7%, 1.8% and 0.8%, respectively, with payrolls growing at about the same rate. Real personal income growth is projected to be 2.5%, 3.6% and 2.9% in 2018, 2019 and 2020, respectively. The overall economy appears to be growing at a steady pace, but there are potential threats that could affect the U.S. and California economic outlooks.

INLAND EMPIRE

On October 11, 2018 the UCR School of Business, Center for Economic Forecasting & Development, held its 9th Annual Inland Empire Economic Forecast Conference. It was noted that the Inland Empire continues to be the fastest-growing economy in Southern California in terms of overall job growth as well as the most improved among the major surrounding metropolitan areas of Los Angeles, San Diego, and Orange counties.

Additional highlights from the Centers latest report include:

- From July 2017 to July 2018 the Inland Empire added 50,100 jobs. Among the top sectors included were Professional and Business Services, Government and Leisure and Hospitality and Logistics.
- Logistics, the most improved industry, nearly doubled in size, with employment 90% above the prerecession peak. It is also a leading driver of growth in the Inland Empire.
- Unemployment rate reached record lows in 2018 going back to 1990, with an unemployment rate of 4.1% as of July 2018.
- Job growth outpaced the region's labor force growth every year since 2011.
- Local spending has increased, according to sales tax receipts data, total receipts increased 7.9% in the first quarter of 2018 over the previous year compared with 5.9% in the state.
- Sales tax revenue reached \$196 million in the first quarter of 2018. This represents the highest rate of growth in the region since the fourth quarter of 2012.
- Nonresidential construction activity in the Inland Empire has been particularly strong, spending on Building and Construction increased 16.6%, followed by Fuel and Service Station at 14.1%.
- The real estate market has advanced over the past year but could be doing better considering the region's economic growth. Home prices in some Inland Empire cities have hit new nominal highs.
- As of the second quarter of 2018, the median price of an existing single-family house in the Inland Empire was \$350,100. Rising interest rates and underbuilding have limited resales and inventories remain at record low.
- Population growth in the Inland Empire was one of the greatest in California. The city with the greatest growth was Moreno Valley, with a population gain of 1.6%.

MORENO VALLEY

On August 22, 2018 hundreds of business owners, local dignitaries, and residents gathered for Moreno Valley's State of the City address. Mayor Yxstian Gutierrez celebrated the City's success over the last year, including creating 17,000 jobs over the last five years, committing more than \$11 million for road repairs over the next 12 months, and building state-of-the-art cultural and athletic facilities. "The State of our City is not just strong-it is one of the most fiscally strong Cities in the nation, as recently ranked by the Fiscal Times," Gutierrez said. The City has a balanced budget for the sixth straight year, healthy reserves, and sales tax revenues for the first quarter were up more than 6.4% over last year.



FINANCIAL REPORT HIGHLIGHTS

The City's assets and deferred outflows of resources **exceeded** its liabilities and deferred inflows of resources by \$1.04 billion (net position) at June 30, 2018.

The City's total net position **increased** \$9.6 million for fiscal year 2017-2018 mainly due to increase in current and capital assets.

The General Fund had an end of year fund balance of \$55.7 million. This was a decrease of \$409 thousand and a decrease of .73% over the prior year due to fleet vehicle and infrastructure investments.

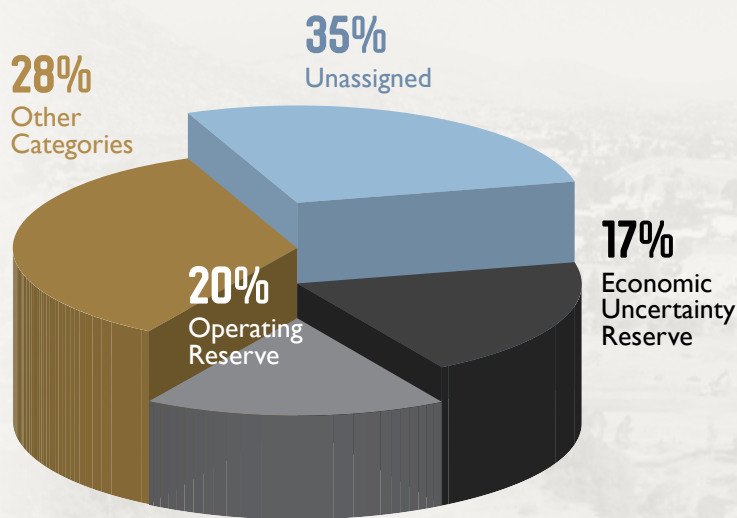
Moreno Valley is one of the most fiscally strong cities in the nation. This is due in part to the adoption of a **comprehensive financial reserve policy**. Financial reserves protect against future economic downturns, which bring unpredictable shortfalls in tax revenue, and better prepare the City, its residents and its businesses for a catastrophic natural disaster.

