

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2019 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See “TAX MATTERS.”

\$15,830,000

**MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019 (TAXABLE)**

Dated: Date of Delivery**Due: May 1, as shown on inside front cover page**

The Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2019 (Taxable) (the “Series 2019 Bonds”) are payable from base rental payments (the “Base Rental Payments”) to be made by the City of Moreno Valley (the “City”) to the Moreno Valley Public Financing Authority (the “Authority”) for the right to use certain real property (collectively, the “Property”) pursuant to a Master Facilities Sublease, dated as of December 1, 2015, as amended by a First Amendment to Master Facilities Sublease, dated as of December 1, 2016 and a Second Amendment to Master Facilities Sublease, dated as of April 1, 2019 (collectively, the “Facilities Sublease”), by and between the City, as sublessee, and the Authority, as lessor. See the captions “THE PROPERTY” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS.”

The Series 2019 Bonds are secured on a parity with the City of Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable), issued in the aggregate principal amount of \$10,430,000 and currently outstanding in the aggregate principal amount of \$9,850,000 (the “Series 2015 Bonds”) and the City of Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable), issued in the aggregate principal amount of \$24,655,000 and currently outstanding in the aggregate principal amount of \$22,975,000 (the “Series 2016 Bonds”).

The Series 2019 Bonds are being issued to provide funds: (i) to fund certain capital improvements of the City; (ii) to purchase a municipal bond insurance policy (the “Policy”) from Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) to guarantee the payment of principal of and interest on the Series 2019 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from the Insurer for deposit in the Reserve Fund for the Series 2019 Bonds; and (iv) to pay the costs incurred in connection with the issuance of the Series 2019 Bonds. See the captions “THE FINANCING PLAN” and “SOURCES AND USES OF FUNDS.” The City has covenanted under the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption “RISK FACTORS — Abatement.”

The Series 2019 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2019 Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2019. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2019 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC Participants, who are obligated to remit such payments to the Beneficial Owners of the Series 2019 Bonds. See the caption “THE SERIES 2019 BONDS — Book-Entry Only System.”

The Series 2019 Bonds will be issued pursuant to a Master Trust Agreement, dated as of December 1, 2015, by and between the Authority and the Trustee (the “2015 Master Trust Agreement”), as amended by that certain First Supplement to Master Trust Agreement, dated as of December 1, 2016, by and between the Authority and the Trustee (the “First Supplement to the 2015 Master Trust Agreement”) and the Second Supplement to Master Trust Agreement, dated as of April 1, 2019 by and between the Authority and the Trustee (the “Second Supplement to the 2015 Master Trust Agreement” and, together with the 2015 Master Trust Agreement and the First Supplement to the 2015 Master Trust Agreement, the “Trust Agreement”). The Series 2019 Bonds, the Series 2016 Bonds, the Series 2015 Bonds and any additional bonds issued pursuant to the Trust Agreement (“Additional Bonds”) are collectively referred to as the “Bonds.”

The Series 2019 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption “THE SERIES 2019 BONDS — Redemption.”

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

The Series 2019 Bonds are not a debt of the City, the State of the California (the “State”) or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2019 Bonds be payable out of any funds or properties other than those of the Authority as described herein. The Series 2019 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

The scheduled payment of principal of and interest on the Series 2019 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by AGM.



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

The Series 2019 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the Series 2019 Bonds will be available for delivery through the facilities of DTC on or about April 11, 2019.

STIFEL

\$15,830,000
MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019 (TAXABLE)

MATURITY SCHEDULE

BASE CUSIP^{®†}: 61685P

\$6,790,000 4.000% Term Bonds due May 1, 2044 – Yield 4.097%, Price: 98.487, CUSIP^{®†}: EC8

\$9,040,000 4.000% Term Bonds due May 1, 2049 – Yield 4.147%, Price: 97.485, CUSIP^{®†}: ED6

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2019 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR THE AUTHORITY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR

MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2019 Bonds.

AGM makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” herein and in “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto

CITY OF MORENO VALLEY

MAYOR AND MEMBERS OF THE CITY COUNCIL

Dr. Yxstian Gutierrez, Mayor
Victoria Baca, Mayor Pro Tem
Dr. Carla J. Thornton, Councilmember
David Marquez, Councilmember
Ulises Cabrera, Councilmember

MORENO VALLEY PUBLIC FINANCING AUTHORITY

Dr. Yxstian Gutierrez, Chair
Victoria Baca, Vice Chair
Dr. Carla J. Thornton, Boardmember
David Marquez, Boardmember
Ulises Cabrera, Boardmember

STAFF

Thomas M. DeSantis, City Manager/Authority Executive Director
Martin Koczanowicz, City Attorney
Marshall Eyerman, Chief Financial Officer/Authority Treasurer
Brooke McKinney, Treasury Operations Division Manager
Jeanette Olko, Electric Utility Division Manager
Pat Jaquez-Nares, City Clerk/Authority Secretary

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Newport Beach, California

Municipal Advisor

Fieldman Rolapp & Associates, Inc.
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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\$15,830,000
MORENO VALLEY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019 (TAXABLE)

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto (the “Official Statement”), provides certain information concerning the sale and delivery of the \$15,830,000 aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2019 (Taxable) (the “Series 2019 Bonds”). The Series 2019 Bonds are being issued by the Moreno Valley Public Financing Authority (the “Authority”) pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the “2015 Master Trust Agreement”), by and between the Authority and the Wells Fargo Bank, National Association, as trustee (the “Trustee”), as amended by that certain First Supplement to Master Trust Agreement, dated as of December 1, 2016, by and between the Authority and the Trustee (the “First Supplement to the 2015 Master Trust Agreement”) and that certain Second Supplement to Master Trust Agreement, dated as of April 1, 2019 by and between the Authority and the Trustee (the “Second Supplement to the 2015 Master Trust Agreement” and, together with the 2015 Master Trust Agreement and the First Supplement to the 2015 Master Trust Agreement, the “Trust Agreement”).

The net proceeds, including improvements to the City’s electric utility, of the sale of the Series 2019 Bonds will be used: (i) to fund certain capital improvements of the City; (ii) to purchase a municipal bond insurance policy (the “Policy”) from Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) to guarantee the payment of principal of and interest on the Series 2019 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from the Insurer for deposit in the Reserve Fund for the Series 2019 Bonds; and (iv) to pay the costs incurred in connection with the issuance of the Series 2019 Bonds. See the captions “THE FINANCING PLAN,” “BOND INSURANCE” and “SOURCES AND USES OF FUNDS.”

Security for the Series 2019 Bonds

Pursuant to a Master Facilities Lease, dated as of December 1, 2015, by and between the Authority, as lessee, and the City of Moreno Valley (the “City”), as sublessor (the “2015 Master Facilities Lease”), as amended by that certain First Amendment to Master Facilities Lease, dated as of December 1, 2016, by and between the City and the Authority (the “First Amendment to the 2015 Master Facilities Lease”) and that certain Second Amendment to Master Facilities Lease, dated as of April 1, 2019, by and between the City and the Authority (the “Second Amendment to the 2015 Master Facilities Lease” and, together with the 2015 Master Facilities Lease and the First Amendment to the 2015 Master Facilities Lease, the “Facilities Lease”), the City has leased and will lease, in connection with the issuance of the Series 2019 Bonds, certain real property and improvements owned by the City (collectively, the “Property”) to the Authority in consideration for the Authority’s assistance in issuing the Series 2019 Bonds.

Pursuant to a Master Facilities Sublease, dated as of December 1, 2015, by and between the City, as sublessee, and the Authority, as sublessor (the “2015 Master Facilities Sublease”), as amended by that certain First Amendment to Master Facilities Sublease, dated as of December 1, 2016, by and between the City and the Authority (the “First Amendment to the 2015 Master Facilities Sublease”), and that certain Second Amendment to Master Facilities Sublease, dated as of April 1, 2019, by and between the City and the Authority (the “Second Amendment to the 2015 Master Facilities Sublease” and, together with the 2015 Master Facilities Sublease and the First Amendment to the 2015 Master Facilities Sublease, the “Facilities Sublease”), the Authority has subleased and will sublease, in connection with the issuance of the Series 2019 Bonds, the Property back to the City in consideration for the payment of rental payments (the “Base Rental Payments”) to be made by the City for the right to use the Property.

The Series 2019 Bonds are secured on a parity with the Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable), issued in the aggregate principal amount of \$10,430,000 and currently outstanding in the aggregate principal amount of \$9,850,000 (the “Series 2015 Bonds”) and the Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Taxable), issued in the aggregate principal amount of \$24,655,000 and currently outstanding in the aggregate principal amount of \$22,975,000 (the “Series 2016 Bonds”) issued pursuant to the Trust Agreement. Pursuant to the Trust Agreement, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2019 Bonds (the Series 2019 Bonds, the Series 2016 Bonds, the Series 2015 Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Additional Bonds.”

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

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

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

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

THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED HEREIN.

THE SERIES 2019 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF THE CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE

CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY) IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2019 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

Book-Entry Only System

The Series 2019 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2019 Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2019. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest on the Series 2019 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which are obligated to remit such payments to the Beneficial Owners of the Series 2019 Bonds. See the caption “THE SERIES 2019 BONDS — Book-Entry Only System.”

Redemption

The Series 2019 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption “THE SERIES 2019 BONDS — Redemption.”

Bond Insurance

Payment of the principal of and interest on the Series 2019 Bonds will be insured by the Policy to be issued by the Insurer concurrently with the issuance of the Series 2019 Bonds. See the caption “BOND INSURANCE.”

Reserve Fund

A Reserve Fund for the Bonds has been established pursuant to the Trust Agreement. The Insurer has committed to issue, concurrently with the issuance of the Series 2019 Bonds, the Reserve Policy for the benefit of the Series 2019 Bonds in the initial principal amount of \$1,340,707.95, which constitutes the Reserve Fund Requirement with respect to the Series 2019 Bonds. The Reserve Requirement with respect to the Series 2019 Bonds will be in such fixed amount until the final maturity or earlier redemption of the Series 2019 Bonds. The Reserve Policy will be deposited in the Reserve Fund. Neither the Authority nor the City is obligated: (i) to make any additional deposits into the Reserve Fund if Insurer defaults on its obligation to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy if there is a rating downgrade of the Insurer with cash or another surety. The Reserve Policy secures the Series 2019 Bonds alone and is not available for payments on the Series 2015 Bonds, the Series 2016 Bonds or any Additional Bonds. Also on deposit in the Reserve Fund is a reserve policy for the Series 2015 Bonds and a reserve policy for the Series 2016 Bonds (each issued by the Insurer); amounts drawn under these reserve policies cannot be used to make payments on the Series 2019 Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Reserve Fund.”

Legal Matters

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2019 Bonds. The Series 2019 Bonds will be issued subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Martin Koczanowicz, City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California,

as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP, for the Trustee by its counsel and for the Insurer by its counsel.

Miscellaneous

The City's financial statements for the fiscal year of the City ended June 30, 2018 (each fiscal year of the City ended June 30, a "Fiscal Year") included as Appendix B hereto have been audited by Vasquez & Company, Glendale, California (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2019 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2018-19, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents, agreements and statutes referred to herein, and the description of the Series 2019 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in Appendix A.

THE SERIES 2019 BONDS

General

The Series 2019 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2019 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2019 Bonds will be paid semiannually on each May 1 and November 1, commencing November 1, 2019 (each, an "Interest Payment Date").

The Series 2019 Bonds will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless they are authenticated on a day during the period from the day after a Record Date for an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event they shall bear interest from such Interest Payment Date, or unless they are authenticated on a day on or before the Record Date for the first Interest Payment Date, in which event they shall bear interest from their date; provided, that if at the time of authentication of any Series 2019 Bond interest is then in default on the Outstanding Series 2019 Bonds, such Series 2019 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Series 2019 Bonds. Payment of interest on the Series 2019 Bonds due on or before the maturity or prior redemption thereof will be paid by check mailed by first class mail on each Interest Payment Date to the person in whose name the Series 2019 Bond is registered as of the applicable Record Date for such Interest Payment Date at the address shown on the registration books maintained by the Trustee pursuant to the Trust Agreement; provided, however, that interest on any Series 2019 Bonds will be paid by wire transfer or other means to provide immediately available funds to any Holder of at least \$1,000,000 in aggregate principal amount of such Series 2019 Bonds, at its option, according to wire instructions to an account within the United States of America given to the

Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date.

Interest on any Series 2019 Bond will cease to accrue: (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Holder of such Series 2019 Bond is not entitled to any other payment, and such Series 2019 Bond will no longer be Outstanding and entitled to the benefits of the Trust Agreement, except for the payment of the principal amount or Redemption Price, of such Series 2019 Bond, as appropriate, from moneys held by the Trustee for such payment.

The principal of the Series 2019 Bonds will be payable by check in lawful money of the United States of America at the Principal Office of the Trustee. No payment of principal will be made on any Series 2019 Bond unless and until such Series 2019 Bond is surrendered to the Trustee for cancellation.

Redemption

Optional Redemption. The Series 2019 Bonds maturing on and after May 1, 2027 are subject to optional redemption prior to their stated Principal Payment Dates, on any date on or after May 1, 2026, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Facilities Sublease, any such prepayment to be at a Redemption Price equal to the principal amount of the Series 2019 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The Series 2019 Bonds with a stated Principal Payment Date of May 1, 2044 are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each May 1 specified below, at a Redemption Price equal to the principal amount of the Series 2019 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2019 Bonds to be so redeemed and the dates therefor will be as follows:

<i>Mandatory Sinking Fund Payment Date (May 1)</i>	<i>Principal Amount</i>
2039	\$1,025,000
2040	1,060,000
2041	1,110,000
2042	1,150,000
2043	1,200,000
2044 (maturity)	1,245,000

The Series 2019 Bonds with a stated Principal Payment Date of May 1, 2049 are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each May 1 specified below, at a Redemption Price equal to the principal amount of the Series 2019 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2019 Bonds to be so redeemed and the dates therefor will be as follows:

<i>Mandatory Sinking Fund Payment Date (May 1)</i>	<i>Principal Amount</i>
2045	\$1,300,000
2046	1,350,000
2047	2,045,000
2048	2,130,000
2049 (maturity)	2,215,000

The amount of each such redemption shown in the above tables will be reduced proportionately in the event and to the extent of any and all redemptions of Series 2019 Bonds with a stated Principal Payment Date of May 1, 2044 or May 1, 2049, as applicable, pursuant to any provision of the Trust Agreement other than redemptions made pursuant to the mandatory sinking fund redemption provisions of the Trust Agreement.

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

The Series 2019 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments from insurance and eminent domain proceeds made by the City pursuant to the Facilities Sublease (as described in the preceding paragraph), at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which are payable after such Redemption Date will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

Selection of Bonds for Redemption. If less than all Outstanding Series 2019 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2019 Bonds of such maturity date to be redeemed at random and promptly notify the Authority in writing of the numbers of the Series 2019 Bonds so selected for redemption. For purposes of such selection, Series 2019 Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event that Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption, and in the absence of such Authority designation such redemptions will be allocated in inverse order of Mandatory Sinking Account Payment Dates.

Notice of Redemption; Cancellation. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to: (i) the respective Bondholders of the Series 2019 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) the Securities Depositories; and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail or overnight

delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption will state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2019 Bonds of such maturity, to be redeemed and, in the case of Series 2019 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2019 Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2019 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice will not invalidate any of the proceedings taken in connection with such redemption.

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

All Series 2019 Bonds redeemed pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

Effect of Notice of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2019 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2019 Bonds so called for redemption become due and payable, and from and after the date so designated interest on such Series 2019 Bonds cease to accrue, and the Bondholders of such Series 2019 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2019 Bond will be issued for each maturity of the Series 2019 Bonds, each in the initial aggregate principal amount of such maturity, will be deposited with DTC and will be available to actual purchasers of the Series 2019 Bonds (the "Beneficial Owners") in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2019 Bonds. See Appendix E for further information with respect to DTC and its book-entry only system.

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2019 Bonds apply only during any period in which the Series 2019 Bonds are not subject to DTC's book-entry system. While the Series 2019 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2019 Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2019 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2019 Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Series 2019 Bond or Bonds of the same Series and maturity for a like aggregate principal amount of Authorized Denominations. The Trustee will require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may, except as otherwise provided in the Trust Agreement, deem and treat the registered owner of any Series 2019 Bond as the absolute owner of such Series 2019 Bond for the purpose of receiving payment thereof and for all other purposes, whether such Series 2019 Bond is overdue or not, and neither the Authority nor the Trustee will be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2019 Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on such Series 2019 Bond to the extent of the sum or sums so paid.

The Trustee is not required to register the transfer of or exchange any Series 2019 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2019 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2019 Bonds for redemption.

Series 2019 Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Series 2019 Bonds of the same Series and maturity of other authorized denominations. The Trustee will require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee is not required to exchange any Series 2019 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2019 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2019 Bonds for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

Pledge of Revenues

The Series 2019 Bonds will be secured on a parity with the outstanding Series 2015 Bonds, outstanding Series 2016 Bonds, and any Additional Bonds which may be issued under the terms of the Trust Agreement. The Bonds are equally and ratably payable from and secured by the Revenues, which consist of: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described below); and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facilities Sublease.

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

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

The Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2019 Bonds, the Series 2016 Bonds, and the Series 2015 Bonds. See the caption “— Additional Bonds.”

All Revenues, any other amounts (including proceeds of the sale of the Series 2019 Bonds) held by the Trustee in any fund or account (other than the Rebate Fund) established under the Trust Agreement and any other amounts (excluding Additional Payments) received by the Authority in respect of the Property have been irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged thereunder may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. Such pledges constitutes a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established thereunder for the payment of the interest on and principal of the Bonds in accordance with the terms thereof.

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

THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED HEREIN.

THE SERIES 2019 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2019 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

Base Rental Payments

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

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

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

Series 2015 Bonds is November 1, while the Principal Payment Date for the Series 2016 Bonds and the Series 2019 Bonds is May 1.

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

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

Scheduled Base Rental Payments relating to the Series 2019 Bonds, the outstanding Series 2015 Bonds and the outstanding Series 2016 Bonds are set forth below under the caption “BASE RENTAL PAYMENT SCHEDULE.”

Additional Payments

For the right to use and occupy the Property, the Facilities Sublease requires the City to pay, as Additional Payments thereunder, in addition to the Base Rental Payments, and subject to abatement as provided below, such amounts as are required for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Authority’s interest in the Property and the lease of the Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Property, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, other amounts due and owing Assured Guaranty Municipal Corp., in its capacity as the insurer of the Series 2015 Bonds (the “2015 Insurer”), Assured Guaranty Municipal Corp., in its capacity as insurer of the Series 2016 Bonds (the “2016 Insurer”), and AGM, in its capacity as insurer of the Series 2019 Bonds (the “2019 Insurer”), as set forth in the Facilities Sublease, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Series 2019 Bonds.

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

receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right will in no way affect the duty of the City to make full and timely payment for all Additional Payments.

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

Abatement

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

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

Substitution, Addition and Removal of Property

The City and the Authority may add or substitute real property for all or part of, or may release a part of, the Property for purposes of the Facilities Lease and the Facilities Sublease, but only with the consent of the 2015 Insurer, the 2016 Insurer and the 2019 Insurer and after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

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

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

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

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

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

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

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

Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Property under the Facilities Sublease or Facilities Lease will be subject to the prior written consent of the 2015 Insurer, the 2016 Insurer and the 2019 Insurer.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time, issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided therein equal to the pledge, charge and lien securing the Outstanding Series 2019 Bonds, Series 2016 Bonds and Series 2015 Bonds theretofore issued thereunder, but only subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Additional Bonds:

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

(b) The Supplemental Trust Agreement requires that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance Projects, or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such

Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds be applied to the payment of the interest due or to become due on said Additional Bonds.

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

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

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

(f) The Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, unless otherwise permitted by the 2015 Insurer, the 2016 Insurer and the 2019 Insurer.

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

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

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

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

(b) A Certificate of the Authority stating that the requirements of the Trust Agreement have been met.

(c) A Certificate of the City stating that the insurance required by the Facilities Sublease is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the

Supplemental Trust Agreement then delivered to the Trustee), the Trustee will authenticate and deliver said Additional Bonds in the aggregate principal amount specified in such Supplemental Trust Agreement to, or upon the Written Request of, the Authority.

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

Action on Default

Should the City default under the Facilities Sublease, the Trustee, as assignee of the Authority thereunder, may terminate the Facilities Sublease and recover certain damages from the City, or may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis, and the Trustee has the right to re-enter and re-let the Property. In the event that such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. **BASE RENTAL PAYMENTS MAY NOT BE ACCELERATED UPON A DEFAULT UNDER THE FACILITIES SUBLEASE.** See the caption “RISK FACTORS — Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Bond Owners under the Trust Agreement and the Facilities Sublease, such as certain consents and amendments and the direction of remedies following default, Series 2019 Bond Owners, Series 2016 Bond Owners and Series 2015 Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Series 2019 Bonds, Series 2016 Bonds, Series 2015 Bonds and Additional Bonds, if any.

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

Subject to the terms of the Trust Agreement, so long as the 2015 Insurer, the 2016 Insurer and the 2019 Insurer have not defaulted under the Policy, such insurers have the right to control all remedies for default under the Facilities Lease, the Facilities Sublease and the Trust Agreement.

Reserve Fund

Reserve Fund. The Trustee maintains a separate fund to be known as the “Reserve Fund.” Moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purposes set forth in the Trust Agreement. In connection with the issuance of the Series 2015 Bonds, the 2015 Insurer issued a Reserve Policy (the “2015 Reserve Policy”) for the benefit of the Series 2015 Bonds in the initial principal amount of \$661,081.26, which constituted the Reserve Fund Requirement with respect to the Series 2015 Bonds, which is on deposit in the Reserve Fund. In connection with the issuance of the Series 2016 Bonds, the 2016 Insurer issued a Reserve Policy (the “2016 Reserve Policy”) for the benefit of the Series 2016 Bonds in the initial principal amount of \$1,702,312.50, which constituted the Reserve Fund Requirement with respect to the Series 2016 Bonds, which is on deposit in the Reserve Fund. In connection with the issuance of the Series 2019 Bonds, the Trustee shall deposit the Reserve Policy in the initial principal amount of \$1,340,707.95 into the Reserve Fund in satisfaction of the Reserve Fund Requirement with respect to the Series 2019 Bonds. Upon the delivery of the Series 2019 Bonds and the deposit of the Reserve Policy in the Reserve Fund, the Reserve Fund Requirement will not thereafter be calculated for the purpose of requiring any deposit thereto or replenishment thereof except as may be required in connection with the issuance of Additional Bonds. See “INTRODUCTION—Reserve Fund.”

The City, upon notice to the rating agencies then rating the Series 2019 Bonds, reserves the right to substitute, at any time and from time to time, one or more Reserve Facilities from a financial institution, the long-term unsecured obligations of which are rated in the two highest rating categories of the rating agency in substitution for or in place of all or any portion of the Reserve Policy or the moneys, if any, on deposit in the Reserve Fund, which satisfy the portion of the Reserve Fund Requirement (as such term is defined below)

attributable to the Series 2019 Bonds, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. Upon deposit by the City with the Trustee of any such Reserve Facility(ies), the Trustee will, on or after the date of such deposit, transfer to the City such amounts as are on deposit in the Reserve Fund in excess of the Reserve Fund Requirement after application of the Reserve Facility(ies) thereto. The City will, subject to any investment instructions contained in the Tax Certificate, if any, use any such amounts transferred from the Reserve Fund for any lawful purpose of the City which will not adversely affect any current or past exclusion from gross income for federal income tax purposes of the interest on the Bonds, if and to the extent such interest is currently or has in the past been so excluded. Any amounts paid pursuant to any Reserve Facility will be deposited in the Reserve Fund. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

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

The Reserve Policy secures the Series 2019 Bonds alone and is not available for payments on the Series 2015 Bonds, the Series 2016 Bonds or Additional Bonds. Similarly, the 2015 Reserve Policy secures the Series 2015 Bonds alone and is not available for payments on the Series 2016 Bonds, the Series 2019 Bonds or Additional Bonds, and the 2016 Reserve Policy secures the Series 2016 Bonds alone and is not available for payments on the Series 2015 Bonds, the Series 2019 Bonds or Additional Bonds.