The General Fund had \$19.7 million in unassigned fund balance, a decrease of \$4.7 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

FUND BALANCE



FY 17/18 FUND BALANCE

Economic Uncertainty Reserve	\$9,219,443
Operating Reserve	\$11,063,331
Unassigned	\$19,690,252
Other Categories	\$15,748,928
Total Fund Balance	\$55,721,954

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 Reserve - established 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 to meet cash flow requirements related to timing of projected revenue receipts throughout the fiscal year and to maintain budgeted level of services.

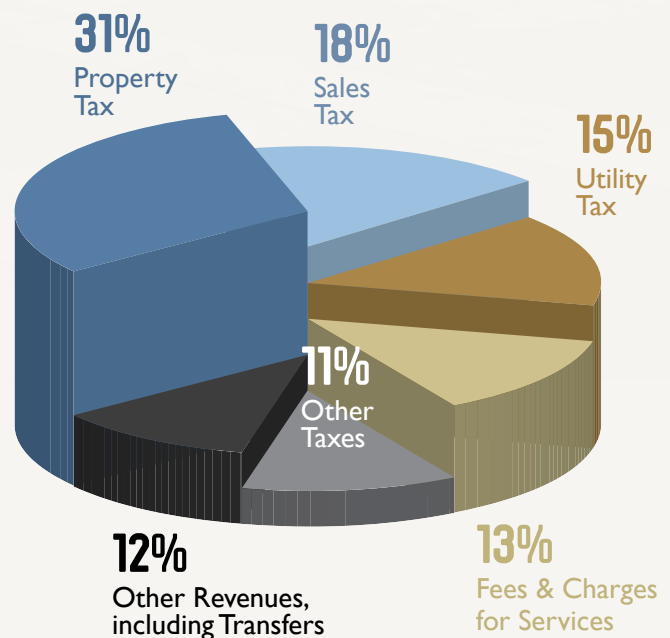
GENERAL FUND REVENUES

The General 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.

The City of Moreno Valley strives to provide our residents with the very best value for their dollars while offering the level of services our residents deserve. The Financial and Management Services department is committed to exceeding these expectations while ensuring the long-term financial stability and sustainability of the City government. The City's fiscal year is July 1st through June 30th.

FY 2017/2018 REVENUES

Property Tax	\$33,102,834
Sales Tax	\$19,192,515
Utility Tax	\$15,629,102
Fees & Charges for Services	\$13,673,162
Other Taxes	\$11,764,029
Other Revenues, including Transfers	\$13,476,199



The three largest and most important revenue sources for the City are Property, Sales, and Utility Taxes. These vital taxes represent a relatively stable source 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 taxes at \$33.1 million, which is a 6.7% increase over FY16/17. Sales taxes provided \$19.1 million in revenue, which is a 4.3% increase from the prior year; and Utility Taxes generated \$15.6 million, a 0.1% increase.

The rest of the City's general fund revenues came from a mixture of charges for services and other taxes and revenues (including transfers in from other funds). Charges for services are charges and fees collected by the City for services such as developer services, inspections, animal services, etc. Charges for services generated \$13.6 million, a 21.7% increase over FY 16/17. Other taxes and fees include the Transient Occupancy Tax, franchise fees, and business license gross receipts. Other taxes generated \$11.7 million, an 11.6% increase over last year. The last piece of general fund revenues include monies collected from licenses, permits, fines, forfeitures, transfer in, etc. These revenues generated \$13.4 million which was a 62.7% increase from last year primarily driven by use of money and property.

Overall total general fund revenues reported an increase of 12.4% as compared to the prior year, primarily due to increase in fees and charges for services as well as other taxes indicating increased development.

General Fund Revenues continued

DISTRIBUTION OF GENERAL FUND REVENUES BY SOURCE

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Property Tax	30%	32%	31%	33%	31%
Sales Tax	19%	19%	20%	19%	18%
Utility Tax	19%	19%	17%	16%	15%
Charges for Services	12%	11%	12%	12%	13%
Other Taxes and Fees	11%	12%	11%	11%	11%
Other Revenues	9%	7%	9%	9%	12%
Total Revenue	\$82,042,818	\$84,494,238	\$93,125,680	\$95,087,633	\$106,837,841

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:	\$257,145
Property Tax due for 2018 for this residence ($\$257,145 \times 1.07\%$):	\$2,751

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 \$2,751 collected in the above example by the County, the City of Moreno Valley receives **approximately 11% or \$303 which is distributed to the General Fund** to help pay for City services. The other 89% goes primarily to County and school services.

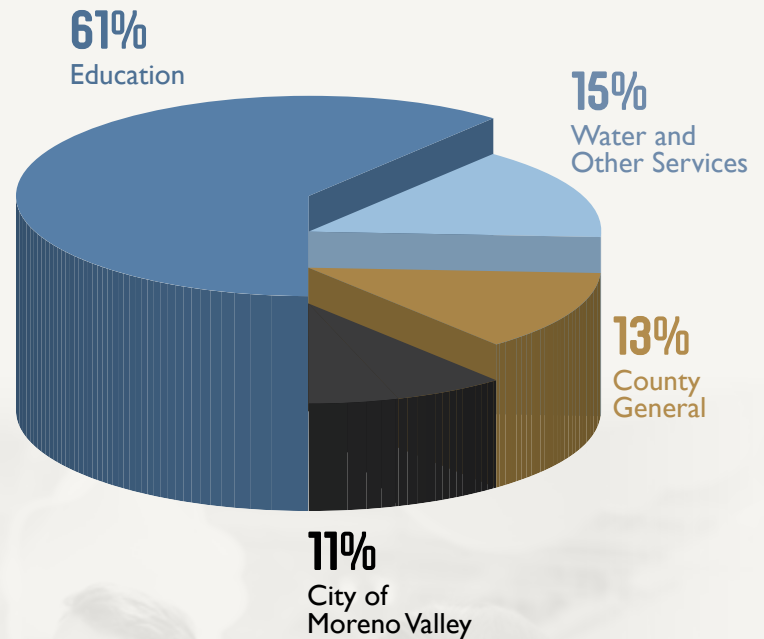
Property Tax continued

PROPERTY TAX

Taxable Assessed Value	\$257,145
General Property Tax	1.00%
Other Taxes	0.07%
Total Property Taxes	\$2,751

DISTRIBUTION

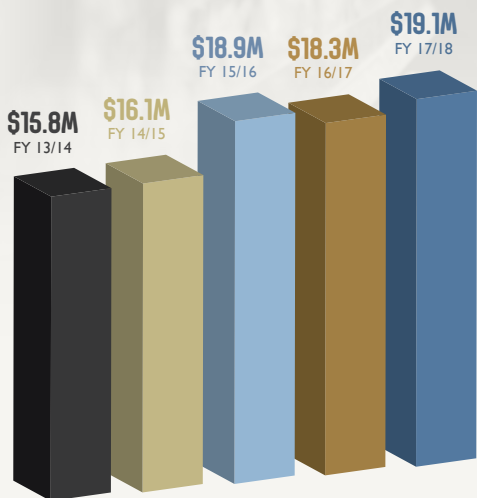
County, Education, other (89%)	\$2,449
City (11%)	\$303



SALES TAX

Sales tax collections generated the City's second highest revenue source in FY 17/18 at \$19.1 million which represents an increase of 4.3% from last year.

SALES TAX REVENUE



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, 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 police 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



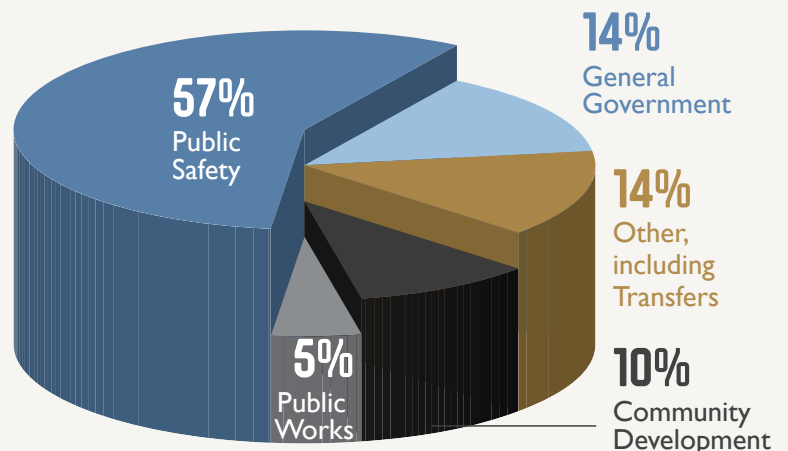
- **STATE GENERAL FUND - 50¢**
Supports a wide variety of programs, including K-12 education, higher education, health and criminal justice programs.
- **STATE LOCAL REVENUE FUND - 20¢**
Supports various health and social service programs such as probation, mental health, drug and alcohol, and foster care 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 PUBLIC SAFETY FUNDS - 7¢**
Supports local public safety programs