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

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

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

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee will, within 5 days thereafter, provide written notice to the City of the amount and the date of such transfer. If there are no amounts currently due under any Reserve Facility and the sum of the amount on deposit in the Reserve Fund, plus the amount available under any Reserve Facilities, is reduced below the Reserve Fund Requirement, the first of the Base Rental Payments thereafter received from the City under the Facilities Sublease and not needed to pay the interest and principal of the Bonds on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, equals the Reserve Fund Requirement. In the event there are insufficient funds to remedy any deficiencies in all such accounts, moneys shall be deposited pro rata in each such account.

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

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

Insurance

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

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

The Facilities Sublease requires the City to maintain or cause to be maintained, throughout the term thereof, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees and the Trustee, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or

deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event, and worker's compensation insurance.

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

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

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

BOND INSURANCE

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

Bond Insurance Policy. Concurrently with the issuance of the Series 2019 Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2019 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

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

AGM's financial strength is rated "AA" (stable outlook) by 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 December 21, 2018, 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 June 26, 2018, 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 May 7, 2018, 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, 2018.

Capitalization of AGM.

At December 31, 2018:

- The policyholders' surplus of AGM was approximately \$2,533 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,034 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 \$1,873 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 subsidiary Assured Guaranty (Europe) plc ("AGE"), 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 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 document 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: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2019 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at

<http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 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 Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” herein.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2019 Bonds are shown below.

Sources

Principal Amount of Series 2019 Bonds	\$ 15,830,000.00
Less Original Issue Discount	<u>(330,088.70)</u>
<i>Total Sources</i>	<u>\$ 15,499,911.30</u>

Uses

Project Account	\$ 15,000,000.00
Costs of Issuance ⁽¹⁾	<u>499,911.30</u>
<i>Total Uses</i>	<u>\$ 15,499,911.30</u>

⁽¹⁾ Includes certain fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, S&P and the Trustee, Underwriter’s discount, premium for the Policy and the Reserve Policy, printing costs and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

The annual schedule of Base Rental Payments due with respect to the Series 2019 Bonds, the Series 2016 Bonds and the Series 2015 Bonds is set forth below.

<i>Period Ending May 1</i>	<i>Series 2019 Bonds Principal</i>	<i>Series 2019 Bonds Interest</i>	<i>Series 2019 Bonds Total Debt Service</i>	<i>Series 2015 Bonds Total Debt Service</i>	<i>Series 2016 Bonds Total Debt Service</i>	<i>Total Base Rental Payments⁽¹⁾</i>
2020	\$ --	\$ 668,377.78	\$ 668,377.78	\$ 658,325.01	\$ 1,694,475.00	\$ 3,021,177.79
2021	--	633,200.00	633,200.00	657,343.76	1,700,350.00	2,990,893.76
2022	--	633,200.00	633,200.00	655,681.26	1,698,475.00	2,987,356.26
2023	--	633,200.00	633,200.00	653,446.88	1,698,862.50	2,985,509.38
2024	--	633,200.00	633,200.00	655,390.63	1,696,262.50	2,984,853.13
2025	--	633,200.00	633,200.00	651,631.26	1,697,912.50	2,982,743.76
2026	--	633,200.00	633,200.00	652,131.26	1,697,443.76	2,982,775.02
2027	--	633,200.00	633,200.00	651,931.26	1,694,781.26	2,979,912.52
2028	--	633,200.00	633,200.00	651,162.51	1,698,381.26	2,982,743.77
2029	--	633,200.00	633,200.00	654,537.51	1,695,181.26	2,982,918.77
2030	--	633,200.00	633,200.00	652,212.51	1,695,381.26	2,980,793.77
2031	--	633,200.00	633,200.00	649,271.88	1,698,781.26	2,981,253.14
2032	--	633,200.00	633,200.00	650,000.00	1,695,181.26	2,978,381.26
2033	--	633,200.00	633,200.00	649,443.75	1,699,781.26	2,982,425.01
2034	--	633,200.00	633,200.00	648,175.00	1,697,250.00	2,978,625.00
2035	--	633,200.00	633,200.00	651,075.00	1,702,312.50	2,986,587.50
2036	--	633,200.00	633,200.00	648,143.75	1,694,531.26	2,975,875.01
2037	--	633,200.00	633,200.00	648,875.00	1,699,343.76	2,981,418.76
2038	--	633,200.00	633,200.00	648,125.00	1,696,093.76	2,977,418.76
2039	1,025,000.00	633,200.00	1,658,200.00	646,375.00	--	2,304,575.00
2040	1,060,000.00	592,200.00	1,652,200.00	648,500.00	--	2,300,700.00
2041	1,110,000.00	549,800.00	1,659,800.00	644,500.00	--	2,304,300.00
2042	1,150,000.00	505,400.00	1,655,400.00	644,375.00	--	2,299,775.00
2043	1,200,000.00	459,400.00	1,659,400.00	643,000.00	--	2,302,400.00
2044	1,245,000.00	411,400.00	1,656,400.00	645,250.00	--	2,301,650.00
2045	1,300,000.00	361,600.00	1,661,600.00	641,125.00	--	2,302,725.00
2046	1,350,000.00	309,600.00	1,659,600.00	640,625.00	--	2,300,225.00
2047	2,045,000.00	255,600.00	2,300,600.00	--	--	2,300,600.00
2048	2,130,000.00	173,800.00	2,303,800.00	--	--	2,303,800.00
2049	<u>2,215,000.00</u>	<u>88,600.00</u>	<u>2,303,600.00</u>	--	--	<u>2,303,600.00</u>
Total	\$ 15,830,000.00	\$ 16,406,577.78	\$ 32,236,577.78	\$ 17,540,653.23	\$ 32,250,781.36	\$ 82,028,012.37

⁽¹⁾ Equal to the Series 2019 Bonds Total Debt Service column plus the Series 2015 Bonds Total Debt Service column and the Series 2016 Bonds Total Debt Service column.

Source: Underwriter.

THE FINANCING PLAN

General

A portion of the proceeds of the Series 2019 Bonds is expected to be used to finance the Project, which is expected to consist of three categories of electric infrastructure improvements that total approximately \$15 million: (1) the installation of approximately 5.8 miles of 12kV backbone infrastructure including conduit and cable, 17 vaults, 2 surface operable equipment enclosures, 13 manholes, 2 gas switches, and 1 pad mounted switch, in addition to pavement restoration work that is all designed to support increasing demand for electricity and improve reliability and the flexibility of the City's electrical distribution system; (2) the retrofit and/or replacement of switches to build automation, communication, and protection to circuits and improve reliability; and (3) the installation of smart meters and associated data collection system, providing customers more detailed feedback regarding their energy use while improving system reliability through faster outage detection and restoration of service. Notwithstanding the foregoing, the City may revise the list of

improvements that it intends to finance with the proceeds of the Bonds from time to time and the final list of improvements financed with Bond proceeds may differ from that which is set forth in the previous sentence. Project costs that are not financed from a portion of the proceeds of the Series 2019 Bonds will be funded from other available City moneys.

The City expects to comply with all governmental approval, environmental, public bidding and other permitting requirements for each component of the Project as required by law. The City presently expects to substantially complete all components of the Project by the end of Fiscal Year 2019-20.

THE PROPERTY

The Property constitutes the subject matter of the Facilities Lease and the Facilities Sublease. The Property is described below.

The Property includes two electric power substations: (i) the Moreno Beach Substation and (ii) the Kitching Substation (collectively, the “Substations”), together with the Conference and Recreation Center and the Corporate Yard (as such terms are defined below).

The Moreno Beach Substation is a City-owned 115 kilovolt (“kV”) to 12kV Distribution Class power substation located on an approximately 8.75 acre parcel at the southwest corner of Moreno Beach Drive and Cottonwood Avenue in the City. The Moreno Beach Substation includes equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the “Moreno Beach Substation Improvements”).

A 115kV to 12kV Transmission Class switchyard (the “Moreno Beach Switchyard”), which has been dedicated to Southern California Edison (“SCE”), is also on the site. The Moreno Beach Switchyard is located adjacent to the Moreno Beach Substation. Moreno Beach Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with physical connection to SCE’s 115kV distribution system. The Moreno Beach Switchyard improvements do not constitute part of the Substations.

The Moreno Beach Substation was energized in 2007. The City estimates the total cost of the Moreno Beach Substation Improvements (excluding the Moreno Beach Switchyard and other improvements owned or dedicated to SCE) to be approximately \$10,817,611. The City estimates the Moreno Beach Substation Improvements have a useful remaining life of approximately 28 years.

The Kitching Substation is a City-owned 115kV to 12kV Distribution Class power substation located on an approximately 1.87 acre parcel at the northwest corner of Kitching Drive and Edwin Road in the City. The Kitching Substation includes equipment foundations, transformers, capacitors, switchgear, electric bus, a relay control house, cable, wire, appurtenances and other related facilities (the “Kitching Substation Improvements”).

More specifically, the Kitching Substation Improvements include: (i) approximately 40,000 lineal feet of conduit, (ii) approximately 40,000 lineal feet of high voltage cable, (iii) two 40 Megavolt Amp transformers, (iv) five 115 kV group operated disconnect switches, (v) two twelve kV MVar capacitor banks, (vi) one switchgear assembly and (vii) other miscellaneous structures.

There is a 115kV to 12kV Transmission Class switchyard (the “Kitching Switchyard”) which has been dedicated to SCE. The Kitching Switchyard is located adjacent to the Kitching Substation. Kitching Switchyard improvements include equipment foundations, switchgear, electrical bus, relay control house, cable, wire, appurtenances and other related facilities associated with a physical connection to SCE’s 115kV distribution system. The Kitching Switchyard improvements do not constitute part of the Substations.

The City estimates the total cost of the Kitching Substation Improvements (excluding the Kitching Switchyard and other improvements owned or dedicated to SCE) to be approximately \$10,965,000. The City estimates the Kitching Substation Improvements has a useful remaining life of approximately 38 years.

The City's Conference and Recreation Center (the "Conference and Recreation Center"), which is located on Alessandro Boulevard, is an approximately 42,413 square foot municipal conference and banquet facility operated by the City. The Conference and Recreation Center includes an 8,200 square foot ballroom, the Grand Valley Ballroom. The Grand Valley Ballroom can accommodate groups of up to 400 people and includes a full kitchen, a reception patio, an outdoor banquet patio, a stage with two dressing rooms and a video and movie screen. Other facilities at the Conference and Recreation Center include two smaller meeting rooms. The Conference and Recreation Center hosts private events, community programs and public meetings. The facility also includes space for a childcare/daycare area, a gymnasium, two activity rooms and the office space for the City's Parks and Community Services Department staff. The Conference and Recreation Center was constructed in 2005 and comprises approximately 18.64 acres. For purposes of the Facilities Sublease, the City has ascribed a value of approximately \$13,874,000 to the Conference and Recreation Center. The City estimates the Conference and Recreation Center has a useful remaining life of approximately 30 years.

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

The City's Corporate Yard (the "Corporate Yard," and with the Substations and the Conference and Recreation Center, the "Property", which have been leased to the Authority pursuant to the Facilities Lease and subleased by the Authority back to the City pursuant to the Facilities Sublease), will constitute a portion of the leased Property.

The Corporate Yard is located at 15670 Perris Boulevard and is the center of activity for the City's street and infrastructure maintenance programs. The Corporate Yard totals approximately 18 acres with the primary building, constructed in 1970 and made of concrete block and metal siding, totaling 57,876 square feet. The Corporate Yard houses staff that perform the functions of Purchasing/Stores, Street Maintenance, Fleet Maintenance and Parks Maintenance. The Corporate Yard is also used for the storage of city vehicles, various road materials and replacement parts for City equipment such as traffic signals, electric utility equipment, etc. In 2011, improvements were completed to the Corporate Yard that totaled approximately \$4.8 million. For purposes of the Facilities Sublease, the City has ascribed a value of approximately \$12,906,488 to the Corporate Yard. The City estimates the Corporate Yard has a useful remaining life of approximately 30 years.

In connection with the issuance of the Series 2019 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments. The City makes no assurances regarding the ability to relet any component of the Property or the amount of rental income to be received in the event that any component of the Property is relet.

Base Rental Payments under the Facilities Sublease, including those allocable to the Corporate Yard, secure on a parity basis the Series 2019 Bonds, the Series 2016 Bonds, Series 2015 Bonds and any Additional Bonds issued pursuant to the Trust Agreement, if any. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Base Rental Payments.”

The table below summarizes certain attributes of the Property. No portion of the Property is currently securing lease payments other than those that will be paid in connection with the Series 2019 Bonds, the Series 2016 Bonds and the Series 2015 Bonds.

**CITY OF MORENO VALLEY
DESCRIPTION OF PROPERTY**

<i>Property</i>	<i>Description</i>	<i>Land Area</i> ⁽¹⁾	<i>Building Size</i> ⁽¹⁾	<i>Location</i>	<i>Asset and Land Value</i> ⁽¹⁾
Moreno Beach Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	8.75 acres	N/A	Moreno Beach Drive and Cottonwood Avenue	\$10,965,691
Kitching Substation	115kV to 12kV Distribution Class power substation and all related City-owned improvements	1.87 acres	N/A	Kitching Drive and Edwin Road	\$11,023,680
Conference and Recreation Center	Municipal conference and banquet facility; includes 8,200 square foot ballroom with full kitchen, reception patio, outdoor banquet patio, stage with two dressing rooms and video and movie screen; meeting rooms; office space for City’s Parks and Recreation Department	18.64 acres	42,413 square feet	Alessandro Boulevard	\$14,075,840
Corporate Yard	Corporate yard used for Purchasing/Stores, Street Maintenance, Fleet Maintenance and Parks Maintenance services	18.00 acres	57,876 square feet	Perris Boulevard	\$12,906,488
Total					\$48,971,699⁽²⁾

⁽¹⁾ Figures are approximate.

⁽²⁾ Such amount is greater than the principal amount of the Series 2019 Bonds, the outstanding Series 2015 Bonds and the outstanding Series 2016 Bonds.

The estimated value of the Property set forth above is based upon existing conditions. In connection with the issuance of the Series 2019 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments.

The City has the right to issue additional bonds and substitute or release all or a portion of the Property subject to certain conditions precedent. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Substitution, Addition and Removal of Property.”

THE AUTHORITY

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

THE CITY

General

The City is located in western Riverside County (the “County”), approximately 66 miles east of Los Angeles and 100 miles north of San Diego, California. The City has a population of approximately 207,629 as of June 30, 2018 and covers approximately 51.5 square miles. The City was incorporated on December 3, 1984 and is a general law city operating under a council/manager form of government. Further information concerning the City is set forth below and in Appendix F.

The City had approximately 291 full and part-time employees as of June 30, 2018. City employees are represented by three labor associations, the Moreno Valley City Employees Association (the “MVCEA”), which represented approximately 185 employees as of June 30, 2018, and the Moreno Valley Management Association (the “MVMA”), which represented approximately 75 employees as of June 30, 2018, and the Moreno Valley Confidential Management Employee association (the “MVCMEA”) which represented approximately 8 employees as of June 30, 2018. Relations between the City and the MVCEA and MVMA are governed by memoranda of understanding that expired on June 30, 2017. The City currently is currently in negotiations with the MVCEA, MVMA and the MVCMEA with respect to new memoranda of understanding which are expected to go into effect July 1, 2019. A total of approximately 23 management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

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

Largest Employers

The largest employer located in the City is the March Air Reserve Base, which currently employs approximately 9,600 employees, representing approximately 10.19% of the total City employment. March Air Reserve Base is the home to the Air Force Reserve Command’s 4th Air Force Headquarters and the 452nd Air Mobility Wing, the largest air mobility wing of the 4th Air Force. In addition to multiple units of the Air Force Reserve Command, the base supports the Air Mobility Command, Air Combat Command and Pacific Air Forces, and is home to units from the Army Reserve, Navy Reserve, Marine Corps Reserve, and the California Air National Guard.

Other large employers in the City include Amazon, which currently employs approximately 7,500 employees, the Riverside County Regional Medical Center, which currently employs approximately 3,400 employees, and the Moreno Valley Unified School District, which currently employs approximately 3,100 employees. Based on its close proximity to the counties of Los Angeles, Orange and San Diego, the City serves as a regional logistics and major distribution hub for many large manufacturers and retail companies, including Skechers USA, Inc., Walgreen Company, Ross Dress for Less, Inc. and Harbor Freight Tools. Several large companies await completion of or have recently completed construction of distribution sites and fulfillment centers within the City limits, including e-retailer Amazon (NASDAQ symbol: AMZN), Deckers Outdoor Corporation (NASDAQ symbol: DECK), which designs, manufactures and markets Teva, UGG Australia, and other footwear brands, and Aldi, Inc., a European discount grocery retailer chain that has over 8,000 stores worldwide (including over 1,000 stores in the United States).

The table below sets forth the largest employers within the City as of June 30, 2018, the latest date for which such information is available.

**CITY OF MORENO VALLEY
LARGEST EMPLOYERS AS OF JUNE 30, 2018**

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	March Air Reserve Base	9,600	Military Reserve Base
2.	Amazon.com Inc.	7,500	Retail Distribution
3.	Riverside County Regional Medical Center	3,400	County Hospital
4.	Moreno Valley Unified School District	3,100	Public Schools
5.	Ross Dress for Less/DD's Discounts	2,400	Retail Distribution
6.	Moreno Valley Mall	1,500	Retail Mall
7.	Kaiser Permanente Community Hospital	1,457	Hospital
8.	Harbor Freight Tools	788	Retail Distribution
9.	Val Verde Unified School District (MV only)	640	Public Schools
10.	United Natural Foods, Inc. (UNFI)	620	Retail Distribution

Source: City.

Government and Administration

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

Thomas M. DeSantis is the City Manager. Tom DeSantis serves as the City Manager of the City, a position he has held since 2017. In this capacity he leads the daily operation of City government. Mr. DeSantis began working for the City in 2011, serving as Human Resources Director and Administrative Services Director before being appointed as Assistant City Manager in 2013. Mr. DeSantis' 29-year career in local government has included senior positions in City and County administration. Prior to entering local government, Mr. DeSantis served on active duty in the United States and overseas as a Captain in the United States Air Force.

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

Marshall Eyerman is the Chief Financial Officer of the City. Mr. Eyerman began his employment with the City in March 2008 as the City's Special District Program Manager. He also served as the Financial Resources Division Manager, and the Budget Officer before being appointed Chief Financial Officer in January 2016. During his professional tenure, Mr. Eyerman served as Principal Consultant at MuniFinancial for 10 years. Mr. Eyerman holds a Master's Degree in business administration MBA, Business Administration from California State University-San Marcos - College of Business Administration.

Brooke McKinney is the Treasury Operations Division Manager of the City. Mr. McKinney was appointed Treasury Operations Division Manager in April 2002. Mr. McKinney has over 34 years of experience in municipal government and has held a variety of management positions in finance and administration of city and county government. Mr. McKinney has worked in a variety of management positions in the City's Finance Department over the past 15 years, including revenue officer, assistant treasurer and treasury operations manager. Prior to his tenure at the City, Mr. McKinney worked for over 17 years as the Hospital Fiscal Officer at the Riverside County Regional Medical Center. Mr. McKinney holds a bachelor's degree in business administration from The Master's College in Santa Clarita, California.

Jeannette Olko is the Electric Utility Division Manager of the City. Ms. Olko was appointed the interim Electric Utility Division Manager of the City in July 2010, and the permanent Division Manager in November 2010. Ms. Olko has been working in the electric utility industry for twenty years managing all utility aspects, including operations, customer billing, rates, power resources and finance. Prior to her tenure at the City, Ms. Olko served the City of Colton as the Electric Utility General Manager for 6 years. Ms. Olko obtained her master's degree in business administration and bachelor's degree from the University of California at Riverside

Martin Koczanowicz has been City Attorney since September 2016. Mr. Koczanowicz has been an attorney for more than 25 years and has been in private practice specializing in municipal law since 1999. He has worked as a city attorney on a contract basis for the cities of Tulare, King City and Grover Beach and was a deputy city attorney for the City of Fresno in the 1990's. Before that, he worked in criminal and civil defense for private companies. He graduated with a juris doctorate from the University of La Verne School of Law.

Risk Management

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

The City purchases all-risk, replacement cost value property insurance coverage through PERMA up to a maximum amount of \$100,000,000. All property and improvements at the Property are insured under the City's property insurance coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Insurance." The City does not carry earthquake coverage.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

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

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

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

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Base Rental Payments will be paid from any legally available funds of the District, though such payments are expected to be paid from the net revenues of the Electric Utility. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2018 is set forth in Appendix B.

General Economic Condition and Outlook of the City

As of June 30, 2018, the General Fund had a year-end deficit (expenditures in excess of revenues) of approximately \$0.4 million (inclusive of interfund transfers), which was less than the year-end deficit of \$3.1 million projected in the Fiscal Year 2017-18 General Fund Budget. The budget deficit was the result of spending one-time savings from Fiscal Year 2016-17 on various street and facility improvements. This \$2.7 million reduction of the projected deficit was primarily due to savings related to expenditures associated with contracted services and supplies and services.

For Fiscal Year 2018-19, the adopted General Fund operating budget projects revenues of \$101,389,754, which is approximately \$1.7 million (1.5%) below Fiscal Year 2017-18 actual revenues. The adopted Fiscal Year 2018-19 General Fund operating budget projects expenditures of \$100,914,528, an increase of approximately \$5.3 million (5.5%) over Fiscal Year 2017-18 actual expenditures. The City projects that tax revenues, on the whole, will remain steady from Fiscal Year 2017-18 to Fiscal Year 2018-19.

See the caption “— Budget Procedure, Current Budget and Historical Budget Information” for additional information relating to the adopted budget for Fiscal Year 2018-19.