GENERAL FUND EXPENDITURES

A total of 57 percent of the City's expenditures (\$61.2 million) went to public safety which represents a 9.3% increase from FY 16/17. Expenditures for other city services included General Government expenditures of \$14.9 million (7.8% decrease), Community Development expenditures of \$10.3 million (56.2% increase), Public Works expenditures at \$5.9 million (6.7% increase) and other expenditures at \$15.0 million (156.5% increase).

FY 2017/2018 EXPENDITURES

Public Safety	\$61,170,062
General Government	\$14,885,630
Community Development	\$10,280,985
Public Works	\$5,874,494
Other, including Transfers	\$15,036,454



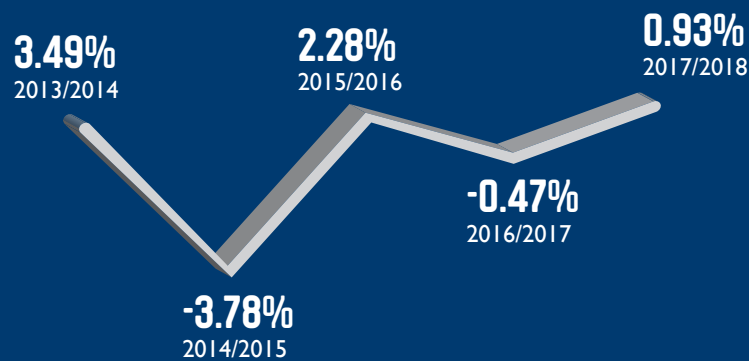
Total expenditures rose 19.1% to \$107.2 million in FY 17/18. This was largely attributed to increases in community development and other expenditures which include capital outlays and transfers to other governmental funds.

CHANGE IN NET POSITION

CITY OF MORENO VALLEY'S NET POSITION (in \$000's)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 16/17	FY 17/18	FY 16/17	FY 17/18	FY 16/17	FY 17/18
Current and Other Assets	\$261,341	\$269,745	\$24,535	\$18,368	\$285,876	\$288,113
Capital Assets	\$893,088	\$888,586	\$49,293	\$57,145	\$942,381	\$945,731
Total Assets	\$1,154,429	\$1,158,331	\$73,828	\$75,513	\$1,228,257	\$1,233,844
Deferred Outflow of Resources	\$15,174	\$14,926	\$2,992	\$6,909	\$18,166	\$21,835
Current Liabilities	\$27,488	\$29,690	\$6,744	\$5,140	\$34,232	\$34,830
Long-Term Liabilities	\$131,317	\$137,246	\$39,601	\$38,698	\$170,917	\$175,944
Total Liabilities	\$158,804	\$166,936	\$46,345	\$43,838	\$205,149	\$210,774
Deferred inflows of Resources	\$7,316	\$1,521	\$184	\$(4)	\$7,500	\$1,517
Net Invested In Capital Assets	\$839,573	\$837,174	\$20,512	\$20,959	\$860,085	\$858,133
Restricted	\$137,235	\$146,937	\$4,806	\$5,461	\$142,041	\$152,398
Unrestricted	\$26,675	\$20,689	\$4,973	\$12,168	\$31,648	\$32,857
Total Net Position	\$1,003,483	\$1,004,800	\$30,291	\$38,588	\$1,033,774	\$1,043,388

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 increased slightly by 1.0% from \$1.03 billion at June 30, 2017 to \$1.04 billion at June 30, 2018.

Accounting for 82.2% 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 residents; 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 (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.