Budget Procedure, Current Budget and Historical Budget Information

The City currently operates on a two-year operating budget cycle. The current budget was approved on May 2, 2017 and governs the period beginning on July 1, 2017 for Fiscal Years 2017-18 and 2018-19. The budget includes all funding sources of the City, including the General Fund, Community Services District and the Successor Agency of the former Redevelopment Agency. At such time as the City Manager determines,

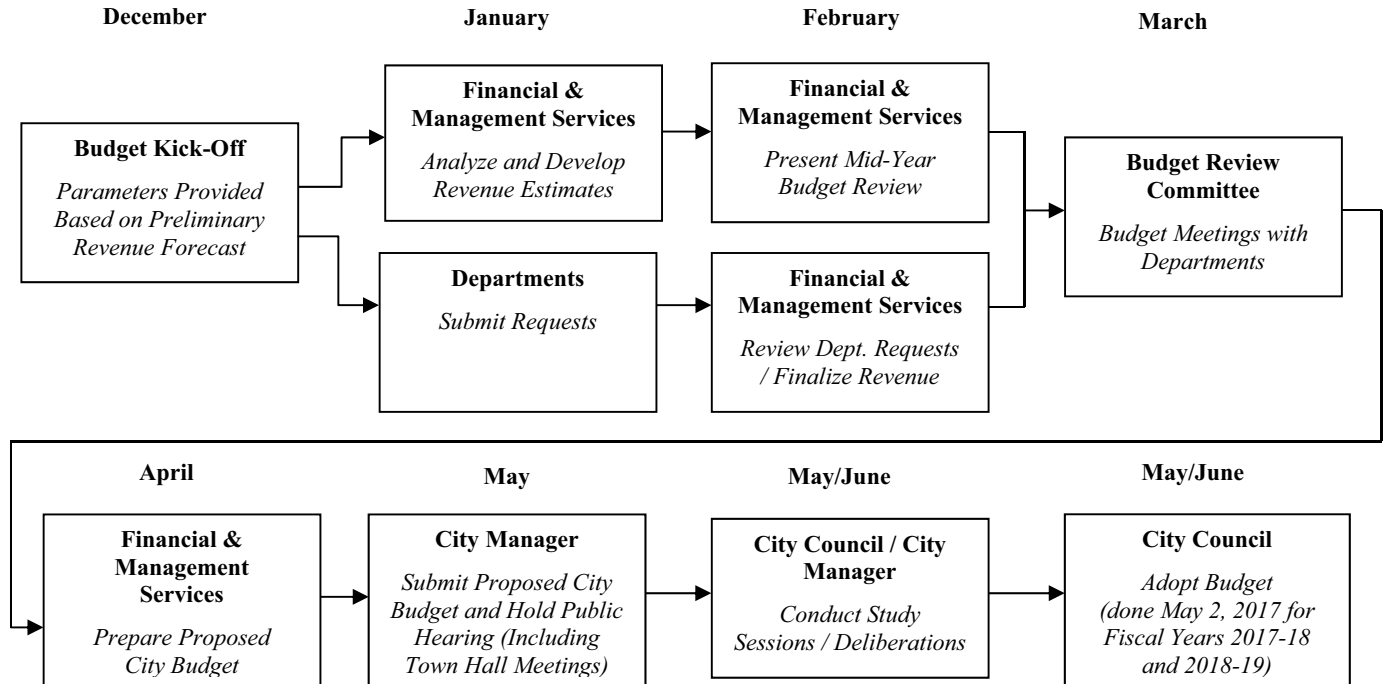
each department head must furnish to the City Manager an estimate of revenues and expenditures for the applicable department for the ensuing two Fiscal Years, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences regarding the estimates with the respective department heads, and revises the estimates as the City Manager deems advisable. In Fiscal Year 2014, the City Council provided direction to create a balanced budget beginning with the Fiscal Year 2014 and 2015 budget cycle and for all future years.

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

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named. The City Manager is authorized to transfer budgeted amounts between line items within a department or activity, and between departments and programs within the same fund, provided that the total appropriation does not exceed the budgeted amount. All other transfers or amendments require City Council approval. The City Manager and affected department heads are mutually responsible for controlling expenditures within budgeted appropriations. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered. At a public meeting after the adoption of the budget the City Council may amend or supplement the budget by motion adopted by three affirmative votes of members of the City Council. Following the end of the first Fiscal Year of the two-year budget cycle, the City Manager proposes interim changes, if any, to the City Council in July of such Fiscal Year.

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

**CITY OF MORENO VALLEY
BUDGET PROCESS**



Source: City.

The City conducts its annual financial audit between August and November each year, and such audit is typically approved by the City Council by December of such year. In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for 20 consecutive years.

The City Council adopted a balanced budget for Fiscal Years 2017-18 and 2018-19 on May 2, 2017. The budget for all funds totaled approximately \$214,252,934 for Fiscal Year 2017-18 and \$214,909,166 for Fiscal Year 2018-19 and the General Fund operating budget totaled approximately \$97,547,574 for Fiscal Year 2017-18 and \$101,389,754 for Fiscal Year 2018-19. The Fiscal Year 2017-18 and 2018-19 General Fund operating budgets projected an increase in revenues of approximately \$4.2 million (4.5%) and \$8.0 million (8.6%), respectively, over the Fiscal Year 2016-17 General Fund operating budget. Such increases were derived principally from increases in property tax revenues resulting from increased assessed valuations, increases in charges for City services, more economic uses of City money and property, and increased development activity within the City.

Based on Fiscal Year 2018-19 results as of March 5, 2019 the City reports that the General Fund is on track to meet budgeted revenues and expenditures for Fiscal Year 2018-19.

Set forth in Table 1 are the General Fund budgets for Fiscal Years 2015-16 through 2018-19 and the audited General Fund results for Fiscal Years 2015-16 through 2017-18. During the course of each Fiscal Year, the budget is amended and revised as necessary by the City Council.

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

	<i>Final Fiscal Year 2015-16 Budget</i>	<i>Fiscal Year 2015-16 Results</i>	<i>Final Fiscal Year 2016-17 Budget</i>	<i>Fiscal Year 2016-17 Results</i>	<i>Final Fiscal Year 2017-18 Budget</i>	<i>Fiscal Year 2017-18 Results</i>	<i>Final Fiscal Year 2018-19 Budget</i>
Revenues							
Property Taxes	\$ 12,072,224	\$ 12,679,455	\$ 12,969,197	\$ 13,593,075	\$ 13,930,000	\$ 14,696,576	\$ 14,422,000
Property Taxes in lieu	15,732,303	16,409,009	17,430,250	17,430,250	18,300,000	18,406,258	19,000,000
Utility Taxes ⁽¹⁾	15,912,000	15,824,481	16,092,542	15,613,484	16,200,000	15,629,102	16,400,000
Sales Taxes	19,269,321	18,937,738	18,100,000	18,395,442	18,275,000	19,192,515	18,746,000
Other Taxes	9,155,250	10,192,821	9,819,668	10,537,023	12,262,037	11,764,029	12,526,500
Licenses & Permits	2,853,930	2,834,449	2,748,377	2,860,486	3,400,277	3,020,868	2,799,824
Intergovernmental	774,655	802,523	533,371	548,813	930,827	965,854	463,000
Charges for Services	10,815,689	10,628,482	11,472,367	11,235,601	12,770,824	13,673,162	12,079,871
Use of Money & Property	2,706,962	3,457,642	2,506,962	1,495,992	6,171,858	4,914,487	4,220,862
Fines & Forfeitures	623,760	530,222	629,073	588,449	662,050	612,357	662,050
Miscellaneous	143,401	165,620	53,401	241,368	97,197	250,155	69,647
Total Revenues	\$ 90,059,495	\$ 92,462,442	\$ 92,355,208	\$ 92,539,983	\$ 103,000,070	\$ 103,125,363	\$ 101,389,754
Expenditures							
Personnel Services	\$ 17,194,599	\$ 18,071,483	\$ 17,336,992	\$ 18,604,883	\$ 19,930,362	\$ 21,317,221	\$ 17,623,387
Contractual Services	61,984,520	56,398,449	64,031,691	58,266,023	67,304,151	63,611,354	73,725,763 ⁽²⁾
Materials & Supplies	4,493,150	2,124,033	5,692,921	3,772,570	5,784,998	4,476,098	3,705,509
Fixed Charges	5,603,063	5,567,863	5,799,026	6,223,905	6,176,169	5,961,968	5,739,869
Fixed Assets	419,000	177,544	297,510	33,877	366,678	243,806	120,000
Total Expenditures	\$ 89,694,332	\$ 82,339,372	\$ 93,158,140	\$ 86,901,259	\$ 99,562,358	\$ 95,610,447	\$ 100,914,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 365,163	\$ 10,123,070	\$ (802,932)	\$ 5,638,724	\$ 3,437,712	\$ 7,514,916	\$ 475,226

⁽¹⁾ See the caption “ — Utility Taxes.”

⁽²⁾ The increase in contractual services is expected primarily because of increased costs related to cannabis services, fire services and police protection services.

Sources: Adopted budgets of the City for Fiscal Years 2015-16 through 2018-19; audited financial statements of the City for Fiscal Years 2015-16 through 2017-18.

Change in Fund Balance of the City General Fund

Set forth in Table 2 are the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2013-14 through 2017-18.

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

	<i>Fiscal Year Ending June 30,</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Revenues					
Taxes					
Property Taxes	\$ 10,668,782	\$ 11,594,459	\$ 12,679,455	\$ 13,593,075	\$ 14,696,576
Property Taxes in lieu	13,871,754	15,137,754	16,409,009	17,430,250	18,406,258
Utility Taxes	15,595,141	16,138,202	15,824,481	15,613,484	15,629,102
Sales Taxes	15,887,129	16,130,340	18,937,738	18,395,442	19,192,515
Other Taxes	8,576,926	9,750,622	10,192,821	10,537,023	11,764,029
Licenses & Permits	2,164,753	2,020,231	2,834,449	2,860,486	3,020,868
Intergovernmental	311,509	414,553	802,523	548,813	965,854
Charges for Services	9,895,991	9,449,482	10,628,482	11,235,601	13,673,162
Use of Money & Property	2,836,595	2,214,460	3,457,642	1,495,992	4,914,487
Fines & Forfeitures	577,962	595,084	530,222	588,449	612,357
Miscellaneous	642,855	702,757	165,620	241,368	250,155
Total Revenues	<u>\$ 81,029,397</u>	<u>\$ 84,147,944</u>	<u>\$ 92,462,442</u>	<u>\$ 92,539,983</u>	<u>\$103,125,363</u>
Expenditures					
Current					
General government	\$ 11,249,491	\$ 12,260,209	\$ 15,505,987	\$ 16,138,505	\$ 14,885,630
Public Safety	52,565,026	54,640,007	54,402,142	55,989,631	61,170,062
Community Development	5,344,292	5,719,757	6,426,431	6,581,760	10,280,985
Public Works	3,974,839	4,138,311	5,114,325	5,505,869	5,874,494
Capital Outlay	152,247	222,234	890,479	2,685,494	3,399,276
Total Expenditures	<u>\$ 73,285,895</u>	<u>\$ 76,980,518</u>	<u>\$ 82,339,364</u>	<u>\$ 86,901,259</u>	<u>\$ 95,610,447</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 7,743,502</u>	<u>\$ 7,167,426</u>	<u>\$ 10,123,078</u>	<u>\$ 5,638,724</u>	<u>\$ 7,514,916</u>
Other Financing Sources (Uses)					
Transfers In	\$ 1,013,421	\$ 346,293	\$ 663,238	\$ 2,547,650	\$ 3,712,478
Transfers Out	(2,575,373)	(4,693,392)	(2,741,671)	(3,176,672)	(11,673,178)
Contribution to Successor Agency	-	-	(298,513)	-	-
Total Other Financing Sources					
(Uses)	<u>\$ (1,561,952)</u>	<u>\$ (4,347,099)</u>	<u>\$ (2,376,946)</u>	<u>\$ (629,022)</u>	<u>\$ (7,924,700)</u>
Net Change in Fund Balances	\$ 6,181,550	\$ 2,820,327	\$ 7,746,132	\$ 5,009,702	\$ (409,784)
Fund Balances, Beginning of Year	<u>\$ 34,374,025</u>	<u>\$ 40,555,575</u>	<u>\$ 43,375,903</u>	<u>\$ 51,122,035</u>	<u>\$ 56,131,738</u>
Fund Balances, End of Year	<u>\$ 40,555,575</u>	<u>\$ 43,375,902</u>	<u>\$ 51,122,035</u>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>

Sources: Audited financial statements for Fiscal Years 2013-14 through 2017-18.

General Fund Balance Sheets of the City

Set forth in Table 3 are the City's audited General Fund balance sheets for Fiscal Years 2013-14 through 2017-18.

TABLE 3
CITY OF MORENO VALLEY
GENERAL FUND BALANCE SHEETS

	<i>Fiscal Year Ending June 30,</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Assets					
Pooled Cash and Investments	\$ 40,659,739	\$ 39,859,440	\$ 46,604,828	\$ 59,667,770	\$ 61,538,811
Receivables					
Accounts	2,427,060	2,679,279	2,246,166	2,126,501	2,147,268
Notes and Loans	-	-	-	-	-
Notes to Successor Agency	16,998,503	15,568,341	14,805,341	14,042,341	13,279,341
Interest	560,730	415,701	457,172	573,221	957,808
Prepaid Costs	-	-	6,338	221,555	197,263
Due from Other Governments	3,021,893	3,034,489	6,402,580	4,632,969	4,900,166
Due from Other Funds	2,807,492	5,037,561	5,599,820	5,097,520	1,567,361
Advances to Other Funds	3,772,000	4,196,000	4,222,000	4,390,500	4,809,000
Land Held for Resale	-	-	-	-	2,860,044
Restricted Assets					
Cash with Fiscal Agents	-	-	-	-	-
Total Assets	<u>\$ 70,247,417</u>	<u>\$ 70,790,811</u>	<u>\$ 80,344,245</u>	<u>\$ 90,752,104</u>	<u>\$ 92,257,062</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	\$ 16,485,502	\$ 13,624,182	\$ 15,953,785	\$ 21,189,864	\$ 22,614,012
Accrued Liabilities	933,348	1,026,936	1,134,613	1,474,388	1,138,299
Deferred Revenues	-	-	-	-	-
Unearned Revenues	628,786	364,105	422,058	899,810	1,149,339
Deposits Payable	-	-	-	-	-
Due to Other Governments	6,119	249,634	248,812	5,894	26,380
Due to Other Funds	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Total Liabilities	<u>\$ 18,053,755</u>	<u>\$ 15,264,857</u>	<u>\$ 17,759,268</u>	<u>\$ 23,569,956</u>	<u>\$ 24,928,030</u>
Deferred Inflows of Resources					
Unavailable Revenues	11,638,087	12,150,052	11,462,942	11,050,411	11,607,078
Total Deferred Inflows of Resources	11,638,087	12,150,052	11,462,942	11,050,411	11,607,078
Fund Balances					
Nonspendable					
Prepaid Costs	\$ -	\$ -	\$ 6,338	\$ 221,555	\$ 197,263
Land Held for Resale	-	-	-	-	2,860,044
Notes and Loans	-	-	-	-	-
Notes to Successor Agency	5,360,415	4,192,275	3,987,639	3,783,003	3,578,367
Advances to Other Funds	3,772,000	4,196,000	4,222,000	4,390,500	4,809,000
Permanent Fund Principal	-	-	-	-	-
Committed to					
Revolving Line of Credit	2,600,000	2,111,000	2,600,000	2,600,000	2,600,000
Maintenance of Pedestrian Bridge	129,722	155,281	155,281	167,954	180,763
Operating Reserve	-	-	-	10,591,737	11,063,331
Outside Legal Services	-	-	-	-	-
Assigned to					
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Continuing Appropriations	534,245	620,683	1,361,187	1,180,748	1,523,491
GASB 31	622,748	494,501	1,787,851	8,826,447	9,219,443
Unassigned	27,536,445	31,606,162	37,001,739	24,369,793	19,690,252
Total Fund Balances	<u>\$ 40,555,575</u>	<u>\$ 43,375,902</u>	<u>\$ 51,122,035</u>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 70,247,417</u>	<u>\$ 70,790,811</u>	<u>\$ 80,344,245</u>	<u>\$ 90,752,104</u>	<u>\$ 92,257,062</u>

Sources: Audited financial statements for Fiscal Years 2013-14 through 2017-18.

Property Taxes

Property tax receipts of \$14,696,576 provided the fourth largest tax revenue source of the City in Fiscal Year 2017-18, contributing approximately 18.4% of General Fund tax revenues and approximately 14.3% of total General Fund revenues during Fiscal Year 2017-18. Property in the State which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1 and become delinquent August 31.

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

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

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

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“ERAF”). In Fiscal Years 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2004-05 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2004-05 and 2005-06.

On November 2, 2004, State voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not: (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes; (ii) shift property taxes from local governments to schools or community colleges; (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature; or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor signed a revised Fiscal Year 2009-10 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the City. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of \$1,307,713, without interest, in two installments in 2010 from the California Statewide Communities Development Authority.

Set forth in Table 4 are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2013-14 through 2017-18.

TABLE 4
CITY OF MORENO VALLEY
ASSESSED VALUATION HISTORY⁽¹⁾

<i>Fiscal Year</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Total Assessed Value</i>	<i>Less Exemptions</i>	<i>Taxable Assessed Value</i>	<i>Direct Tax Rate</i>
2014	\$11,042,637,000	\$352,337,000	\$11,394,974,000	\$(264,161,000)	\$11,130,813,000	0.00185%
2015	12,102,252,000	366,400,000	12,468,652,000	(262,713,000)	12,205,939,000	0.00179
2016	12,991,905,000	486,350,000	13,478,255,000	(256,756,000)	13,221,499,000	0.00173
2017	13,703,128,000	609,642,000	14,312,770,000	(265,286,000)	14,047,484,000	0.00172
2018	14,517,849,000	584,791,000	15,102,640,000	(273,025,000)	14,829,615,000	0.00169

⁽¹⁾ Figures have been rounded to the nearest thousand dollars.

Sources: Audited financial statements for Fiscal Year Ended June 30, 2018; County Assessor’s Office.

Set forth in Table 5 are property tax collections (including amounts that do not constitute General Fund moneys) and delinquencies in the City as of June 30 for Fiscal Years 2013-14 through 2017-18. Although the County has not formally adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State, under a longstanding County policy, the County Auditor-Controller distributes 100% of property tax revenues allocated to each city in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the City receives no adjustments for redemption payments on delinquent collections. The City does receive supplemental taxes. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

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

<i>Fiscal Year</i>	<i>Total Tax Levy</i>	<i>Collections within the Fiscal Year of Levy⁽¹⁾</i>	<i>Percent of Levy Collected within the Fiscal Year of Levy</i>	<i>Collections in Subsequent Years</i>	<i>Percent of Levy Collected to Date</i>
2014	\$26,906,254	\$26,862,040	99.84%	\$ 44,214	100.00%
2015	26,455,986	26,154,116	98.86	301,870	100.00
2016	27,643,578	27,249,232	98.57	394,345	100.00
2017	28,476,155	28,270,448	99.28	205,707	100.00
2018	29,595,157	29,425,906	99.43	-	99.43

⁽¹⁾ The amounts shown in this column reflect all property tax collections of the City, including non-General Fund moneys. See Table 2 under the caption “—Change in Fund Balance of the City General Fund” for historic General Fund property tax revenues alone.

Source: City.

The ten largest taxpayers in the City as shown on the Fiscal Year 2017-18 tax roll, the assessed valuation and the percentage of the City’s total property tax revenues attributable to each are set forth in Table 6.

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

<i>Rank</i>	<i>Property Owner</i>	<i>Fiscal Year 2017-18 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	HF Logistics SKX (Skechers)	\$ 227,046,927	1.53%
2.	Western A West California, LLC	159,642,240	1.08
3.	Ross Dress for Less, Inc.	136,465,055	0.92
4.	First Industrial LP	117,297,981	0.79
5.	FR California Indian Avenue	114,425,887	0.77
6.	Walgreen Company	110,207,831	0.74
7.	Golden State FC, LLC	106,921,683	0.72
8.	Towngate on Mem Apartments, LLC	98,558,244	0.66
9.	AI California, LLC	96,958,747	0.65
10.	March Business Center, LLC	<u>92,132,500</u>	<u>0.62</u>
TOTAL		\$ 1,259,657,095	8.49%

⁽¹⁾ Fiscal Year 2017-18 Taxable Assessed Value: approximately \$14,829,615,000.

Source: City.

Sales Taxes

Sales tax receipts of \$19,192,515 provided the largest tax revenue source for the City in Fiscal Year 2017-18, contributing approximately 24.1% of General Fund tax revenues and approximately 18.6% of total General Fund revenues during Fiscal Year 2017-18. Automobile sales at the Moreno Valley Auto Mall and retail sales at the Moreno Valley Mall at Towngate contribute significantly to such receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 7.75%.

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

Utility Taxes

Utility taxes of \$15,629,102 provided the third largest tax revenue source for the City in Fiscal Year 2017-18, contributing approximately 19.6% of General Fund tax revenues and approximately 15.2% of total General Fund revenues during Fiscal Year 2017-18. The utility tax is imposed upon utility users in the City, including users of electricity, gas, telephone, mobile telephone and water services, at the rate of 5.75%. Exemptions are available for low-income residents. Proceeds of the utility tax are used to fund police, fire, library, school crossing guard, animal control, code enforcement and street maintenance programs and other activities funded by the General Fund. The utility tax does not have a sunset provision.

In July 2015, the City was made aware of an effort by a taxpayer advocacy group to place a measure on the ballot to repeal the City's utility tax. The action was part of a larger Statewide effort affecting approximately 60 municipalities with similar utility taxes. In order to place such a measure on the ballot, a petition must be signed by 10% (or approximately 7,600) of the registered voters in the City, and in order for the measure to be adopted, it must be approved by a majority of citizens voting thereon. No measure to repeal the City's utility tax was ultimately placed on the ballot, but there can be no assurance as to whether such a measure may be placed on future ballots.

Other Taxes

Other taxes of \$11,764,029 collected by the City in Fiscal Year 2017-18, including but not limited to transient occupancy taxes, business licenses, franchise fees and property transfer taxes, provided approximately 14.9% of General Fund tax revenues and 11.4% of total General Fund revenues during Fiscal Year 2017-18.

Services

Fees of \$23,436,883 collected for services provided by the City in Fiscal Year 2017-18, including but not limited to fees for plan checks and other planning services, issuance of building permits, police services, public works projects and parks and recreation programs, provided approximately 22.7% of General Fund revenues during Fiscal Year 2017-18. Such amounts reflect the sum of the "Licenses & Permits," "Intergovernmental," "Charges for Services," "Use of Money and Property," "Fines & Forfeitures" and "Miscellaneous" line items shown in Tables 1 and 2 above.

State of California Motor Vehicle In-Lieu Payments

The State imposes a Vehicle License Fee (the "VLF"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2005 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee. The Fiscal Year 2004-05 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

As set forth in Table 7 below, for Fiscal Year 2017-18, the City received \$18,406,258 in total VLF revenues, all of which was distributed from property tax receipts.

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

<i>Source</i>	<i>Fiscal Year</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Motor Vehicle In-Lieu Payments	\$13,871,754	\$15,137,754	16,409,009	17,430,250	\$18,406,258

Source: City.

Other Indebtedness

General Fund-Supported Debt.

2011 Private Placement Obligation – Public Safety Building Refunding. In 2011, the City and the Authority entered into a lease arrangement (the “2011 Private Placement Obligation”) pursuant to which: (i) the City leased the City hall annex and fire station 65 to the Authority in exchange for a lump sum payment; and (ii) the Authority subleased such property back to the City in exchange for lease payments payable through November 1, 2022. Proceeds of the 2011 Private Placement Obligation were applied to refund certain prior obligations of the City entered into in 1997. The lease payments bear interest at the rate of 3.98%. As of June 30, 2018, the 2011 Private Placement Obligation was outstanding in the principal amount of \$1,527,000.

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

2013 Bonds. In 2013, the Authority issued its Lease Revenue Refunding Bonds Series 2013 (the “2013 Bonds”) to refinance certain capital improvements of the City and the Electric Utility. The 2013 Bonds mature on November 1, 2022 and bear interest at rates varying from 1% to 5% per annum. The 2013 Bonds are payable from rental payments payable from the City to the Authority under a Master Facilities Sublease, dated as of December 1, 2013 (the “2013 Sublease”), by and between the City and the Authority. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2018, the portion of the 2013 Bonds payable from the General Fund was outstanding in the aggregate principal amount of \$6,581,000, with the remaining \$784,000 payable from business-type activities.

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

2014 Bonds. In November 2014, the Authority issued its Lease Revenue Refunding Bonds Series 2014 (the “2014 Bonds”) to refinance certain capital improvements of the City and the Electric Utility. The 2014 Bonds mature on November 1, 2035 and bear interest at rates varying from 2% to 5% per annum. The 2014 Bonds are payable from rental payments by the City to the Authority under the 2013 Sublease. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2018, the portion of the 2014 Bonds payable from the General Fund

was outstanding in the aggregate principal amount of \$22,602,069, with the remaining \$2,662,931 payable from business-type activities.

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

Series 2015 Bonds. In December 2015, the Authority issued the Series 2015 Bonds to finance certain capital improvements of the City and the Electric Utility. The Series 2015 Bonds mature on November 1, 2045 and bear interest at rates varying from 1.25% to 5% per annum. The Series 2015 Bonds are payable from rental payments by the City to the Authority under the 2015 Master Facilities Lease. As of June 30, 2018, the Series 2015 Bonds were outstanding in the aggregate principal amount of \$10,055,000.

The City has covenanted in the 2015 Master Facilities Lease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, in the same manner as for the Series 2019 Bonds.

Series 2016 Bonds. In November 2016, the Authority issued the Series 2016 Bonds to finance certain capital improvements of the City and the Electric Utility. The Series 2016 Bonds mature on May 1, 2038 and bear interest at rates varying from 1.000% to 4.590% per annum. The Series 2016 Bonds are payable from rental payments by the City to the Authority under the 2015 Master Facilities Lease, as amended. As of June 30, 2018, the Series 2016 Bonds were outstanding in the aggregate principal amount of \$22,975,000.

The City has covenanted in the 2015 Master Facilities Lease, as amended, to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, in the same manner as for the Series 2019 Bonds.

2018 Streetlight Financing. In July 2018, the City entered into a lease agreement with Banc of America Leasing & Capital (“BALCAP”) that is to be repaid from the General Fund. Pursuant to this agreement, BALCAP provided \$8,110,892 to the City for the purchase of approximately 9,411 streetlights from Southern California Edison and the retrofitting of approximately 1,734 streetlights owned by the City to LED standards. The agreement expires in June 2034 and carries an annual interest rate of 5.75%.

Other Long Term Debt. As of June 30, 2018, the City had \$18,995,000 aggregate principal amount of obligations under a 2016 Installment Sale Agreement, dated as of August 1, 2013 (the “2013 ISA”), by and between the City and the California Statewide Communities Development Authority. The 2013 ISA is payable from proceeds of a retail transactions and use tax imposed by the County.

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

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of February 1, 2019 is set forth in Table 8. The information in Table 8 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 8 and the City, the Authority and the Underwriter do not guarantee its accuracy.

TABLE 8
CITY OF MORENO VALLEY
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT AS OF FEBRUARY 1, 2019

Fiscal Year 2016 Assessed Valuation: \$15,777,801,124

	Total Debt	City's Share of
	<u>% Applicable</u>	<u>Debt 2/1/19</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:		
The Metropolitan Water District of Southern California	0.541%	\$ 305,611
Riverside County Flood Control and Water Reclamation District, Zone No. 4	30.601	4,495,287
Eastern Municipal Water District, I.D. No. U-22	100.	2,297,000
Riverside City Community College District	14.889	37,441,528
Mount San Jacinto Community College District	0.025	43,163
Moreno Valley Unified School District	84.208	136,643,076
San Jacinto Unified School District	0.736	473,908
Val Verde Unified School District	36.595	47,062,696
Moreno Valley Unified School District Community Facilities District No. 2002-1	100.	6,255,000
Moreno Valley Unified School District Community Facilities District No. 2003-1 & 2	100.	9,930,000
Moreno Valley Unified School District Community Facilities District No. 2004-1	100.	2,300,000
Moreno Valley Unified School District Community Facilities District No. 2004-2	100.	4,775,000
Moreno Valley Unified School District Community Facilities District No. 2005-1	100.	3,120,000
Moreno Valley Unified School District Community Facilities District No. 2004-4	100.	3,750,000
Moreno Valley Unified School District Community Facilities District No. 2004-5	100.	3,800,000
Moreno Valley Unified School District Community Facilities District No. 2004-6	100.	24,105,000
Moreno Valley Unified School District Community Facilities District No. 2005-1	100.	6,540,000
Moreno Valley Unified School District Community Facilities District No. 2005-2, 3, 4 & 5	100.	23,535,000
Moreno Valley Unified School District Community Facilities District No. 2007-1	100.	5,015,000
Val Verde Unified School District Community Facilities District No. 98-1	100.	15,190,000
Val Verde Unified School District Community Facilities District No. 2003-2	100.	2,560,000
Val Verde Unified School District Community Facilities District No. 2014-1	100.	6,900,000
Eastern Municipal Water District Community Facilities Districts	100.	13,524,000
City of Moreno Valley Community Facilities District No. 5	100.	5,350,000
City of Moreno Valley Community Facilities District No. 7, I.A. No. 1	100.	3,190,000
City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1	100.	1,580,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$370,181,269</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	5.628%	\$ 43,750,216
Riverside County Pension Obligation Bonds	5.628	14,991,022
Moreno Valley Unified School District Certificates of Participation	84.208	12,546,992
San Jacinto Unified School District Certificates of Participation	0.736	305,477
Val Verde Unified School District Certificates of Participation	36.595	22,139,975
Western Municipal Water District Certificates of Participation	0.143	13,746
City of Moreno Valley General Fund Obligations	100.	<u>65,375,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$159,122,428</u>
Less: Riverside County self-supporting obligations		<u>144,078</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$158,978,350</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		\$ 50,768,986
GROSS COMBINED TOTAL DEBT		\$580,072,683⁽²⁾
NET COMBINED TOTAL DEBT		\$579,928,605

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.35%
Total Direct Debt (\$65,375,000).....	0.41%
Gross Combined Total Debt	3.68%
Net Combined Total Debt.....	3.68%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$3,253,817,899):

Total Overlapping Tax Increment Debt.....	1.56%
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⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Retirement Contributions

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

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

The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan, on behalf of 306 total City employees who participate in the City’s Miscellaneous Plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

In June 2012, the Governmental Accounting Standards Board (“GASB”) adopted revised standards (GASB Statement No. 68, or “GASB 68”) with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The revised standards alter the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include: (i) the inclusion of unfunded pension liabilities on the local government’s balance sheet (previously, such unfunded liabilities were typically included as notes to the local government’s financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates that are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities that are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns to will be recognized over a closed five-year smoothing period. The reporting requirements took effect in Fiscal Year 2015. Based on the adoption of the revised accounting standards, beginning with the Fiscal Year 2014-15 actuarial valuation, the annual required contribution and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the City’s pension plan funding obligations.

The City participates in separate CalPERS plans for employees based on hire date. The City's plans are part of CalPERS risk pools. Benefit provisions for each plan are set forth below.

	<i>Miscellaneous</i>		
	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	29.892%	29.892%	29.892%

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members participate in the City 2.0% at 62 plan; such employees are required to make the full amount of required contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier (2.0% at 62 formula) with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable income for Fiscal Year 2017-18 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**City of Moreno Valley
Pensionable Income Caps (AB 340 and Non-AB 340 Employees)**

<i>Hire Date</i>	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
<i>Maximum Pensionable Income</i>	\$275,000	\$146,666
<i>Maximum Pensionable Income if also Participating in Social Security</i>	N/A	\$121,388

Source: City.

CalPERS estimates savings for local agency plans as a result of AB 340 of approximately \$1.653 billion to \$2.355 billion over the next 30 years, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

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

The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates for Fiscal Year 2017-18 were 11.235% for the 2.7% at 55 plan, 11.235% for the 2.0% at 55 plan and 11.235% for the 2.0% at 62 AB 340 plan. The required employer contribution rates for Fiscal Year 2018-19 are 11.374% for the 2.7% at 55 plan, 11.374% for the 2.0% at 55 plan and 11.374% for the 2.0% at 62 AB 340 plan. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1

following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount, expressed as a percentage of payroll, that is necessary to finance the costs of benefits that are earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Under GASB 68, which was implemented beginning in Fiscal Year 2014-15, the City’s pension plans had a total net pension liability of approximately \$62,211,508 as of June 30, 2017 and a total net pension liability of approximately \$70,428,778 as of June 30, 2018. The net pension liability is the difference between total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For Fiscal Year 2017-18, the City made CalPERS plan contributions of \$6,458,658.69. The City currently expects its annual required contributions in Fiscal Year 2018-19 to be approximately \$7,210,453.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2018-19 is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.625%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: City.

On December 21, 2016, the CalPERS Board of Directors voted to lower its discount rate from the current rate of 7.50% to 7.00%. Effective with its June 2017 Comprehensive Annual Financial Report, CalPERS reduced its discount rate to 7.15% and its investment rate of return to 7.15%. As a result, anticipated discount rates for the next three years (including Fiscal Year 2017-18) are:

<i>Period Ending June 30</i>	<i>Discount Rate</i>
2018	7.15%
2019	7.00
2020	7.00

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The three-year reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most miscellaneous retirement plans such as those of the City. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

The total change in the net pension liability for the City's CalPERS plans were as follows:

**CITY OF MORENO VALLEY
CHANGE IN NET PENSION LIABILITY**

<i>Miscellaneous Plan:</i>	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>	<i>Governmental Activities Net Pension Liability (Asset)</i>	<i>Enterprise Net Pension Liability (Asset)</i>
Balance at June 30, 2017	\$ 181,138,874	\$ 117,212,967	\$ 63,925,907	\$ 62,211,508	\$ 1,714,399
Changes in the year:					
Service Cost	4,154,188	-	4,154,188	4,023,526	130,662
Interest on the Total Pension Liability	13,608,182	-	13,608,182	13,180,164	428,018
Changes of Assumptions	11,559,898	-	11,559,898	11,196,305	363,593
Differences between Expected and Actual Experience	(566,196)	-	(566,196)	(548,387)	(17,809)
Net Plan to Plan Resource Movement	-	(7,368)	7,368	7,136	232
Contributions - Employer	-	5,743,170	(5,743,170)	(5,562,530)	(180,640)
Contributions - Employees	-	1,676,844	(1,676,844)	(1,624,102)	(52,742)
Net Investment Income	-	13,032,362	(13,032,362)	(12,622,456)	(409,906)
Benefit Payments, including Refunds of Employee Contributions	(7,770,872)	(7,770,872)	-	-	-
Administrative Expense	-	(173,057)	173,057	167,614	5,443
Net Changes	<u>20,985,200</u>	<u>12,501,079</u>	<u>8,484,121</u>	<u>8,217,270</u>	<u>266,851</u>
Balance at June 30, 2018	<u>\$ 202,124,074</u>	<u>\$ 129,714,046</u>	<u>\$ 72,410,028</u>	<u>\$ 70,428,778</u>	<u>\$ 1,981,250</u>

Source: City.

The following table presents the net pension liability of the City's CalPERS plans, calculated using the discount rate of 7.15%, 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%) or 1 percentage point higher (8.15%) than the current rate:

**CITY OF MORENO VALLEY
SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

	<i>1% Decrease to 6.15%</i>	<i>Current Discount Rate 7.15%</i>	<i>1% Increase to 8.15%</i>
Net Pension Liability	\$100,636,724	\$72,410,028	\$49,165,420

Source: City.

For additional information relating to the City's plan, see Note 8 to the City's audited financial statements for Fiscal Year 2017-18 attached hereto as Appendix B.

Other Post-Employment Benefits

The City provides post-employment health care benefits to qualified retired employees. Employees are eligible for such benefits if they were hired prior to September 30, 2011 and retire directly from the City at or after age 50 with at least five years of CalPERS membership. Employees hired after September 30, 2011 are not eligible for such benefits; the City no longer offers such benefits to employees hired after September 30, 2011. The City administers a single-employer defined-benefit post-employment healthcare plan (the "OPEB Plan"). Benefits vary by hire date and employment status (Management or Non-Management), and continue to the surviving spouses. 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, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. 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.

At December 31, 2016 (the census date), the following employees were covered by the benefit terms:

<i>Category</i>	<i>Count</i>
Active employees	287
Inactive employees or beneficiaries currently receiving benefit payments	272
Inactive employees entitled to but not yet receiving benefit payment	0

Source: City.

Contributions. The City establishes contributions based on the Actuarially Determined Contribution (the “ADC”). For the year ended June 30, 2018, the City’s ADC contribution rate was 3.10% 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.

GASB Statement No. 75 (“GASB 75”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the City, the reporting obligation began in Fiscal Year 2016-17.

The City retained Precision Actuarial Inc., San Francisco, California (the “Actuarial Consultant”) to calculate the City’s post-employment benefits funding status. In a report dated June 30, 2018 (the “Report”), the Actuarial Consultant concluded that, as of June 30, 2018, the City’s unfunded actuarial accrued liability for post-employment benefits was \$4,618,184. The Actuarial Consultant also concluded that the City’s ADC is \$659,902.

The City is not required to fund the amortization of the unfunded actuarial liability. Prior to June 2009, the City’s policy was to pay for OPEB plan costs as they are incurred. In June 2009, the City Council approved the establishment of an irrevocable OPEB trust (the “OPEB Trust”) and approved and authorized an agreement with CalPERS to administer the OPEB Trust on its behalf. Based on the 2017 actuarial valuation, the actuarial unfunded liability of the City’s OPEB plan was estimated to be approximately \$4,687,539 using the new methodology compliant with GASB 75.

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 December 31, 2016, and the table below shows the City’s changes in net OPEB liability for the fiscal year ended June 30, 2017.

	<i>Increases (Decreases)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability</i>
Balance at June 30, 2017	\$ 16,912,341	\$ 10,025,559	\$ 6,886,782
Changes for the year:			
Service Cost	409,532	-	409,532
Interest on the Total OPEB Liability	1,149,342	-	1,149,342
Contribution - Employer	-	642,216	(642,216)
Implicit subsidy - Employer	-	285,661	(285,661)
Net Investment Income	-	423,688	(423,688)
Benefit Payments	(700,673)	(700,673)	-
Implicit Rate Subsidy Fulfilled	(285,661)	(285,661)	-
Administrative Expenses	-	(5,244)	5,244
Net Changes	<u>572,540</u>	<u>359,987</u>	<u>212,553</u>
Balance at June 30, 2018	<u>\$ 17,484,881</u>	<u>\$ 10,385,546</u>	<u>\$ 7,099,335</u>

Source: City.

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

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

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%) or one percentage point higher (8%) follows:

	<i>1% Decrease 6.00%</i>	<i>Discount Rate 7.00%</i>	<i>1% Increase 8.00%</i>
Net OPEB liability	\$8,868,356	\$7,099,335	\$5,496,332

Source: City.

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 (2.94%) or one percentage point higher (4.94%) than current healthcare cost trend rates follows:

	<i>1% Decrease 6.00% decreasing to 2.94%</i>	<i>Healthcare Cost Trend Rate 7.00% decreasing to 3.94%</i>	<i>1% Increase 8.00% decreasing to 4.94%</i>
Net OPEB liability	\$6,904,122	\$7,099,335	\$7,194,669

Source: City.

For more information related to the OPEB Plan, see Note 9 to the City’s audited financial statements for Fiscal Year 2017-18 set forth in Appendix B. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS headquarters located at 400 Q Street, Sacramento, California 95811, though neither the Authority or the City make any representations with respect to such report.

City Investment Policy

The City invests its funds in accordance with the City’s investment policy (the “Investment Policy”), which was most recently reviewed and revised by the City Council on May 15, 2018. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City’s Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and market risks. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer, the County investment pool for local agencies, local agency bonds, U.S. Treasury Bills, Notes and Bonds, obligations issued by United States Government agencies, FDIC-insured or negotiable certificates of deposit, repurchase agreements, banker’s acceptances and commercial paper rated A1/P1, as applicable, or better, and money market funds rated in the highest category by Moody’s or S&P or administered by a domestic bank with long-term debt rated in one of the top two categories of Moody’s and S&P. Funds are invested in the following order of priority:

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

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

A summary of the City's investments as of June 30, 2018 is set forth in the below table. Approximately \$134 million (74%) of the total investment portfolio as of June 30, 2018 was attributed to the General Fund.

**CITY OF MORENO VALLEY
INVESTMENTS AS OF JUNE 30, 2018⁽¹⁾**

<i>Investment Type</i>	<i>Investment Maturity</i>				<i>Total</i>
	<i>6 Months or Less</i>	<i>6 Months to 1 Year</i>	<i>1 to 3 Years</i>	<i>3 to 5 Years</i>	
Local Agency Investment Fund	\$ 61,640,659	\$ 0	\$ 0	\$ 0	\$ 61,640,659
Commercial Paper	0	75,214	3,399,266	1,524,935	4,999,415
Medium Term Notes	5,411,972	9,274,733	20,425,867	9,063,974	44,176,546
US Treasury Notes	2,925,851	3,633,291	12,946,603	8,399,451	27,905,195
Federal Farm Credit Bank	0	0	8,875,716	0	8,875,716
Federal Home Loan Bank	1,995,920	0	9,026,509	1,052,612	12,075,041
Federal Home Loan Mortgage Corp.	0	3,467,880	6,525,248	4,341,597	14,334,725
Federal National Mortgage Assn.	2,997,650	0	10,655,896	9,311,247	22,964,793
Money Market	5,711,487	0	0	0	5,711,487
Supranationals	1,909,408	0	1,974,109	2,453,769	6,337,286
Totals	<u>\$ 82,592,946</u>	<u>\$ 16,451,118</u>	<u>\$ 73,829,213</u>	<u>\$ 36,147,586</u>	<u>\$ 209,020,863</u>

⁽¹⁾ Totals may not add due to rounding.
Source: City.

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

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2019 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2019 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2019 Bonds

The Series 2019 Bonds are special obligations of the Authority, payable solely from Base Rental Payments on a parity with the Series 2016 Bonds, the Series 2015 Bonds and the other assets pledged under the Trust Agreement. Neither the faith and credit nor the taxing power of the Authority, the City, the State, or any political subdivision thereof, is pledged to the payment of the Series 2019 Bonds. The Authority has no taxing power.

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

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

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

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues, including without limitation pension obligations and essential services. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event that the City’s revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facilities Sublease. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City’s appropriations have never exceeded the limitation on appropriations under Article XIII B of the State Constitution. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution.”

Abatement

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of damage to or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Abatement.” In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which funds are available from the funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full.

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

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facilities Sublease and the Trust Agreement, no remedy is available to the Series 2019 Bond Owners for nonpayment under such circumstances.

Natural Disasters

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

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

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

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Additionally, wildfires increase the risk of mudslides in areas like those in the City that are surrounded by hillsides. In general, property damage due to wildfire or mudslides could result in a significant decrease property tax and other revenues received by the City.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Series 2019 Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. See the caption “THE CITY — Risk Management.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

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

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

Other Financial Matters

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

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

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Facilities Sublease: (a) to substitute alternate real property for any portion of the Property; (b) to add additional real property to the Property; or (c) to release a portion of the Property from the Facilities Sublease, upon compliance with all of the conditions set forth in the Facilities Sublease. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Facilities Sublease. Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Substitution, Addition and Removal of Property" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Additional Bonds."

Although the Facilities Sublease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2019 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix A.

The Trust Agreement requires, among other things, that upon the issuance of Additional Bonds, the Facilities Lease and the Facilities Sublease will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Payments, in any Fiscal Year is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Additional Bonds" for a full description of the requirements that must be met in order for the Authority to issue Additional Bonds.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Facilities Sublease, or failure to observe and perform any other terms, covenants or conditions contained in the Facilities Sublease or in the Trust Agreement for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Facilities Sublease and permit the Trustee or the Authority to pursue any and all remedies

available. In the event of a default, notwithstanding anything in the Facilities Sublease or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Facilities Sublease.

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

Alternatively, the Authority or the Trustee may terminate the Facilities Sublease, retake possession of the Property and proceed against the City to recover damages pursuant to the Facilities Sublease. Due to the specialized and limited nature of the Property, existing Permitted Encumbrances (as such term is defined in Appendix A) on the Property, and the restrictions on its use, it is unlikely that the Trustee would be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Bonds when due. Similar limitations and constraints would apply to any property substituted for the Property pursuant to the Facilities Sublease. Moreover, the Trustee is not empowered to sell the Property for the benefit of the Owners of the Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS” and “THE PROPERTY” and Appendix A.

Possible Insufficiency of Insurance Proceeds

The Facilities Sublease obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Facilities Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to redeem or pay principal of and interest on the Series 2019 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered under the Facilities Sublease, and therefore, are not carried by the City. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS — Insurance” and “THE CITY — Risk Management.”

Limitations on Remedies

The rights of the Owners of the Series 2019 Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Furthermore, the remedies available to the Owners of the Series 2019 Bonds upon the occurrence of an event of default under the Trust Agreement or the Facilities Sublease are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Additionally, enforceability of the rights and remedies of the Owners of the Series 2019 Bonds, and the obligations incurred by the City or the Authority, may become subject to the provisions of Title 11 of the United States Code (the “Bankruptcy Code”) and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate

public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City or the Authority, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2019 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts due from the City under the Facilities Sublease. Similarly, if the Authority were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2019 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts assigned by the Authority to the Trustee under the Facilities Sublease.

In particular, if the City or the Authority were to become a debtor under the Bankruptcy Code, the City or the Authority, as applicable, would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City or the Authority, and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment that is superior to that of Owners of the Series 2019 Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's or the Authority's various obligations, as the case may be, over the objections of the Trustee or all of the Owners of the Series 2019 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Series 2019 Bonds. The City and the Authority can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if either entity were to file for bankruptcy.

In addition, the City could either reject the Facilities Sublease or the Facilities Lease or assume the Facilities Sublease or the Facilities Lease despite any provision of the Facilities Sublease or the Facilities Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Facilities Sublease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Facilities Sublease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Facilities Sublease or the Facilities Lease to a third party, regardless of the terms of the transaction documents. If the City rejects the Facilities Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Facilities Sublease and the Facilities Lease and the obligations of the City to make payments thereunder.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Series 2019 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2019 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Facilities Sublease or fails to pay Base Rental Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Series 2019 Bonds.

No Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority has no obligation or liability to the Owners of the Series 2019 Bonds with respect to: (a) the payment when due of the Base Rental Payments by the City; (b) the performance by the City of other agreements and covenants required to be performed by it contained in the Facilities Sublease or the Trust Agreement; or (c) the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2019 Bonds or, if a secondary market exists, that the Series 2019 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Utility Transfers

The City's general fund receives a substantial amount of revenues from transfers-in from its utility enterprises. If the revenues of the utilities declined in the future, this could result in a decline in the amount of transfers-in to the general fund from the utilities, thereby reducing the overall revenues of the general fund available to pay lease payments.

Impact of State Budget

At various times, including recently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout the State. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

For example, declining revenues and fiscal difficulties that arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies.

Although starting with fiscal year 2013-14, recent State budgets have been balanced, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012, statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future, should the State budget again be stressed and if projections included in such budget do not materialize, or that Proposition 30 will be renewed.

Covenant to Budget and Appropriate

Under the Facilities Sublease, the City has covenanted to take such actions as are necessary to include the Base Rental Payments and the estimated Additional Rental Payments in its annual budgets and to make the necessary annual appropriations for all Base Rental Payments. Such covenant is deemed to be a duty imposed by law, and it is the duty of the public officials of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable such entity to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenant. Upon execution and delivery of the Series 2019 Bonds, Bond Counsel will render its opinion (substantially in the form of Appendix C) to the effect that, subject to certain limitations and qualifications, the Facilities Sublease constitutes a valid and binding obligation of the City.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for the public purposes by the City) is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, and the remainder is usable for public purposes by the City at the time of such taking, (1) the Facilities Sublease will continue in full force and effect as to such remainder, and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Base Rental Payments as a result of the application of insurance proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, in a manner that could result in a reduction of the City's revenues and, therefore, a reduction of the funds legally available to the City to make Base Rental Payments.

Risks Associated with Bond Insurance

In the event that the Authority defaults in the payment of principal of or interest on the Series 2019 Bonds when due, the owners of the Series 2019 Bonds will have a claim under the Policy for such payments. See the caption "BOND INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to the Series 2019 Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2019 Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Series 2019 Bonds when due under the Policy, the Series 2019 Bonds will be payable solely from Revenues and amounts held in certain funds and accounts established under the Trust Agreement, as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS."

The long-term rating on the Series 2019 Bonds 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 Series 2019 Bonds. See the caption "RATINGS."