COMMUNITY SERVICES DISTRICT REVENUE AND EXPENDITURES

CSD REVENUES	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Taxes	\$9,963,200	\$10,367,655	\$10,717,788	\$11,080,022	\$11,609,715
Charges for Services	\$5,958,400	\$5,953,549	\$6,015,891	\$5,828,516	\$5,809,593
Other	\$3,177,557	\$2,858,029	\$3,004,636	\$2,178,366	\$2,585,351
Total Revenues	\$19,099,157	\$19,179,233	\$19,738,315	\$19,086,904	\$20,004,659
CSD EXPENDITURES	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Community and Cultural	\$11,888,439	\$11,415,310	\$11,644,268	\$11,666,081	\$12,466,759
Public Works	\$5,760,298	\$5,303,858	\$6,542,816	\$5,548,877	\$5,889,924
Other	\$468,770	\$170,481	\$38,963	\$24,590	\$1,631,818
Total Expenditures	\$18,117,507	\$16,889,649	\$18,226,047	\$17,239,548	\$19,988,501
Change in Fund Balance	\$981,650	\$2,289,584	\$1,512,268	\$1,847,356	\$16,158
Total Fund Balance	\$13,201,156	\$15,490,740	\$17,003,008	\$18,850,364	\$18,866,524

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.

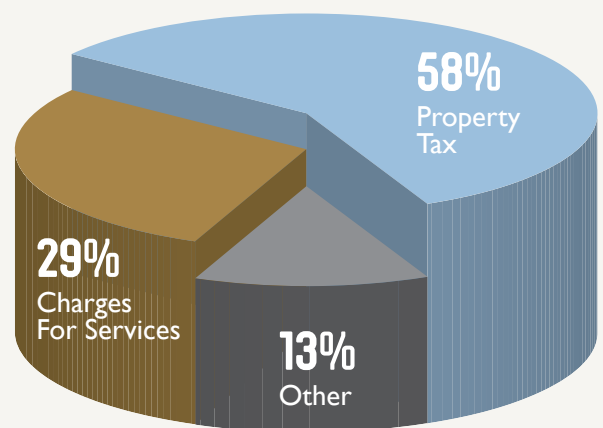
Lighting Maintenance District (LMD) 2014-01: Residential Street Lighting provides the funding for the operation and maintenance of residential subdivision street lighting.

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

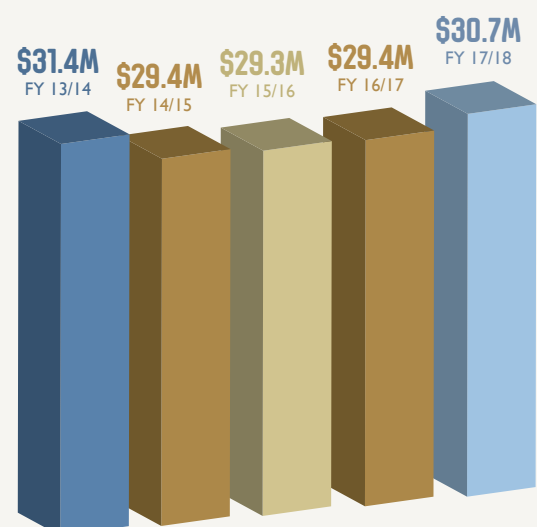
Community Facilities District (CFD) #1: Provides maintenance of new parks, trails and class 1 bikeways.

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

FY 17/18 REVENUE BY SOURCE



TOTAL NET POSITION



MORENO VALLEY ELECTRIC UTILITY

Moreno Valley Electric Utility (MVU): This fund is an Enterprise Fund which is used to account for the operations of MVU, with 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.