None of the Authority, the City nor the Underwriter have made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Authority, the City or the Underwriter in this

Official Statement. Therefore, when making an investment decision with respect to the Series 2019 Bonds, potential investors should carefully consider the ability of the City to make Base Rental Payments and the Authority to pay principal and interest on the Series 2019 Bonds, assuming that the Policy is not available for that purpose, and the claims-paying ability of the Insurer through final maturity of the Series 2019 Bonds.

So long as the 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 Trust Agreement and will have the right to control all remedies for default under the Trust Agreement. The Insurer is not required to obtain the consent of the owners of the Series 2019 Bonds with respect to the exercise of remedies. See Appendix A.

STATE OF CALIFORNIA BUDGET INFORMATION

State Budget

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

Budget for State Fiscal Year 2018-19

On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the “2018-19 Budget”). The following information is drawn from the LAO’s review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account (“BDSA”), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA’s current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund.

Governor’s Proposed Budget for Fiscal Year 2019-20

On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the “Proposed 2019-20 Budget”). The following information is drawn from the DOF’s summary of the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$136.9 billion and total expenditures of \$144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$18.3 billion, including \$3.9 billion in the traditional general fund reserve, \$13.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues of \$142.6 billion and authorizes expenditures of \$144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.5 billion, including \$2.3 billion in the traditional general fund reserve, \$15.3 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments made in prior fiscal years do not count towards calculating the BSA's constitutional maximum of 10%.

Potential Impact of State Financial Condition on the City

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

Redevelopment Dissolution

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

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

On September 22, 2015, the following amendments to the dissolution legislation discussed under the caption "— General" were enacted as Senate Bill 107 ("SB 107"): (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced

State oversight; (2) successor agencies that that have a “Last and Final” ROPS (as discussed below) may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 are unenforceable unless entered into for the purpose of providing administrative support.

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

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

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

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

As of June 30, 2018, the Towngate Regional Mall Note was outstanding in the principal of \$10,300,000. The Towngate Regional Mall Note originated from a participation agreement (as amended) whereby the Former Agency acquired certain parcels within the Moreno Valley Mall at Towngate for subsequent transfer to anchor tenants. The Towngate Regional Mall Note bears interest at the rate of 7.25% per annum and is payable from the property tax increment and up to 50% of the sales tax revenues generated from the acquired parcels. In Fiscal Year 2004, the City purchased the rights to the Towngate Regional Mall Note from the holder thereof and, thereafter, has received the associated interest and principal payments related

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

As of June 30, 2018, the Other Advances were outstanding in the principal amount of \$3,578,367. The Other Advances were used by the Former Agency for various redevelopment purposes and are payable from available Successor Agency moneys. The Other Advances bear interest at the rate of 12% but do not have a specific maturity date.

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

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

Future State Budgets

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

Article XIII A of the State Constitution

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

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

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

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

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

Article XIII B of the State Constitution

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

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

Proposition 62

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

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

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

Proposition 218

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

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

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

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

Unitary Property

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

Proposition 22

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

Proposition 1A

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

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

Proposition 26

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

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

Future Initiatives

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

TAX MATTERS

Interest on the Series 2019 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), is of the opinion that interest on the Series 2019 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2019 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2019 Bonds that acquire their Series 2019 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2019 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2019 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2019 Bonds pursuant to this offering for the issue price that is applicable to such Series 2019 Bonds (i.e., the price at which a substantial amount of the Series 2019 Bonds are sold to the public) and who will hold their Series 2019 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2019 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof

(including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2019 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2019 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2019 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2019 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that, under newly enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount, for tax years beginning after December 31, 2018), 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 Series 2019 Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2019 Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2019 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds) by more than a *de minimis* amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Series 2019 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2019 Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2019 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2019 Bond.

Sale or Other Taxable Disposition of the Series 2019 Bonds. 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 Series 2019 Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2019 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2019 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Series 2019 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2019 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such

Series 2019 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2019 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2019 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the Authority defeases any Series 2019 Bond, the Series 2019 Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2019 Bond.

Information Reporting and Backup Withholding. Payments on the Series 2019 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2019 Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2019 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2019 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Series 2019 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Series 2019 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2019 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2019 Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority or a deemed retirement due to defeasance of the Series 2019 Bond) or other disposition of a Series 2019 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2019 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2019 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2019 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2019 Bond or a financial institution holding the Series 2019 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 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. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2019 Bonds and sales proceeds of Series 2019 Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "pass-thru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2019 Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2019 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

MUNICIPAL ADVISOR

The City has retained Fieldman Rolapp & Associates, Inc., Irvine, California (the "Municipal Advisor") as municipal advisor in connection with the sale of the Series 2019 Bonds. 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.

CERTAIN LEGAL MATTERS

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2019 Bonds. Certain legal matters will be passed upon for the City and the Authority by Martin Koczanowicz, City Attorney and counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Norton Rose Fulbright US LLP, for the Trustee by its counsel and for the Insurer by its counsel.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or, to the best knowledge of the City, threatened either restraining or enjoining the execution or delivery of the Series 2019 Bonds, the Facilities Lease, the Facilities Sublease or the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims from time to time pending against the City. In the opinion of the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending or threatened against the City that will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

UNDERWRITING

The Series 2019 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter will purchase the Series 2019 Bonds from the Authority at an aggregate purchase price of \$15,373,271.30, representing the principal amount of the Series 2019 Bonds, less \$330,088.70 of original issue discount and less \$126,640.00 of Underwriter's discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing Series 2019 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign the Series 2019 Bonds the rating of "AA" based upon the delivery of the Policy by the Insurer at the time of issuance of the Series 2019 Bonds. S&P has assigned the Series 2019 Bonds the rating of "A+" notwithstanding the delivery of the Policy. There is no assurance that any credit rating given to the Series 2019 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2019 Bonds. The ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own.

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

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

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate of the City, dated as of the date of issuance of the Series 2019 Bonds (the "Disclosure Certificate"), the City has covenanted for the benefit of the holders and Beneficial Owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the District by each March 31 following the end of the City Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2019, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, maintained on the Internet at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12").

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Series 2019 Bonds are secured by any resources or property of the City or any entity other than Base Rental Payments or other amounts due under the Facilities Sublease. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS" and "RISK FACTORS — General Considerations – Security for the Series 2019 Bonds."

The City has previously entered into continuing disclosure undertakings under Rule 15c2-12 in connection with the issuance of municipal obligations. In the past five years, the City was untimely in filing an event notice regarding a rating change on its Local Measure A Sales Tax Revenue (Installment Sale) Certificates of Participation, Series 2013A.

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

FINANCIAL STATEMENTS OF THE CITY

Included as Appendix B are the audited financial statements of the City as of and for the Fiscal Year ended June 30, 2018, together with the report of the Auditor thereon dated December 5, 2018. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report, or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 5, 2018.

MISCELLANEOUS

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2019 Bonds.

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

**MORENO VALLEY PUBLIC FINANCING
AUTHORITY**

By: /s/ Thomas M. DeSantis
Executive Director

CITY OF MORENO VALLEY

By: /s/ Thomas M. DeSantis
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

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The following summary discussion of selected features of the Facilities Lease, the Facilities Sublease and the Trust Agreement, are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2019 Bonds are referred to the complete text of said documents, copies of which are available upon request from the Trustee or the City.

CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

The term “Bond Insurer” means any issuer or issuers of a policy or policies of municipal bond insurance obtained by the Authority to insure the payment of principal or accreted value of and interest on a Series of Bonds executed and delivered under the Trust Agreement, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer shall be by action of a majority of all Bond Insurers (based upon the aggregate principal amount of Outstanding Bonds insured by each such Bond Insurer) if there is more than a single Bond Insurer. The Bond Insurer with respect to the Series 2015 Bonds, the Series 2016 Bonds and the Series 2019 Bonds is AGM.

The term “Bonds” means the Series 2015 Bonds, the Series 2016 Bonds, the Series 2019 Bonds and all Additional Bonds. The term “Series 2015 Bonds” means all bonds of the Authority, so designated and authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Series 2016 Bonds” means all bonds of the Authority, so designated and authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Series 2019 Bonds” means all bonds

of the Authority, so designated and authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

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

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

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

The term “Continuing Disclosure Certificate” means, with respect to the Series 2019 Bonds, that certain Continuing Disclosure Certificate executed by the City in the form attached to the Official Statement as APPENDIX D.

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

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

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

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

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

The term “Facilities” means the real property described in Exhibit A to the Facilities Sublease, including the buildings, other improvements and facilities located thereon, or any portion thereof, or any City buildings, other improvements and facilities added thereto or substituted therefor, or any portion thereof, in

accordance with the Facilities Sublease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record known to the City.

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

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

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

The term “First Amendment to Master Facilities Lease” means that certain amendment, entitled “First Amendment to Master Facilities Lease”, between the City and the Authority, dated as of December 1, 2016.

The term “First Amendment to Master Facilities Sublease” means that certain amendment, entitled “First Amendment to Master Facilities Sublease”, between the Authority and the City, dated as of December 1, 2016.

The term “First Supplement to Master Trust Agreement” means that certain supplement, entitled “First Supplement to Master Trust Agreement”, between the Authority and the Trustee, dated as of December 1, 2016.

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

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

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

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

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

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

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

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

The term “Interest Payment Date” means May 1 and November 1 in each year, commencing November 1, 2019 with respect to the Series 2019 Bonds.

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

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

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

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

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

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

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

1. Government Securities;
2. Any obligations which are then legal investments for moneys of the City under the laws of the State of California; provided that such investments shall be rated in the highest short-term or one of the three highest long-term Rating Categories by the Rating Agencies or deposits which are fully insured by the FDIC;
3. Debentures of the Federal Housing Administration; or obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association;
4. Money markets or mutual funds which are rated by S&P “AAAm-G” or “AAAm” or higher and, if rated by Moody’s, are rated “Aaa” or higher, which funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;
5. Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated in any of the three highest Rating Categories by the Rating Agencies at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below any of the three highest Rating Categories of the Rating Agencies; provided that any such investment agreement shall have been provided to the Rating Agencies;
6. The Local Agency Investment Fund of the State of California; and
7. Any other investment selected by the Authority which does not adversely affect the then-current rating on the Bonds.

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

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

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

The term “Projects” means the 2015 Project, the 2016 Refunding Project, the 2019 Project and all Additional Projects.

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

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

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

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

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

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

The term “Second Amendment to Master Facilities Lease” means that certain amendment, entitled “First Amendment to Master Facilities Lease”, between the City and the Authority, dated as of April 1, 2019.

The term “Second Amendment to Master Facilities Sublease” means that certain amendment, entitled “First Amendment to Master Facilities Sublease”, between the Authority and the City, dated as of April 1, 2019.

The term “Second Supplement to Master Trust Agreement” means that certain supplement, entitled “First Supplement to Master Trust Agreement”, between the Authority and the Trustee, dated as of April 1, 2019.

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

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

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

The term “State” means the State of California.

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

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

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

The term “2015 Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof with respect to the Series 2015 Bonds.

The term “2016 Bond Insurance Policy” means the insurance policy issued by AGM guaranteeing the scheduled payment of principal of and interest on the Series 2016 Bonds when due.

The term “2016 Refunding Project” means the refunding of the remaining outstanding Moreno Valley Public Financing Authority 2007 Taxable Lease Revenue Bonds.

The term “2016 Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof with respect to the Series 2016 Bonds.

The term “2019 Bond Insurance Policy” means the insurance policy issued by AGM guaranteeing the scheduled payment of principal of and interest on the Series 2019 Bonds when due.

The term “2019 Project” means capital facilities described in Exhibit B to the Second Supplement to Master Trust Agreement.

The term “2019 Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by AGM under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof with respect to the Series 2019 Bonds.

The term “Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms. There is no Tax Certificate in connection with the Series 2016 Bonds.

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

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

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

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

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

FACILITIES LEASE

The City and the Authority will enter into the Second Amendment to Master Facilities Lease amending the lease of the Facilities from the City to the Authority. The term of the Facilities Lease commenced on the date of the original recordation of the Facilities Lease and the Facilities Lease as amended by the Second Amendment to Master Facilities Lease shall commence on the date of the recordation thereof in the office of the County Recorder of the County of Riverside, or on January 1, 2016, whichever is earlier, and shall end on May 1, 2049, unless such term is extended, following an abatement of rental or in connection with the issuance of additional Bonds, or sooner terminated, upon prepayment of all amounts due under the Trust Agreement. The term of the Facilities Lease shall in no event be extended beyond May 1, 2059 (or such later date established in connection with the issuance of additional Bonds).

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

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

FACILITIES SUBLEASE

The Authority and the City will enter into the Second Amendment to Master Facilities Lease amending the sublease of the Facilities to the City.

Term

The term of the Facilities Sublease commenced on the date of the original recordation of the Facilities Sublease, and the Facilities Sublease as amended by the Second Amendment to Master Facilities Sublease shall commence on the date of the recordation thereof in the office of the County Recorder of the County of Riverside, or on January 1, 2016, whichever is earlier, and shall end on May 1, 2049, unless such term is extended, following an abatement of rental or in connection with the issuance of Additional Bonds, or sooner terminated, upon prepayment of all amounts due under the Trust Agreement. The term of the Facilities Lease shall in no event be extended beyond May 1, 2059 (or such later date established in connection with the issuance of Additional Bonds).

Substitution; Release; Addition of Property

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

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

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

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

Base Rental Payments

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

If the term of the Facilities Sublease has been extended pursuant to the provisions thereof, Base Rental Payment installments shall continue to be due on October 25 and April 25 in each year, and payable as described above, continuing to and including the date of termination of the Facilities Sublease, in an amount equal to the amount of Base Rental payable for the twelve-month period commencing November 2, 2044.

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

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

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

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

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

Payments to be Unconditional

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

Appropriations Covenant; Lease Obligation Not a Debt

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facilities Sublease in its annual budgets, and to make necessary annual

appropriations for all such Base Rental Payments and Additional Payments. The City will deliver to the Authority copies of the portion of each annual City budget relating to the payment of Base Rental Payments and Additional Payments under the Facilities Sublease within 30 days after the filing or adoption thereof.

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

Rental Abatement

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

Fire and Extended Coverage; Use of Insurance Proceeds

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

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

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

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

Liability Insurance

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

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

Rental Interruption or Use and Occupancy Insurance

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

Eminent Domain

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

Defaults and Remedies

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

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

(2) Without terminating the Facilities Sublease, (i) to collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision of the Facilities Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) to exercise any and all rights of re-entry upon the Facilities.

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

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

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

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

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

Prepayment

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

(B) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the other requirements of the Trust Agreement. The City agrees that if following such prepayment the Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

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

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

Option to Purchase; Sale of Personal Property

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

The City, in its discretion may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facilities Sublease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities; (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released; and (c) if the value of any such property shall, in the opinion of the Authority, exceed the amount of \$25,000, the Authority shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the

money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facilities Sublease, be used upon the Written Request of the City to purchase personal property, which property shall become a part of the Facilities leased under the Facilities Sublease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facilities Sublease or before releasing for the purchase of new personal property money received by it for personal property so sold.

Liens

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

Authority Not Liable

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

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

Assignment and Subleasing

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

Title to Facilities

During the term of the Facilities Sublease, the Authority shall hold leasehold title to the Facilities and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for those

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

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

Taxes

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

Purpose of Lease

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

Continuing Disclosure Certificate

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

Net-Net-Net Lease

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

Provisions Concerning AGM and the Bond Insurance Policies

The following provision relate in similar fashion to AGM and each of the 2015 Bond Insurance Policy, the 2016 Bond Insurance Policy and the 2019 Bond Insurance Policy and each of the 2015 Reserve Policy, the 2016 Reserve Policy and the 2019 Reserve Policy.

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

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

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

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

(E) So long as the Series 2016 Bonds remain outstanding, the City agrees that it will not relocate any of the Facilities constituting the Kitching Substation or the Moreno Beach Substation without the prior written consent of AGM.

(F) So long as the Series 2019 Bonds remain outstanding, the City agrees that it will not relocate any of the Facilities constituting the Kitching Substation or the Moreno Beach Substation without the prior written consent of AGM.

Use of the Facilities

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

Amendment or Termination

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

TRUST AGREEMENT

Certain provisions of the Trust Agreement setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See “THE SERIES 2019 BONDS,” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS” herein.

The Trustee

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

Assignment

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

Pledge of Revenues

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

Establishment of Funds and Accounts; Flow of Funds

The Trust Agreement provides for the establishment of the following special accounts or funds, among others: the Revenue Fund (within which the Interest Account and the Principal Account will be established and maintained), the Costs of Issuance Fund, the Acquisition and Construction Fund and the Rebate Fund. The Trustee will hold all funds in the Costs of Issuance Fund, the Revenue Fund and the Rebate Fund; the City will hold all funds in the Acquisition and Construction Fund; and all other funds will be held by the Treasurer of the Authority. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity). All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it becomes due and payable, whether at maturity or redemption. All money in the Costs of Issuance Fund will be used to

pay the Costs of Issuance of the Bonds upon receipt by the Treasurer of a Written Request of the Authority. All moneys in the Acquisition and Construction Fund shall be applied by the City to the payment of Project Costs and of expenses incident thereto (or for making reimbursements to the Authority or the City or any other person, firm or corporation for such costs theretofore or thereafter paid by him or it), or shall be transferred to the Trustee for the payment of debt service on the Bonds. Moneys in the Rebate Fund will be used to make rebate payments to the United States of America, if required.

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

Revenue Fund

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

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

(2) Principal Account. On or before each May 1 and November 1, commencing November 1, 2016, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such May 1 and November 1, respectively, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such May 1 and November 1, respectively.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such May 1 and November 1, respectively, plus the aggregate amount of all sinking fund payments required to be made on such May 1 and November 1, respectively, for all Outstanding Term Bonds.

Investments

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

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

Investments in any and all funds and accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in

particular funds and accounts amounts received or held by the Trustee under the Trust Agreement, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Trust Agreement.

Additional Bonds

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

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

Limitations on the Issuance of Obligations Payable from Revenues

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

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

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

Covenant Against Encumbrances

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

Tax Covenants

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

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

No Tax Certificate will be delivered in connection with the Series 2019 Bonds, and the tax covenants described under this heading are not applicable to the Series 2019 Bonds.

Application of Insurance Proceeds

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

portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement. The City shall not apply the proceeds of insurance as set forth in this paragraph to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Events of Default and Action on Default

The following events shall be “Events of Default”:

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

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

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

Application of Funds After Default

Notwithstanding anything to the contrary contained in the Trust Agreement, after a default by the City, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Facilities after a default by the City pursuant to the Facility Sublease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Sublease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

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

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

Amendment of Documents

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

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders for any purpose that will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes: (i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other

agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the Authority; (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary; (iii) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Bondholders); or (iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

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

Discharge of Trust Agreement

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

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the paragraph above if (1) in case any of such

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

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

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

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

Unclaimed Moneys

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

General Provisions Relating to Bond Insurance.

The following provision relate in similar fashion to AGM and each of the 2015 Bond Insurance Policy, the 2016 Bond Insurance Policy and the 2019 Bond Insurance Policy and each of the 2015 Reserve Policy, the 2016 Reserve Policy and the 2019 Reserve Policy.

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

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

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

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

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

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

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

(g) Amounts paid by AGM under Bond Insurance Policies shall not be deemed paid for purposes of the Trust Agreement and the Bonds, as the case may be, relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Trust Agreement. The

Trust Agreement shall not be discharged unless all amounts due or to become due to AGM have been paid in full or duly provided for.

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

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

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

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

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

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

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

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

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

such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to AGM and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

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

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

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

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

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

(a) The Authority shall repay any draws under the Reserve Policies and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late

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

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

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

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

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

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

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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2018

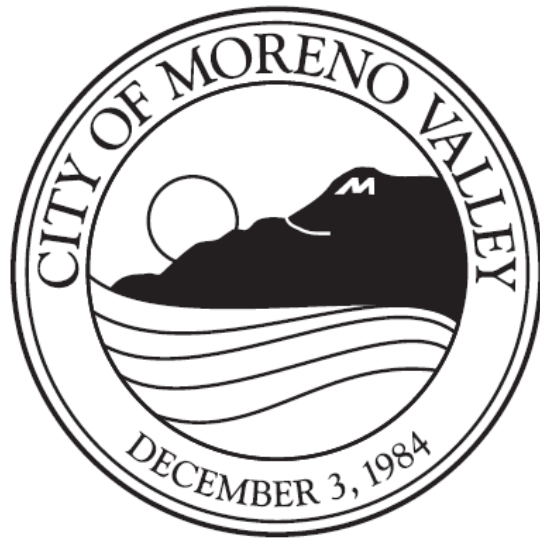
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City of Moreno Valley, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2018



**City of Moreno Valley, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018**

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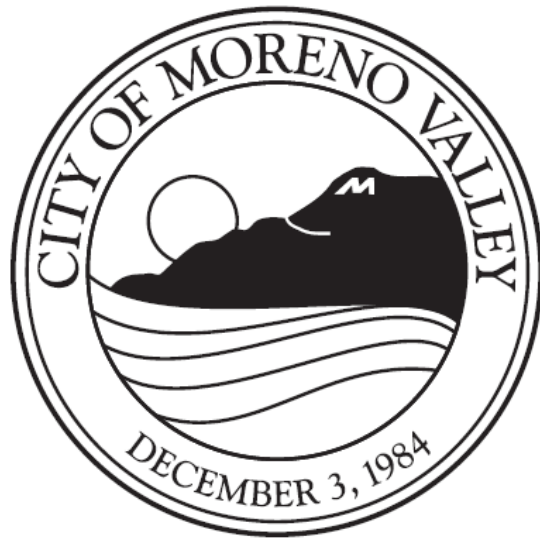
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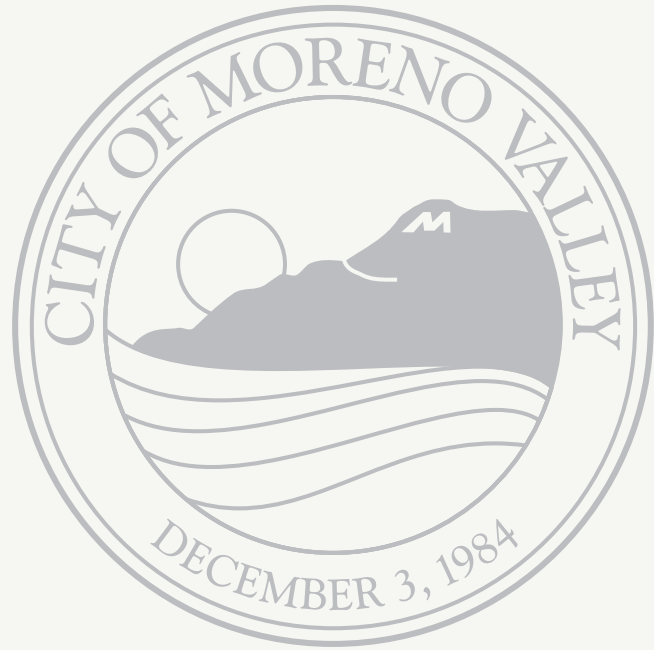
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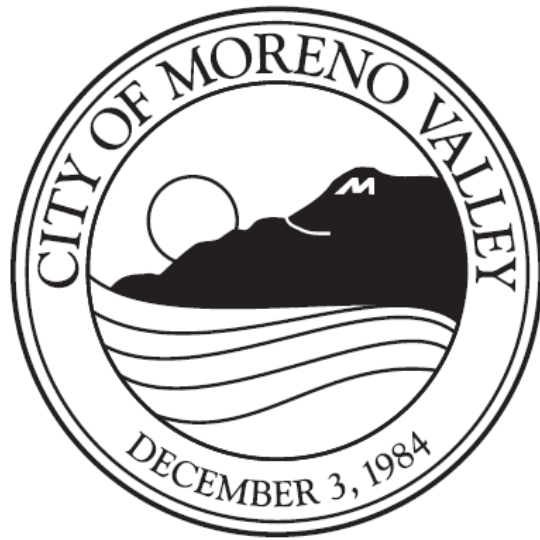


Introductory Section



City of Moreno Valley, CA

FISCAL YEAR ENDED JUNE 30, 2018



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14177 FREDERICK STREET
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MORENO VALLEY, CA 92552-0805

December 5, 2018

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, 2018.

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, 2018. 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 207,629 continues to be the second largest city in Riverside County.

During the 2017/18 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 streets, economic development, library, an electric utility which primarily serves the newly developed areas of the City, parks, and a wide range of community and recreation programs. In addition to general City activities, the Council is financially accountable for the Moreno Valley Community Services District, the Moreno Valley Public Financing Authority, the Moreno Valley Public Facilities Financing Corporation, the Housing Authority, 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 generally adopts a final budget no later than June 30th. The City's fiscal year is July 1st through June 30th. The second budget year is amended as needed to update revenue 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. From 2011 to 2016, total private employment in the City nearly doubled, increasing from 17,760 to 34,700 jobs, an increase of 16,940 jobs.

The City conducted a ribbon-cutting for the opening of a state-of-the-art Hyundai of Moreno Valley dealership in June of 2018. In addition to offering quality vehicles and generating tax revenues, the Hyundai dealer 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 to host a hiring event to recruit 10,000 new employees for the online retailer, making the event one of the largest of its kind ever held in the region filling positions in Moreno Valley, San Bernardino, and Eastvale. On June 5, 2017, the employees of the Karma Automotive Factory celebrated the first customer to take possession of the new Revero built at the Moreno Valley factory. In 2017, the City was also recognized as one of the financially strongest cities in the United States, according to an analysis of city fiscal strength by The Fiscal Times. Moreno Valley was ranked third in the survey of 116 cities with populations over 200,000. This accomplishment highlights both strong financial management and an expanding local economy that continues to enhance the quality of life for our residents.

Long-term financial planning: In May 2017, the City Council approved a two year Operating Budget for fiscal years 2017/2018 and 2018/2019 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. The City also annually prepares and updates the five-year capital improvement plan (CIP) which includes all capital projects and identifies the timing of each project as well as the funding source. 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 is also continuing to prepare for the future, adopting 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 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.

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, 2017. This was the twentieth 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 third consecutive award from the GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the year ended June 30, 2017. 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, 2018

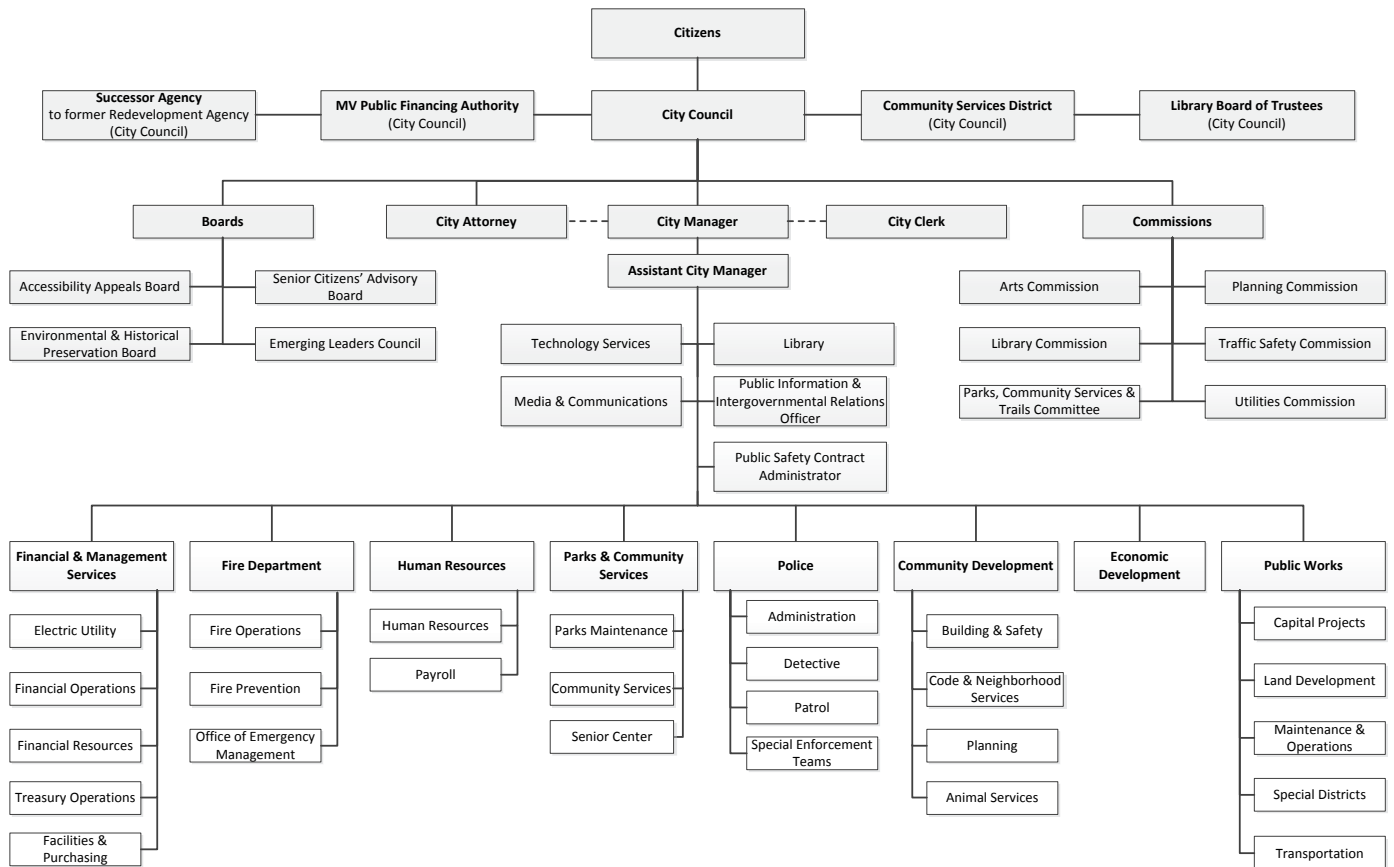
CITY COUNCIL

Dr. Yxstian Gutierrez, Mayor
Victoria Baca, Mayor Pro Tem
Jeffrey Giba, 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
David Kurylowicz, Police Chief

City of Moreno Valley Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

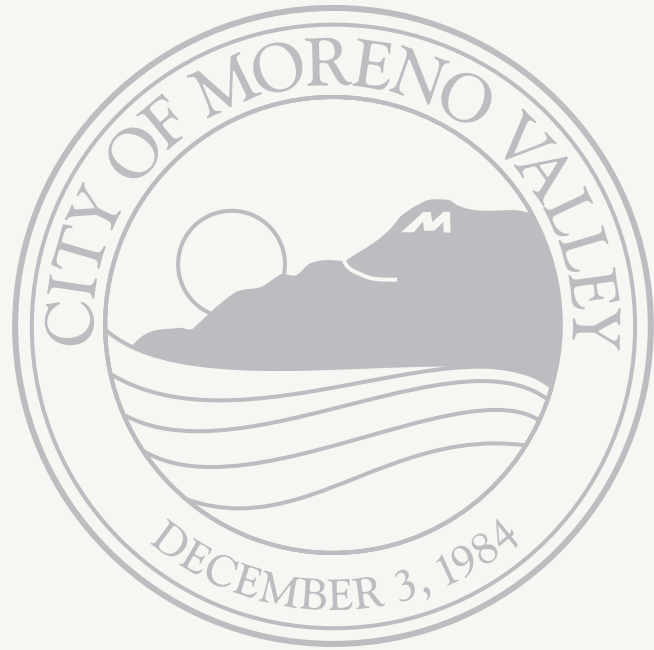
**City of Moreno Valley
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



Financial Section



City of Moreno Valley, CA

FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 93 through 97 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.

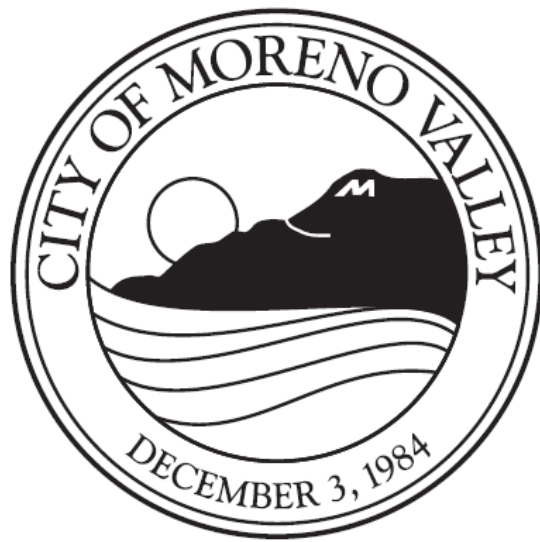


Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 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.

Vargas + Company LLP

**Glendale, California
December 5, 2018**



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, 2018. 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 \$1.04 billion (net position) at June 30, 2018.
- In the Government-wide - Statement of Net Position: The City's total net position increased \$9.6 million for fiscal year 2017-2018 mainly due to increase in both current assets and capital assets.
- In the Governmental Fund – Balance Sheet: The General Fund had an end of year fund balance of \$55.7 million. This was a decrease of \$0.4 million or a decrease of 0.7% over the prior year.
- In the Governmental Fund – Balance Sheet: 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 one-time expenditures, an increase in nonspendable fund balance and an increase in the operating and economic uncertainty reserves to increase the financial stability of the City. Unassigned amounts are not constrained in any way and are available for any purpose.

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 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.

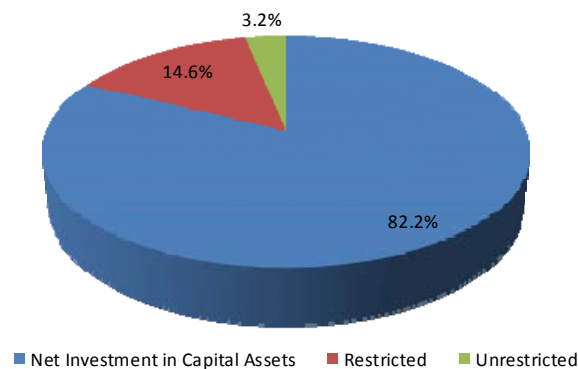
Financial Analysis of the Government-wide Statements

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, 2018. Comparative data from fiscal year ended June 30, 2017 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, 2018 was \$1.04 billion.

City of Moreno Valley's Net Position



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

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
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	<u>1,154,429</u>	<u>1,158,331</u>	<u>73,828</u>	<u>75,513</u>	<u>1,228,257</u>	<u>1,233,844</u>
Deferred outflows 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	131,316	137,246	39,601	38,698	170,917	175,944
Total Liabilities	<u>158,804</u>	<u>166,936</u>	<u>46,345</u>	<u>43,838</u>	<u>205,149</u>	<u>210,774</u>
Deferred inflows of resources	7,316	1,521	184	(4)	7,500	1,517
Net investment 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	<u>\$ 1,003,483</u>	<u>\$ 1,004,800</u>	<u>\$30,291</u>	<u>\$ 38,588</u>	<u>\$ 1,033,774</u>	<u>\$ 1,043,388</u>

Total net position of the City of Moreno Valley increased by 1.0% from \$1.03 billion at June 30, 2017 to \$1.04 billion at June 30, 2018. The City's unrestricted fund balance increased \$1.2 million to \$32.8 million. Total assets increased \$5.6 million and total liabilities increased \$5.6 million.

The following analysis of governmental and business-type activities provides more detailed information for these changes:

Governmental Activities

Total assets increased \$3.9 million primarily due to an increase of \$8.4 million in current and other assets offset by a decrease in capital assets of \$4.5 million.

The current year capital asset additions of \$38.7 million were offset by current year depreciation expenses of \$33.0 million and asset retirements (including transfers out from Capital Improvement Projects) net of accumulated depreciation of \$10.2 million for a net decrease of \$4.5 million.

Current liabilities increased \$2.2 million primarily due to an increase in accounts payable. Total liabilities increased \$8.1 million due to increase in net pension and OPEB liability at June 30, 2018. See Note 8 and Note 9 of Notes to the Financial Statements for more information.

Net investment in capital assets decreased \$2.4 million as a direct result of depreciation expense as assets deplete during the useful life cycle.

Restricted net position increased by \$9.7 million as funds are committed and programmed mostly in the areas of community development, public works and infrastructure.

Business-type Activities

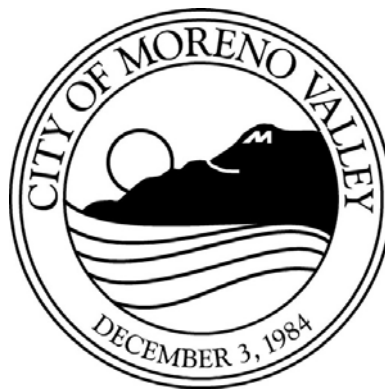
Current and other assets of business-type activities decreased \$6.2 million over last year. This was primarily due to a portion of the Electric Utility's cash and bond proceeds spent on infrastructure investments as of June 30, 2018.

Capital assets increased \$7.8 million due to capital asset additions of \$9.0 million offset by current year depreciation expense of \$1.2 million. Capital asset additions include the construction of the Kitching Substation as well as other electric utility facility upgrades. More capital asset information is located in Note 5 to the financial statements.

Total liabilities decreased \$2.5 million primarily due to decrease in accounts payable and long term debt at June 30, 2018.

Net investment in capital assets increased \$0.4 million as a direct result of the addition of the capital assets mentioned above.

Unrestricted net position increased \$7.2 million during the year primarily due to increase in deferred outflows of resources as well as decrease in total liabilities.



Analysis of the Changes in Net Position

Total government-wide revenues increased \$38.3 million, a 22.9% increase from the prior year, while total expenses increased \$18.6 million, a 10.5% 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, 2018. Comparative data from fiscal year ended June 30, 2017 is also presented.

Changes in Net Position (\$000's)

	Governmental		Business-type		Totals	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues:						
Charges for services	\$ 23,188	\$ 35,065	\$ 29,091	\$ 31,443	\$ 52,279	\$ 66,508
Operating contributions and grants	19,429	21,856	-	-	19,429	21,856
Capital contributions and grants	5,544	1,079	-	-	5,544	1,079
General Revenues:						
Property tax	18,234	19,746	-	-	18,234	19,746
Property tax in lieu	17,430	18,406	-	-	17,430	18,406
Transient occupancy tax	1,853	2,344	-	-	1,853	2,344
Sales tax	18,395	19,192	-	-	18,395	19,192
Franchise tax fees	5,385	5,680	-	-	5,385	5,680
Business license tax	2,292	2,352	-	-	2,292	2,352
Utility users tax	15,613	15,629	-	-	15,613	15,629
Franchise in lieu of taxes	288	620	-	-	288	620
Documentary transfer tax	720	768	-	-	720	768
Other taxes	6,464	6,679	-	-	6,464	6,679
Use of money and property	2,639	6,167	129	47	2,768	6,214
Miscellaneous	769	1,041	209	294	978	1,335
Contributed capital	-	14,513	-	3,099	-	17,612
Transfers	-	300	-	(300)	-	-
Total Revenues	138,243	171,437	29,429	34,583	167,672	206,020
Expenses:						
General government	20,743	17,866	-	-	20,743	17,866
Public safety	57,881	62,932	-	-	57,881	62,932
Community development	9,895	16,128	-	-	9,895	16,128
Community and cultural	22,145	23,159	-	-	22,145	23,159
Public works	39,433	47,834	-	-	39,433	47,834
Interest and fiscal charges	2,408	2,201	-	-	2,408	2,201
Electric	-	-	25,319	26,287	25,319	26,287
Total Expenses	152,505	170,120	25,319	26,287	177,824	196,407
Change in Net Position	(14,262)	1,317	4,110	8,296	(10,152)	9,613
Restatement of Net Position	5,587	-	(283)	-	5,304	-
Net Position Beginning of Year	1,012,158	1,003,483	26,465	30,292	1,038,623	1,033,775
Net Position End of Year	\$ 1,003,483	\$ 1,004,800	\$ 30,292	\$ 38,588	\$ 1,033,774	\$ 1,043,388

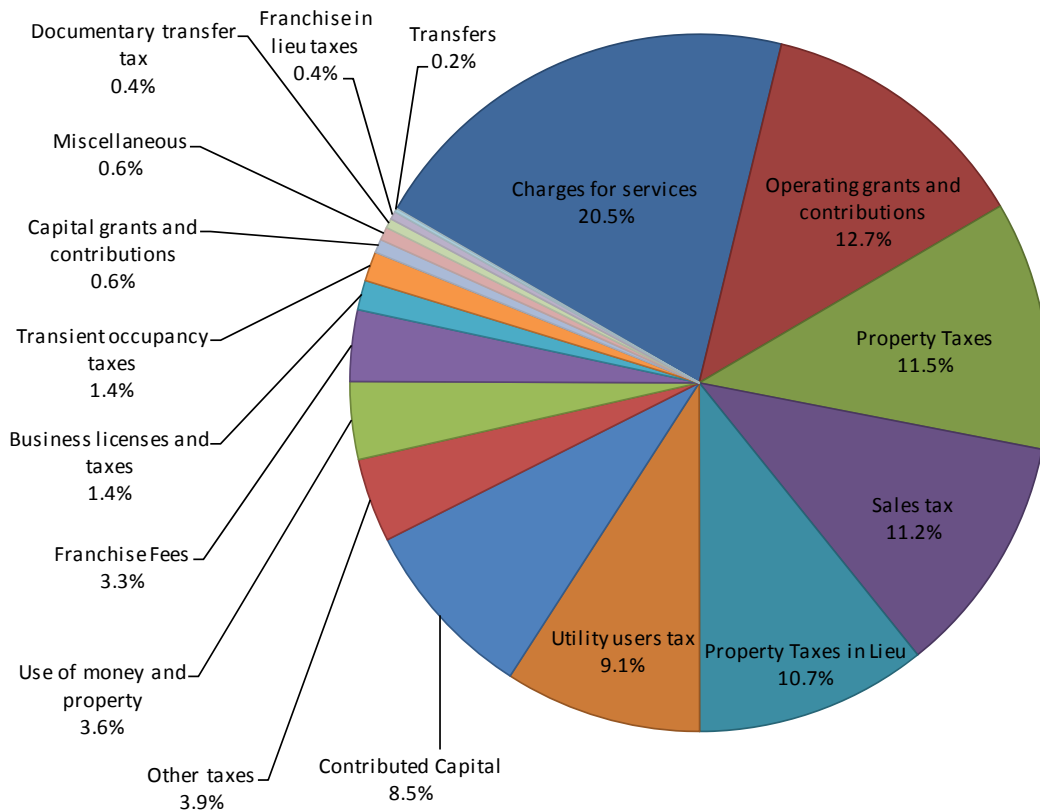
Governmental Activities

The City's governmental revenues increased \$33.2 million, a 24.0% increase from the prior year, and total expenses increased \$17.6 million, an 11.6% increase. The following discusses the changes in more detail.

Revenue

Program revenues increased \$9.8 million primarily as a result of increased collection of charges for services of \$11.9 million and increased operating grants and contributions of \$2.4 million offset by a decrease in capital grants and contributions of \$4.5 million. General revenues increased by \$23.4 million, primarily due to increase in developer contributed capital, property tax and use of money and property.

**Revenues by Source – Governmental Activities
For the year ended June 30, 2018**



Expense

Total governmental expenses increased by \$17.6 million. This increase is primarily due to increased public works expenses of \$8.4 million, increased community development expenses of \$6.2 million and an increase in public safety expenses of \$5.0 million.

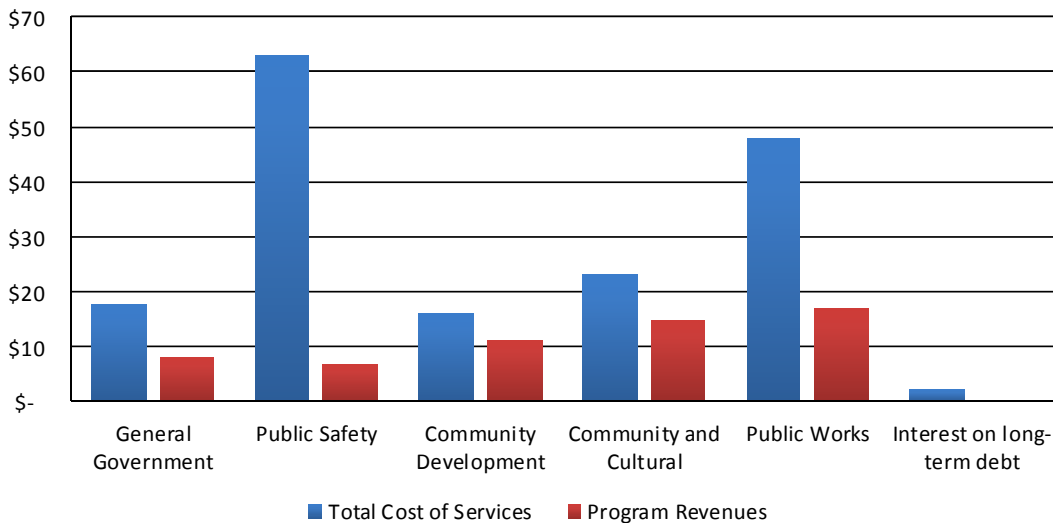
The following table presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the amount paid for by general revenue sources that are generated by all City taxpayers. As illustrated, program revenues recovered \$58.0 million of the cost of providing these services.

**Governmental Activities - Net Cost of Services
For the year ended June 30, 2018**

	Total Cost of Services	Net Cost of Services
General government	\$ 17,866,194	\$ (9,678,661)
Public safety	62,932,166	(56,238,522)
Community development	16,127,907	(4,852,572)
Community and cultural	23,158,730	(8,449,912)
Public works	47,833,852	(30,698,753)
Interest and fiscal charges	2,201,392	(2,201,392)
TOTAL	<u>\$ 170,120,241</u>	<u>\$ (112,119,812)</u>

The City paid for the remaining public benefit portion of these governmental activities with \$113.4 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, 2018
(in millions)**



Business-type Activities

The City's business-type activities include the activities of the Electric Utility. Total revenues for business-type activities increased \$5.1 million from the prior year or 17.5%. Total expenses increased \$1.0 million or 3.82%. The following discusses the changes in more detail.

Revenue

Total revenues increased \$5.1 million from prior year primarily due to an increase in the collection of charges for services of \$2.3 million and contributed capital received in the amount of \$3.1 million.

Expenses

Expenses in the Electric Utility increased \$1.0 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 \$172.4 million, with the General Fund representing \$55.7 million, or 32.3% of the total. The City's General Fund has unassigned fund balance of \$19.7 million.