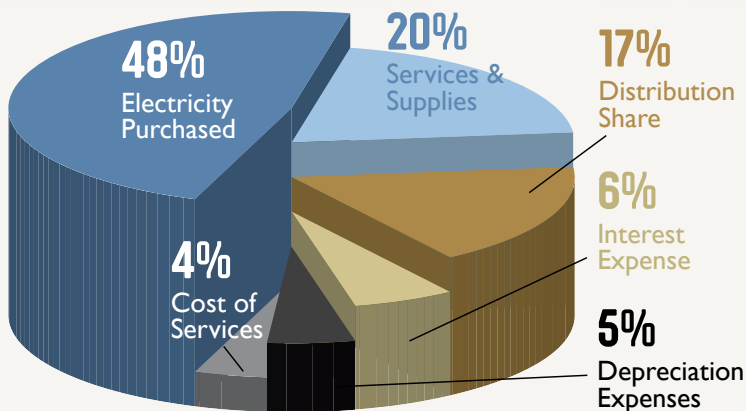
MORENO VALLEY UTILITY NET POSITION

MVU Revenues	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Sales and Service Charges	\$19,905,135	\$27,519,754	\$29,237,200	\$28,815,538	\$31,031,812
Miscellaneous*	\$1,779,405	\$1,438,573	\$2,453,612	\$613,567	\$3,851,440
Total Revenues	\$21,684,540	\$28,958,327	\$31,690,812	\$29,429,105	\$34,883,252
MVU Expenses	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Electricity Purchased	\$10,200,721	\$10,877,963	\$11,860,074	\$12,112,442	\$12,714,822
Other Operating Expenses	\$7,953,865	\$9,760,855	\$10,642,815	\$10,154,457	\$12,377,946
Interest Expense	\$1,641,560	\$1,638,560	\$1,727,269	\$3,052,491	\$1,493,906
Total Expenses	\$19,796,146	\$22,277,378	\$24,230,158	\$25,319,390	\$26,586,674
Change in Net Position	\$1,888,394	\$6,680,949	\$7,460,654	\$4,109,715	\$8,296,578
Restatement of Net Position		\$1,410,273		\$(282,981)*	
Total Net Position	\$13,733,416	\$19,004,092	\$26,464,746	\$30,291,480	\$38,588,058

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

*Restatement reflects the retroactive effect of GASB 75 implementation.

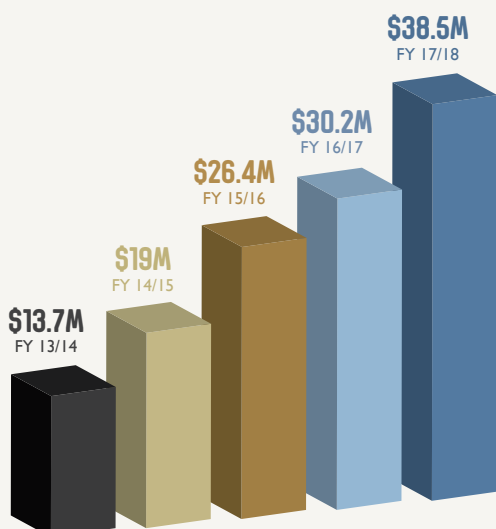
FY 17/18 REVENUE BY SOURCE



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 7.7% increase over the prior year. In total, MVU revenues increased 18.5% to \$34.9 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 4.9% 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 21.9%, while interest expense saw a decrease of 51.0%. In total, MVU expenses increased 5.0% to \$26.5 million.

TOTAL NET POSITION



MVU ON THE RISE

The Net Position for MVU indicates a positive percentage change of 27.3% from FY 16/17. Positive percentage changes in Net Position indicate that the financial position of the Moreno Valley Electric Utility has improved.

LONG TERM

DEBT

Governments, just like 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, 2018

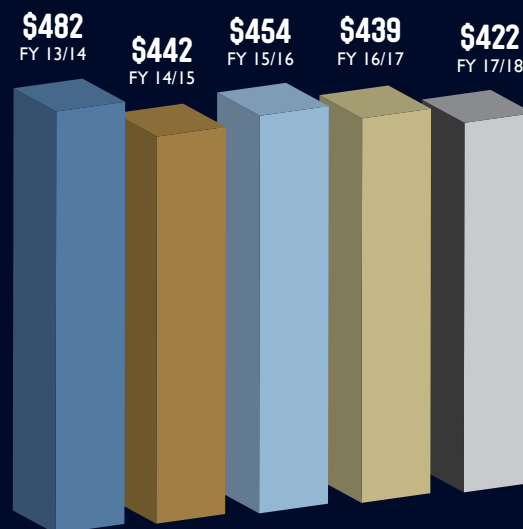
	Governmental Activities	Business Type Activities
Certificates of participation	\$20,408,643	\$-
Lease revenue bonds	31,002,924	36,185,829
Compensated absences	6,430,068	279,928
Net Pension and OPEB liability	77,277,053	2,232,310
Self insurance claims and judgements	2,127,000	-
	\$137,245,688	\$38,698,067

At year-end, the City's governmental activities had \$137.2 million in bonds, certificates of participation, compensated absences, Pension and Other Post-Employment Benefits (OPEB) liability and self-insurance claims and judgments. FY 17/18 is the second year of recognizing OPEB liability as a result of implementing GASB 75 in fiscal year 16/17.

WHY DOES THE CITY BORROW?

Local governments issue bonds to pay for large, expensive, and long-lived capital projects, including roads and electric utilities. Without issuing debt, these important infrastructure needs would be unmet. 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



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 less expensive, 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 PERSONAL INCOME – The income of an individual or group after taking into consideration the effects of inflation on purchasing power.

RECEIVABLE(S) – amounts owed to a business, regarded as assets.



www.moval.org

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Financial & Management Services

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