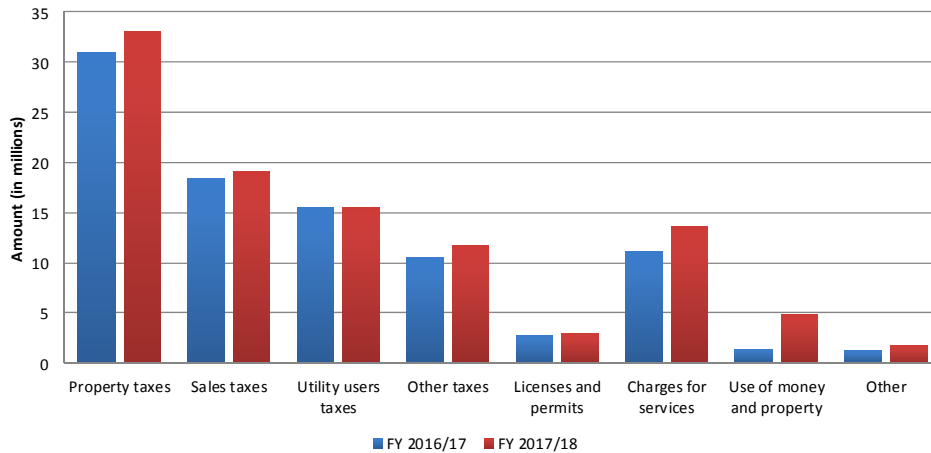
General Fund Financial Results

The General Fund was anticipated to have a net decrease in fund balance of \$3.1 million. Actual results decreased the fund balance by \$0.4 million, \$2.7 million less than anticipated. Actual results realized an expenditure reduction of \$4.0 million primarily related to capital outlay purchases delayed to next year and current expenditure savings.

General Fund tax revenues were \$0.7 million more and fees and charges for services were \$0.9 million more than anticipated; however, a decrease in licenses and permits of \$0.3 million and a decrease of \$1.2 million in use of money and property largely offset those gains primarily due to the GASB 31 fair value adjustment of our investments.

The following graph presents a comparison of each General Fund revenue source for the fiscal years ended June 30, 2017 and 2018.

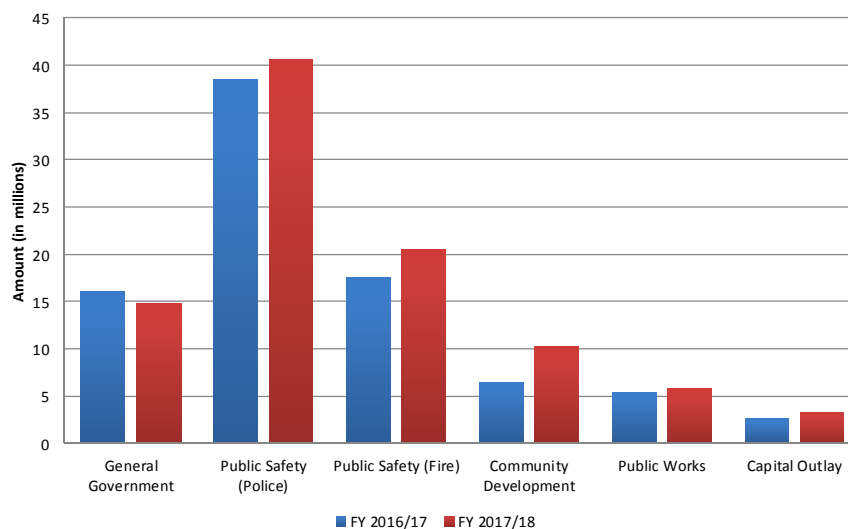
**General Fund – Revenues (Two Year Comparison)
For FY's 16/17 & 17/18**



General Fund actual expenditures were \$4.0 million less than the final budget. The major contributor to this result was in large part due to \$2.5 million of current expenditure savings in combination with the unanticipated delay of capital outlay of \$1.4 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, 2017 and 2018.

**General Fund – Expenditures (Two Year Comparison)
For FY's 16/17 & 17/18**



Other Major Fund Financial Results

The fund balance of the Development Impact Fees Special Revenue Fund increased by \$2.6 million over FY 2016-17. 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 only slightly over FY 2016-17 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 \$1.6 million along with \$0.5 million of unanticipated property tax revenues.

The fund balance of the Housing Authority Fund increased \$0.2 million over FY 2016-17. This fund accounts for the housing assets as a result of the dissolution of the redevelopment agency of the City. In FY 2017-18 the fund balance increased as a direct result of loan payments for principal and interest collected related to the housing assets that were constructed with affordability covenants.

Capital Asset and Debt Administration

Capital Assets

At the end of FY 2017-18, the City's governmental activities had \$1.4 billion (\$888.6 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 \$38.7 million were offset by current year depreciation expense of \$33.0 million and asset retirements (including transfers out from Capital Improvement Projects) net of accumulated depreciation of \$10.2 million for a net decrease of \$4.5 million. This decrease is primarily attributed to the retirement of machinery, equipment, and vehicles along with the recognition of depreciation expense.

At June 30, 2018, the City's business-type activities had \$67.3 million (\$57.1 million net of accumulated depreciation) invested in capital assets, primarily utility infrastructure. The current year capital asset additions of \$9.0 million were offset by current depreciation expense of \$1.2 million for a net increase of \$7.8 million. This increase was primarily the result of the construction of the Kitching Substation and SCE Facility Upgrades.

**City of Moreno Valley
Capital Assets
(\$000's)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2017	2018	2017	2018	2017	2018	
Land	\$ 310,197	\$ 310,197	\$ 1,729	\$ 1,729	\$ 311,926	\$ 311,926	0%
Buildings and Improvements	142,447	146,893	-	-	142,447	146,893	3%
Machinery and Equipment	19,894	20,205	1,017	1,105	20,911	21,310	2%
Vehicles	10,137	12,032	-	-	10,137	12,032	19%
Construction in progress	17,807	18,515	10,521	4,563	28,328	23,078	-19%
Infrastructure	857,541	877,523	44,967	59,925	902,508	937,448	4%
	<u>1,358,023</u>	<u>1,385,365</u>	<u>58,234</u>	<u>67,322</u>	<u>1,416,257</u>	<u>1,452,687</u>	3%
Accumulated Depreciation	(464,935)	(496,779)	(8,941)	(10,177)	(473,876)	(506,956)	7%
Net Capital Assets	<u>\$ 893,088</u>	<u>\$ 888,586</u>	<u>\$49,293</u>	<u>\$57,145</u>	<u>\$ 942,381</u>	<u>\$ 945,731</u>	0%

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

- SR-60 / Nason Street Overcrossing Bridge Landscaping Establishment
- Cycle 6 CDBG Pedestrian Enhancements
- Hubbard Street Storm Drain
- Heacock Street between Iris Avenue and Gentian Avenue
- Cottonwood Basin
- 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 Safe Routes to School Pedestrian Facility Improvements
- Cycle 7 ADA Pedestrian Access Ramps
- Alessandro Blvd at Chagall Court and Graham Street
- Liberty Lane Improvements

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

- Citywide Pavement Rehabilitation Program- FY 18/19 SB1 Funded Segments
- Cycle 7 ADA Pedestrian Access Ramps
- Moreno Townsite Area Storm Drain and Street Improvements
- San Tiemo Foothill Neighborhood Flood Protection – Lines K-1 and K-4
- Eucalyptus Ave / Gentian Ave Bike Lanes
- Sunnymead Master Drainage Plan - Storm Drain Lines F and F-7

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 \$137.2 million in bonds, certificates of participation, compensated absences, pension and OPEB liability and self-insurance claims and judgments.

Outstanding Debt at Year End 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	-
	<u>\$ 137,245,688</u>	<u>\$ 38,698,067</u>

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors and Outlook for Future Years

Although the focus of this Annual Report is on the economic condition of the City in the fiscal year that ended June 30, 2018, it is important for the City's financial management to report on current issues affecting the City and their economic impact on FY 2017-18 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 207,629 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 2017-18 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 at 5.04%. 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.

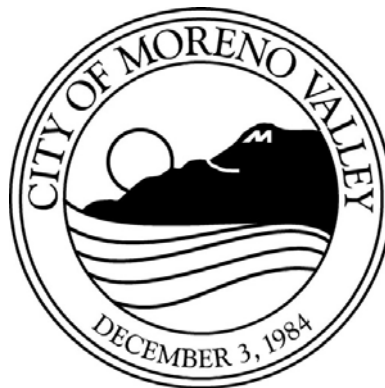
The City's Economic Development Department has been committed to aggressively marketing Moreno Valley as the region's preeminent choice for business interested in locating in the Inland Empire. Ideally

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 the FY 2014-15 credit status review by Standard & Poor's, the City's credit rating was upgraded to A positive and reaffirmed in 2016 with a stable outlook. A key factor in achieving the strong rating was 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments (note 3)	\$ 181,931,869	\$ 13,086,879	\$ 195,018,748
Receivables:			
Accounts	2,598,551	3,767,829	6,366,380
Notes and loans (note 4)	46,180,818	-	46,180,818
Note to Successor Agency (note 4)	13,279,341	-	13,279,341
Interest	3,757,681	-	3,757,681
Prepaid costs	225,446	926,390	1,151,836
Due from other governments	15,553,099	-	15,553,099
Inventories	32,456	402,085	434,541
Land held for resale	6,182,170	-	6,182,170
Restricted assets:			
Cash with fiscal agents (note 3)	3,904	184,112	188,016
Capital assets - not being depreciated (note 5)	328,712,614	6,292,486	335,005,100
Capital assets - net of accumulated depreciation (note 5)	559,873,545	50,852,906	610,726,451
Total Assets	1,158,331,494	75,512,687	1,233,844,181
Deferred Outflows of Resources			
Deferred outflows related to pensions (note 8)	14,719,536	525,904	15,245,440
Deferred outflows related to OPEB (note 9)	206,151	6,695	212,846
Deferred outflows - Utility Network	-	6,376,649	6,376,649
Total Deferred Outflows of Resources	14,925,687	6,909,248	21,834,935
Liabilities			
Accounts payable	26,456,056	3,573,569	30,029,625
Accrued liabilities	1,198,438	-	1,198,438
Accrued interest	311,513	245,949	557,462
Unearned revenue	1,697,525	18,282	1,715,807
Deposits payable	-	1,301,916	1,301,916
Due to other governments	26,380	-	26,380
Noncurrent liabilities:			
Long-term debt - due within one year (note 6)	6,940,291	1,351,068	8,291,359
Long-term debt - due in more than one year (note 6)	53,028,344	35,114,689	88,143,033
Net pension liability (notes 6 and 8)	70,428,778	1,981,250	72,410,028
Net OPEB liability (notes 6 and 9)	6,848,275	251,060	7,099,335
Total Liabilities	166,935,600	43,837,783	210,773,383
Deferred Inflows of Resources			
Deferred inflows related to pensions (note 8)	1,028,181	(23,393)	1,004,788
Deferred inflows related to OPEB (note 9)	493,330	19,487	512,817
Total Deferred Inflows of Resources	1,521,511	(3,906)	1,517,605
Net Position			
Net investment in capital assets	837,174,593	20,959,563	858,134,156
Restricted for:			
Community development projects	69,723,387	-	69,723,387
Public safety	595,357	-	595,357
Community and cultural	18,852,822	-	18,852,822
Public works	25,263,715	-	25,263,715
Capital projects	24,998,619	-	24,998,619
Debt service	6,022,962	-	6,022,962
Permanent funds	324,240	-	324,240
Water quality	1,155,659	-	1,155,659
Public purpose programs	-	5,460,607	5,460,607
Unrestricted	20,688,716	12,167,888	32,856,604
Total Net Position	\$ 1,004,800,070	\$ 38,588,058	\$ 1,043,388,128

See notes to Financial Statements

City of Moreno Valley, California

Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 17,866,194	\$ 7,862,247	\$ 325,286	\$ -
Public safety	62,932,166	3,797,064	2,896,580	-
Community development	16,127,907	10,912,039	363,296	-
Community and cultural	23,158,730	5,947,505	8,329,978	431,335
Public works	47,833,852	6,547,035	9,940,429	647,635
Interest and fiscal charges	2,201,392	-	-	-
Total Governmental Activities	170,120,241	35,065,890	21,855,569	1,078,970
Business-Type Activities:				
Electric	26,286,674	31,443,140	-	-
Total Business-Type Activities	26,286,674	31,443,140	-	-
Total Primary Government	\$ 196,406,915	\$ 66,509,030	\$ 21,855,569	\$ 1,078,970

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

Contributed capital

Transfers

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

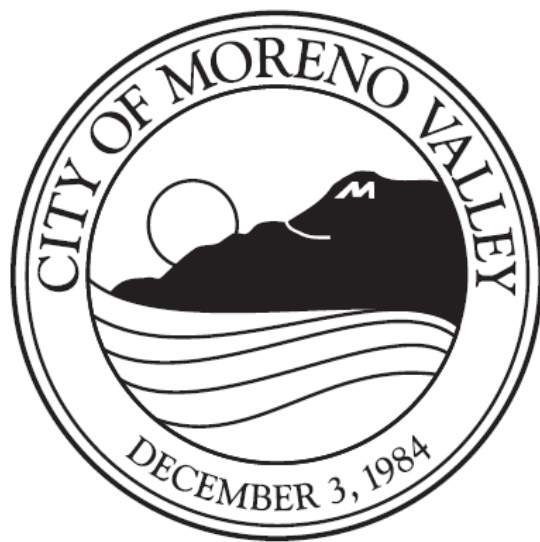
See notes to Financial Statements

City of Moreno Valley, California

Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total	Functions/Programs
			Primary government:
			Governmental Activities:
\$ (9,678,661)	\$ -	\$ (9,678,661)	General government
(56,238,522)	-	(56,238,522)	Public safety
(4,852,572)	-	(4,852,572)	Community and economic development
(8,449,912)	-	(8,449,912)	Community and cultural
(30,698,753)	-	(30,698,753)	Public works
(2,201,392)	-	(2,201,392)	Interest and fiscal charges
(112,119,812)	-	(112,119,812)	Total Governmental Activities
			Business-Type Activities:
			Electric
-	5,156,466	5,156,466	
-	5,156,466	5,156,466	Total Business-Type Activities
(112,119,812)	5,156,466	(106,963,346)	Total Primary Government
			General Revenues:
			Taxes:
19,745,795	-	19,745,795	Property taxes
18,406,258	-	18,406,258	Property taxes in lieu
2,344,159	-	2,344,159	Transient occupancy taxes
19,192,515	-	19,192,515	Sales taxes
5,680,137	-	5,680,137	Franchise taxes
2,351,794	-	2,351,794	Business license taxes
15,629,102	-	15,629,102	Utility users taxes
6,678,812	-	6,678,812	Other taxes
620,349	-	620,349	Franchise in lieu of taxes
767,591	-	767,591	Documentary transfer tax
6,166,810	47,572	6,214,382	Use of money and property
1,040,861	293,756	1,334,617	Miscellaneous
14,513,139	3,098,784	17,611,923	Contributed capital
300,000	(300,000)	-	Transfers
113,437,322	3,140,112	116,577,434	Total General Revenues
1,317,510	8,296,578	9,614,088	Change in Net Position
1,003,482,560	30,291,480	1,033,774,040	Net Position - Beginning of Year
\$ 1,004,800,070	\$ 38,588,058	\$ 1,043,388,128	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.

Development Impact Fees Special Revenue Fund

This group of funds is used to account for the restricted fees collected to provide funding for capital improvements related to the impact of development on various City services. The City collects fees for the following: arterial streets, traffic signals, fire facilities, police facilities, parkland facilities, Quimby in-lieu of parks, recreation facilities, library facilities, city hall facilities, corporate yard facilities, interchange improvements, maintenance equipment, animal shelter facilities, and administration fees.

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, 2018

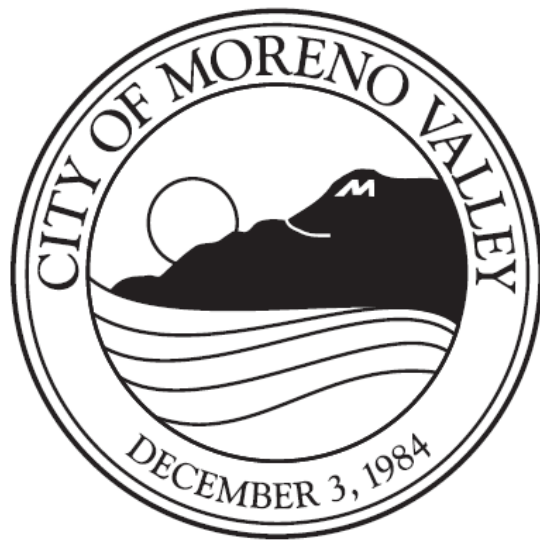
	Special Revenue Funds		
	GENERAL FUND	DEVELOPMENT IMPACT FEES	CSD ZONES
Assets			
Pooled cash and investments (note 3)	\$ 61,538,811	\$ 19,728,157	\$ 19,828,675
Receivables:			
Accounts	2,147,268	-	380,531
Notes and loans (note 4)	-	-	-
Notes to Successor Agency (note 4)	13,279,341	-	-
Interest	957,808	-	-
Due from other governments	4,900,166	-	280,591
Due from other funds (note 7)	1,567,361	-	-
Advances to other funds (note 7)	4,809,000	-	-
Prepaid costs	197,263	-	13,702
Land held for resale	2,860,044	-	-
Restricted assets:			
Cash with fiscal agents (note 3)	-	-	-
Total Assets	\$ 92,257,062	\$ 19,728,157	\$ 20,503,499
Liabilities			
Accounts payable	\$ 22,614,012	\$ -	\$ 1,162,777
Accrued liabilities	1,138,299	-	-
Unearned revenues	1,149,339	-	431,572
Due to other governments	26,380	-	-
Due to other funds (note 7)	-	-	42,626
Advances from other funds (note 7)	-	4,809,000	-
Total Liabilities	24,928,030	4,809,000	1,636,975
Deferred Inflows of Resources			
Unavailable revenues	11,607,078	-	-
Total Deferred Inflow of Resources	11,607,078	-	-
Fund Balances			
Nonspendable			
Notes to Successor Agency	3,578,367	-	-
Advances to other funds	4,809,000	-	-
Permanent fund principal	-	-	-
Prepaid costs	197,263	-	13,702
Land held for resale	2,860,044	-	-
Restricted			
Community development projects	-	-	-
Public safety	-	-	-
Community and cultural	-	-	18,852,822
Public works	-	14,919,157	-
Capital projects	-	-	-
Debt service	-	-	-
Endowment	-	-	-
Water quality	-	-	-
Committed			
Revolving line of credit	2,600,000	-	-
Maintenance of pedestrian bridge	180,763	-	-
Operating reserve	11,063,331	-	-
Library development	-	-	-
Assigned			
Continuing appropriations	1,523,491	-	-
Economic uncertainty reserve	9,219,443	-	-
Unassigned	19,690,252	-	-
Total Fund Balances	55,721,954	14,919,157	18,866,524
Total Liabilities and Fund Balances	\$ 92,257,062	\$ 19,728,157	\$ 20,503,499

See notes to financial statements.

City of Moreno Valley, California

Balance Sheet
Governmental Funds
June 30, 2018

Special Revenue Fund	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
HOUSING AUTHORITY			
\$ 1,518,566	\$ 38,340,104	\$ 140,954,313	Assets
-	70,683	2,598,482	Pooled cash and investments (note 3)
33,279,646	12,901,172	46,180,818	Receivables:
-	-	13,279,341	Accounts
2,234,448	565,425	3,757,681	Notes and loans (note 4)
-	10,372,342	15,553,099	Notes to Successor Agency (note 4)
-	-	1,567,361	Interest
-	-	4,809,000	Due from other governments
-	-	210,965	Due from other funds (note 7)
3,322,127	-	6,182,171	Advances to other funds (note 7)
-	3,904	3,904	Prepaid costs
<u>\$ 40,354,787</u>	<u>\$ 62,253,630</u>	<u>\$ 235,097,135</u>	Land held for resale
			Restricted assets:
			Cash with fiscal agents (note 3)
			Total Assets
\$ 23,307	\$ 2,390,046	\$ 26,190,142	Liabilities
-	60,139	1,198,438	Accounts payable
-	116,614	1,697,525	Accrued liabilities
-	-	26,380	Unearned revenues
-	1,524,735	1,567,361	Due to other governments
-	-	4,809,000	Due to other funds (note 7)
<u>23,307</u>	<u>4,091,534</u>	<u>35,488,846</u>	Advances from other funds (note 7)
			Total Liabilities
2,234,448	13,395,751	27,237,277	Deferred Inflows of Resources
<u>2,234,448</u>	<u>13,395,751</u>	<u>27,237,277</u>	Unavailable revenues
			Total Deferred Inflow of Resources
			Fund Balances
		3,578,367	Nonspendable
		4,809,000	Notes to Successor Agency
	288,098	288,098	Advances to other funds
	-	210,965	Permanent fund principal
	-	2,860,044	Prepaid costs
			Land held for resale
			Restricted
38,097,032	7,022,536	45,119,568	Community development projects
-	595,357	595,357	Public safety
-	-	18,852,822	Community and cultural
-	10,344,558	25,263,715	Public works
-	13,737,119	13,737,119	Capital projects
-	6,022,962	6,022,962	Debt service
-	36,142	36,142	Endowment
-	1,155,659	1,155,659	Water quality
		2,600,000	Committed
		180,763	Revolving line of credit
		11,063,331	Maintenance of pedestrian bridge
	5,768,000	5,768,000	Operating reserve
			Library development
		1,523,491	Assigned
		9,219,443	Continuing appropriations
	(204,086)	19,486,166	Economic uncertainty reserve
<u>38,097,032</u>	<u>44,766,345</u>	<u>172,371,012</u>	Unassigned
			Total Fund Balances
<u>\$ 40,354,787</u>	<u>\$ 62,253,630</u>	<u>\$ 235,097,135</u>	Total Liabilities and Fund Balances



City of Moreno Valley, California

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Fund balances of governmental funds		\$ 172,371,012
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)	\$ 1,360,292,163	
Accumulated depreciation (excludes internal service accumulated depreciation)	<u>(484,573,046)</u>	
		875,719,117
Long-term debt and compensated absences have not been included in the governmental fund activity		
2011 Private Placement Refunding, Series 1997 Variable Rate Certificates of Participation	\$ (1,527,000)	
2013 Refunding of 2005 Lease Revenue Bonds	(6,581,000)	
2013 Total Road Improvement Certificates of Participation	(18,995,000)	
2014 Refunding of 2005 Lease Revenue Bonds	(22,602,069)	
Unamortized Premium/Discount	(1,706,498)	
Compensated Absences	<u>(6,187,960)</u>	
		(57,599,527)
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		
		27,237,277
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds		
		(311,513)
Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds		
		14,925,686
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	\$ (6,848,275)	
Net pension liability	<u>(70,428,778)</u>	
		(77,277,053)
Deferred inflows of resources related to pensions and OPEB are not current obligation and are not reported in the governmental funds		
		(1,521,511)
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>51,256,582</u>
Net position of governmental activities		<u><u>\$ 1,004,800,070</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, 2018

	Special Revenue Funds		
	GENERAL FUND	DEVELOPMENT IMPACT FEES	CSD ZONES
Revenues			
Taxes:			
Property taxes	\$ 14,696,576	\$ -	\$ 5,049,219
Property taxes in lieu	18,406,258	-	-
Utility users taxes	15,629,102	-	-
Sales taxes	19,192,515	-	-
Other taxes	11,764,029	-	6,560,496
Licenses and permits	3,020,868	-	-
Intergovernmental	965,854	-	-
Fees and charges for services	13,673,162	5,897,965	5,809,593
Use of money and property	4,914,487	83,469	812,153
Fines and forfeitures	612,357	-	36,694
Miscellaneous	250,155	-	219,032
Total Revenues	103,125,363	5,981,434	18,487,187
Expenditures			
Current:			
General government	14,885,630	-	-
Public safety	61,170,062	-	-
Community development	10,280,985	-	-
Community and cultural	-	-	12,466,759
Public works	5,874,494	-	5,889,924
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	3,399,276	-	-
Total Expenditures	95,610,447	-	18,356,683
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,514,916	5,981,434	130,504
Other Financing Sources (Uses)			
Transfers in (note 7)	3,712,478	1,058,000	1,517,472
Transfers out (note 7)	(11,637,178)	(4,453,646)	(1,631,818)
Transfers from Successor Agency	-	-	-
Total Other Financing Sources (Uses)	(7,924,700)	(3,395,646)	(114,346)
Net Change in Fund Balances	(409,784)	2,585,788	16,158
Fund Balances			
Fund Balances - Beginning of Year	56,131,738	12,333,369	18,850,366
Fund Balances - End of Year	\$ 55,721,954	\$ 14,919,157	\$ 18,866,524

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, 2018

<u>Special Revenue Fund</u>				
<u>HOUSING AUTHORITY</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>		
\$	\$	\$		Revenues
-	-	19,745,795		Taxes:
-	-	18,406,258		Property taxes
-	-	15,629,102		Property taxes in lieu
-	-	19,192,515		Utility users taxes
-	118,315	18,442,840		Sales taxes
-	-	3,020,868		Other taxes
-	24,415,054	25,380,908		Licenses and permits
-	2,184,231	27,564,951		Intergovernmental
207,398	149,303	6,166,810		Fees and charges for services
-	5,942	654,993		Use of money and property
11,150	560,524	1,040,861		Fines and forfeitures
218,548	27,433,369	155,245,901		Miscellaneous
				Total Revenues
				Expenditures
				Current:
-	777,900	15,663,530		General government
-	577,590	61,747,652		Public safety
23,946	5,062,635	15,367,566		Community development
-	8,235,494	20,702,253		Community and cultural
-	7,547,175	19,311,593		Public works
				Debt service:
-	1,920,000	1,920,000		Principal retirement
-	2,399,001	2,399,001		Interest and fiscal charges
-	9,835,597	13,234,873		Capital outlay
23,946	36,355,392	150,346,468		Total Expenditures
				Excess (Deficiency) of Revenues Over (Under)
194,602	(8,922,023)	4,899,433		Expenditures
				Other Financing Sources (Uses)
-	15,693,114	21,981,064		Transfers in (note 7)
-	(2,675,279)	(20,397,921)		Transfers out (note 7)
-	150,000	150,000		Transfers from Successor Agency
-	13,167,835	1,733,143		Total Other Financing Sources (Uses)
194,602	4,245,812	6,632,576		Net Change in Fund Balances
				Fund Balances
37,902,430	40,520,533	165,738,436		Fund Balances - Beginning of Year
\$ 38,097,032	\$ 44,766,345	\$ 172,371,012		Fund Balances - End of Year

City of Moreno Valley, California
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, 2018

Net change in fund balances - total governmental funds \$ 6,632,576

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	\$	12,678,024	
Donated infrastructure		14,513,139	
Depreciation expense		<u>(31,772,721)</u>	(4,581,558)

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	\$	1,920,000	
Amortization of bond premiums		189,648	
Amortization of bond discount		<u>(5,398)</u>	2,104,250

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 13,359

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. 80,251

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. (183,346)

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. (2,876,936)

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. 128,914

Change in net position of governmental activities \$ 1,317,510

City of Moreno Valley, California

**Budgetary Comparison Statement
GENERAL FUND
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 13,930,000	\$ 13,930,000	\$ 14,696,576	\$ 766,576
Property taxes in lieu	18,300,000	18,300,000	18,406,258	106,258
Utility users taxes	16,200,000	16,200,000	15,629,102	(570,898)
Sales taxes	18,200,000	18,275,000	19,192,515	917,515
Other taxes	12,133,500	12,262,037	11,764,029	(498,008)
Licenses and permits	2,674,824	3,400,277	3,020,868	(379,409)
Intergovernmental	463,000	930,827	965,854	35,027
Fees and charges for services	11,756,141	12,770,824	13,673,162	902,338
Use of money and property	3,157,862	6,171,858	4,914,487	(1,257,371)
Fines and forfeitures	662,050	662,050	612,357	(49,693)
Miscellaneous	70,197	97,197	250,155	152,958
Total Revenues	97,547,574	103,000,070	103,125,363	125,293
Expenditures				
Current:				
General government				
City council	995,390	1,057,545	924,330	133,215
City manager	5,856,908	5,970,885	5,775,070	195,815
City clerk	575,432	592,202	546,712	45,490
City attorney	881,672	893,000	724,574	168,426
Financial & management services	4,206,563	4,322,045	4,176,232	145,813
Administrative services	1,051,088	1,222,138	1,202,438	19,700
Non-departmental	498,397	1,010,000	1,536,274	(526,274)
Public Safety				
Police	41,906,917	42,117,088	40,614,371	1,502,717
Fire	20,052,133	20,401,999	20,555,691	(153,692)
Public works	5,791,465	6,148,442	5,874,494	273,948
Community development	10,635,367	11,019,601	10,280,985	738,616
Capital outlay	2,641,029	4,807,413	3,399,276	1,408,137
Total Expenditures	95,092,361	99,562,358	95,610,447	3,951,911
Excess (Deficiency) of Revenues Over (Under) expenditures	2,455,213	3,437,712	7,514,916	4,077,204
Other Financing Sources (Uses)				
Transfers in (note 7)	3,259,850	5,124,388	3,712,478	(1,411,910)
Transfers out (note 7)	(5,587,113)	(11,640,488)	(11,637,178)	3,310
Total Other Financing Sources (uses)	(2,327,263)	(6,516,100)	(7,924,700)	(1,408,600)
Net change in fund balances	127,950	(3,078,388)	(409,784)	2,668,604
Fund balances - Beginning of year	56,131,738	56,131,738	56,131,738	-
Fund balances - End of year	\$ 56,259,688	\$ 53,053,350	\$ 55,721,954	\$ 2,668,604

See notes to financial statements.

City of Moreno Valley, California

**Budgetary Comparison Statement
DEVELOPMENT IMPACT FEES
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 685,900	\$ 4,833,405	\$ 5,897,965	\$ 1,064,560
Use of money and property	202,900	202,900	83,469	(119,431)
Total Revenues	888,800	5,036,305	5,981,434	945,129
Excess (Deficiency) of Revenues Over (Under) expenditures	888,800	5,036,305	5,981,434	945,129
Other Financing Sources (Uses)				
Transfers in (note 7)	1,058,000	1,058,000	1,058,000	-
Transfers out (note 7)	(3,743,372)	(4,493,053)	(4,453,646)	39,407
Total Other Financing Sources (uses)	(2,685,372)	(3,435,053)	(3,395,646)	39,407
Net change in fund balances	(1,796,572)	1,601,252	2,585,788	984,536
Fund balances - Beginning of year	12,333,369	12,333,369	12,333,369	-
Fund balances - End of year	\$ 10,536,797	\$ 13,934,621	\$ 14,919,157	\$ 984,536

See notes to financial statements.

City of Moreno Valley, California

Budgetary Comparison Statement
CSD ZONES
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 4,510,094	\$ 4,510,094	\$ 5,049,219	\$ 539,125
Other taxes	6,548,241	6,548,031	6,560,496	12,465
Fees and charges for services	5,956,700	5,857,452	5,809,593	(47,859)
Use of money and property	812,701	886,951	812,153	(74,798)
Fines and forfeitures	50,000	50,000	36,694	(13,306)
Miscellaneous	13,500	210,500	219,032	8,532
Total Revenues	17,891,236	18,063,028	18,487,187	424,159
Expenditures				
Current:				
Public works	6,272,353	6,472,208	5,889,924	582,284
Community and cultural	13,050,933	13,088,556	12,466,759	621,797
Capital outlay	361,000	390,359	-	390,359
Total Expenditures	19,684,286	19,951,123	18,356,683	1,594,440
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,793,050)	(1,888,095)	130,504	2,018,599
Other Financing Sources (Uses)				
Transfers in (note 7)	2,223,064	1,587,423	1,517,472	(69,951)
Transfers out (note 7)	-	(1,628,332)	(1,631,818)	(3,486)
Total Other Financing Sources (uses)	2,223,064	(40,909)	(114,346)	(73,437)
Net change in fund balances	430,014	(1,929,004)	16,158	1,945,162
Fund balances - Beginning of year	18,850,366	18,850,366	18,850,366	-
Fund balances - End of year	\$ 19,280,380	\$ 16,921,362	\$ 18,866,524	\$ 1,945,162

See notes to financial statements.

City of Moreno Valley, California

**Budgetary Comparison Statement
HOUSING AUTHORITY
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 72,000	\$ 107,000	\$ 207,398	\$ 100,398
Miscellaneous	-	-	11,150	11,150
Total Revenues	72,000	107,000	218,548	111,548
Expenditures				
Current:				
Community development	250,000	250,000	23,946	226,054
Total Expenditures	250,000	250,000	23,946	226,054
Excess (Deficiency) of Revenues Over (Under) expenditures	(178,000)	(143,000)	194,602	337,602
Net change in fund balances	(178,000)	(143,000)	194,602	337,602
Fund balances - Beginning of year	37,902,430	37,902,430	37,902,430	-
Fund balances - End of year	\$ 37,724,430	\$ 37,759,430	\$ 38,097,032	\$ 337,602

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, 2018

	Enterprise Fund - ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
Assets		
Current Assets:		
Pooled cash and investments (note 3)	\$ 13,086,879	\$ 40,977,556
Receivables:		
Accounts	3,767,829	69
Prepaid costs	926,390	14,481
Inventories	402,085	32,456
Restricted:		
Cash with fiscal agent (note 3)	184,112	-
Total Current Assets	18,367,295	41,024,562
Noncurrent Assets:		
Capital assets - net of accumulated depreciation	57,145,392	12,867,042
Total Noncurrent Assets	57,145,392	12,867,042
Total Assets	75,512,687	53,891,604
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	525,904	-
Deferred outflows of resources related to OPEB	6,695	-
Deferred outflows - Utility Network	6,376,649	-
Total Deferred Outflows of Resources	6,909,248	-
Total Assets and Deferred Outflows of Resources	\$ 82,421,935	\$ 53,891,604
Liabilities		
Current Liabilities:		
Accounts payable	\$ 3,573,569	\$ 265,914
Accrued interest	245,949	-
Unearned revenue	18,282	-
Deposits payable	1,301,916	-
Compensated absences (note 6)	167,957	145,265
Self-insurance payable (note 12)	-	893,000
Bonds, notes and loans payable (note 6)	1,183,111	-
Total Current Liabilities	6,490,784	1,304,179
Noncurrent liabilities:		
Compensated absences (note 6)	111,971	96,843
Self-insurance payable (note 12)	-	1,234,000
Bonds, notes and loans payable (note 6)	35,002,718	-
Net pension liability	1,981,250	-
Net OPEB liability	251,060	-
Total Noncurrent Liabilities	37,346,999	1,330,843
Total Liabilities	43,837,783	2,635,022
Deferred Inflows of resources		
Deferred inflows of resources related to pensions	(23,393)	-
Deferred inflows of resources related to OPEB	19,487	-
Total Deferred Inflows of Resources	(3,906)	-
Net Position		
Net investment in capital assets	20,959,563	12,867,042
Restricted for public purpose programs	5,460,607	-
Unrestricted	12,167,888	38,389,540
Total Net Position	38,588,058	51,256,582
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 82,421,935	\$ 53,891,604

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, 2018

	Enterprise Fund - ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
Operating Revenues		
Sales and service charges	\$ 31,031,812	\$ 8,473,350
Miscellaneous	293,756	130,310
Total Operating Revenues	31,325,568	8,603,660
Operating Expenses		
Cost of services	1,059,640	5,486,934
Depreciation expense (note 5)	1,236,411	1,184,962
Electricity purchased	12,714,822	-
Services and supplies	5,265,124	-
Distribution share	4,516,771	-
Self-insurance claims and charges	-	742,020
Total Operating Expenses	24,792,768	7,413,916
Net Operating Income (Loss)	6,532,800	1,189,744
Nonoperating Revenues (Expenses)		
Interest revenue	47,572	-
Interest expense	(1,493,906)	-
Engineering plan check fees	411,328	-
Gain (loss) on disposal of capital assets	-	222,312
Total Nonoperating Revenues (Expenses)	(1,035,006)	222,312
Income (Loss) Before Contributions and Transfers	5,497,794	1,412,056
Transfers and Contributions		
Contributed capital	3,098,784	-
Transfers in (note 7)	-	2,419,336
Transfers out (note 7)	(300,000)	(3,702,478)
Change in Net Position	8,296,578	128,914
Total Net Position - Beginning of Year	30,291,480	51,127,668
Total Net Position - End of Year	\$ 38,588,058	\$ 51,256,582

See Notes to Financial Statements

City of Moreno Valley, California

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund - ELECTRIC	Governmental Activities - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 31,692,033	\$ 8,603,697
Payments to suppliers	(28,063,163)	(4,300,136)
Payments to employees	(960,752)	(1,727,380)
Cash paid for claims	-	(1,015,020)
Net cash provided by operating activities	<u>2,668,118</u>	<u>1,561,161</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfers in	-	2,419,336
Cash transfers out	(300,000)	(3,702,478)
Net cash used by noncapital financing activities	<u>(300,000)</u>	<u>(1,283,142)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,989,879)	(1,264,197)
Proceeds from the sale or disposition of capital assets	-	222,312
Engineering plan check fees	411,328	-
Principal paid on capital debt	(1,158,000)	-
Interest paid on capital debt	(1,493,801)	-
Net cash used by capital and related financing activities	<u>(8,230,352)</u>	<u>(1,041,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	47,572	-
Net cash provided by investing activities	<u>47,572</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(5,814,662)	(763,866)
Balances - beginning of year	19,085,653	41,741,422
Balances - end of the year	<u>\$ 13,270,991</u>	<u>\$ 40,977,556</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income	\$ 6,532,800	\$ 1,189,744
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,236,411	1,184,962
(Increase) decrease in accounts receivables	367,040	35
(Increase) decrease in prepaid costs	(2,605)	(8,896)
(Increase) decrease in deferred outflows related to pension	42,908	-
(Increase) decrease in deferred outflows related to OPEB	(6,698)	-
(Increase) decrease in deferred outflows - utility network	(3,952,907)	-
(Increase) decrease in inventories	(11,496)	(3,479)
Increase (decrease) in accounts payable	(2,040,636)	(491,124)
Increase (decrease) in unearned revenue	(576)	-
Increase (decrease) in deposit payable	441,198	-
Increase (decrease) in self-insurance payable	-	(273,000)
Increase (decrease) in net pension liability	266,851	-
Increase (decrease) in OPEB liability	6,686	-
Increase (decrease) in deferred inflows related to pension	(182,811)	-
Increase (decrease) in deferred inflows related to OPEB	(5,377)	-
Increase (decrease) in compensated absences	(22,670)	(37,081)
Net cash provided by operating activities	<u>\$ 2,668,118</u>	<u>\$ 1,561,161</u>
Noncash capital and related financing activities:		
Contributed capital - donated infrastructure	\$ 3,098,784	\$ -

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, 2018**

	<u>Agency Funds</u>	<u>Private-Purpose Trust Fund</u>
		<u>Successor Agency of the Former RDA</u>
Assets		
Cash (note 3)	\$ 8,092,623	\$ 2,557,093
Accounts receivable	300	-
Due from other governments	15,156	-
Cash with fiscal agents (note 3)	4,955,274	390,545
Total Assets	<u>\$ 13,063,353</u>	<u>2,947,638</u>
Liabilities		
Accounts payable	1,048,118	-
Deposits payable	6,514,971	-
Payable to trustee	5,500,264	-
Short-term debt - due within one year	-	930,010
Long-term debt - due in more than one year	-	53,901,544
Total Liabilities	<u>\$ 13,063,353</u>	<u>54,831,554</u>
Net Position		
Held in trust for other purposes		<u>(51,883,916)</u>
Total Net Position		<u>\$ (51,883,916)</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, 2018**

	Private-Purpose Trust Fund
	Successor Agency of the Former RDA
Additions	
Taxes	\$ 5,385,106
Use of money and property	1,876
Total Additions	5,386,982
 Deductions	
Administrative expenses	251,000
Contractual services	368,808
Refunding bonds issuance cost	549,739
Interest expenses	1,511,676
Transfers to City	150,000
Transfer to Agency Funds	1,451,868
Total Deductions	4,283,091
Change in net position	1,103,891
Net Position - beginning of the year	(52,987,807)
Net Position - end of the year	\$ (51,883,916)

See notes to financial statements.

City of Moreno Valley, California

Notes to Financial Statements Year Ended June 30, 2018

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, 2018 (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, 2018 (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 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

The Development Impact Fees Special Revenue Fund accounts for the restricted fees collected to provide funding for capital improvements related to the impact of development on various City services. The City collects fees for the following: arterial streets, traffic signals, fire facilities, police facilities, parkland facilities, Quimby in-lieu of parks, recreation facilities, library facilities, city hall facilities, corporate yard facilities, interchange improvements, maintenance equipment, animal shelter facilities, and administrative fees. The City has elected to report this fund as a major fund.

The Housing Authority accounts for the housing assets as a result of the dissolution of the former Community Redevelopment Agency of the City.

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 charge 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, 2018 (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, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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:

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory consists of expendable supplies held for consumption.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been set aside as nonspendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical 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, 2018.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Financial and Management Services Director is authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes. 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.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Secured property taxes are payable in two installments with December 10 the last day to pay the first installment of secured property taxes without penalty, and April 10 the last day to pay the second installment of secured property taxes without penalty. Unsecured personal property taxes are due in a single installment on August 31. The County of Riverside bills and collects the property taxes and remits them to the City in installments during the year.

Property taxes received within 60 days after the City's fiscal year end are considered "measurable" and "available" and are accrued in the City's financial statements.

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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2018, the City did not adopt any new Statements of the Governmental Accounting Standards Board (GASB).

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. Operating programs do not cross departmental lines. Individual fund budgets consist of the departmental budgets; departmental budgets may cross fund lines.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control (legal level) for most funds is established by the amount of expenditures budgeted at the departmental and fund levels. Accordingly, the General Fund expenditures are displayed in the supplementary schedules at the department level and the Special Revenue, Debt Service and Capital Projects Funds expenditures are displayed at the function level. Management control is exercised at the line item level in each operating program. Management can transfer budgeted amounts between operating programs, departments or funds, provided that such transfers do not increase the overall 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, 2018 (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	\$ 1,536,274	\$ 526,274
Fire	20,401,999	20,555,691	153,692
Public Education Government Access			
General government	723,168	736,453	13,285
Civil Penalties			
General government	31,466	38,127	6,661
Emergency Services Agency Fines			
Capital outlay	-	15,154	15,154
Child Care Grant			
Community and cultural	800,141	802,003	1,862
Capital outlay	-	24,910	24,910
ASES Program Grant			
Community and cultural	7,396,333	7,399,204	2,871
Used Oil Recycling			
Public works	55,462	65,356	9,894
2014 Refunding of 2005 LRB			
General government	3,000	3,320	320
Equestrian Trail Endowment			
Community and cultural	200	537	337

c. Fund Deficits

The following fund contained a deficit fund balance as of June 30, 2018:

Nonmajor Governmental Funds	
Capital Fund Projects:	
TUMF Capital Projects	\$ 204,086

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, 2018 (Continued)

Note 3 Cash and Investments

As of June 30, 2018, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	\$ 181,935,773
Business-Type Activities	13,270,991
Fiduciary Funds	<u>15,995,535</u>
Total Cash and Investments	<u>\$ 211,202,299</u>

Cash and investments as of June 30, 2018, consist of the following:

Cash and Cash Equivalents	
Petty Cash and Cash Boxes	\$ 10,630
Demand Deposits	2,170,807
Investments	203,487,027
Cash and Investments with Fiscal Agents	<u>5,533,835</u>
Total Cash and Investments	<u>\$ 211,202,299</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, 2018 (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, 2018 (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, 2018, the City's investment in medium term notes consisted of investments with PepsiCo Inc., JP Morgan Chase, IBM Corp, Wells Fargo Bank, Costco Wholesale, Qualcomm Inc., Coca Cola Company, Bank of New York, Praxair Inc., John Deere, Exxon/Mobil, Microsoft, State Street Bank, Chevron Corp., Intel Corp., WalMart Stores Inc., Apple Inc., U.S. Bankcorp, General Electric, Cisco Systems, Honda, Toyota, American Express, Oracle, Nissan, Berkshire Hathaway, Walt Disney Corp., and Chubb INA. At June 30, 2018, 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, 2018, 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 \$2,170,807 at June 30, 2018. 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, 2018 (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, 2018, 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	\$ 61,640,659	\$ -	\$ -	\$ -	\$ 61,640,659
Money Market Fund	685,382	-	-	-	685,382
Commercial Paper	-	75,214	3,399,266	1,524,935	4,999,415
Medium Term Notes	5,411,972	9,274,733	20,425,867	9,063,974	44,176,546
Supranationals	1,909,408	-	1,974,109	2,453,769	6,337,286
US Treasury Notes	2,418,120	3,633,291	12,946,603	8,399,450	27,397,464
Federal Farm Credit Bank	-	-	8,875,716	-	8,875,716
Federal Home Loan Bank	1,995,920	-	9,026,509	1,052,612	12,075,041
Federal Home Loan Mortgage Corp	-	3,467,880	6,525,248	4,341,597	14,334,725
Federal National Mortgage Association	2,997,650	-	10,655,896	9,311,247	22,964,793
Held By Bond Trustee:					-
Money Market Funds	5,026,104	-	-	-	5,026,104
US Treasury Notes	507,731	-	-	-	507,731
Totals	<u>\$ 82,592,946</u>	<u>\$ 16,451,118</u>	<u>\$ 73,829,214</u>	<u>\$ 36,147,584</u>	<u>\$ 209,020,862</u>

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, 2018 (Continued)

Note 3 **Cash and Investments (Continued)**

As of June 30, 2018, the City is in compliance with the investment policy restriction.

In accordance with GASB Statement No. 40, if the City has invested more the 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	5.78%
Federal Home Loan Mortgage Corp	6.86%
Federal National Mortgage Association	10.99%

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, 2018 (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	\$ 685,382	\$ 685,382
Commercial Paper	4,999,415	4,999,415
Medium Term Notes	44,176,546	44,176,546
Supranationals	6,337,286	6,337,286
US Treasury Notes	27,397,464	27,397,464
Federal Farm Credit Bank	8,875,716	8,875,716
Federal Home Loan Bank	12,075,041	12,075,041
Federal Home Loan Mortgage Corp	14,334,725	14,334,725
Federal National Mortgage Association	22,964,793	22,964,793
Held by Trustee:		
Money Market Funds	5,026,104	5,026,104
US Treasury Notes	507,731	507,731
Total	<u>147,380,203</u>	<u>\$ 147,380,203</u>
Uncategorized:		
Local Agency Investment Fund	<u>61,640,659</u>	
Total Uncategorized	<u>61,640,659</u>	
Total Investments measured at Fair Value	<u>\$ 209,020,862</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, 2018 (Continued)**

Note 4 Notes and Loans

a. Notes and Loans Receivable

Notes and loans receivables of \$46,180,818 consist primarily of revolving home improvement loans and are due beyond one year.

A summary of amounts owed at June 30, 2018, follows:

	Housing Authority	Nonmajor Governmental Funds	Total
Cottonwood Properties	\$ 2,924,454	\$ 2,050,000	\$ 4,974,454
Sheila Street Rehabilitation	2,651,875	-	2,651,875
RHDC Properties	1,814,730	2,716,943	4,531,673
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	456,220	5,818,586	6,274,806
Totals	<u>\$ 33,279,646</u>	<u>\$ 12,901,172</u>	<u>\$ 46,180,818</u>

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, 2018, the balance of \$13,279,341 consists of the following:

The Towngate Regional Mall notes (Sears Note) totaling \$10,406,856 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, 2018, accrued interest amounts to \$2,872,485.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 5 Capital Assets

The following is a schedule of changes in governmental activities capital assets for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Non-Depreciable Assets:				
Land	\$ 310,197,236	\$ -	\$ -	\$ 310,197,236
Construction in progress	17,806,672	10,930,457	(10,221,751)	18,515,378
Total Non-Depreciable Assets	<u>328,003,908</u>	<u>10,930,457</u>	<u>(10,221,751)</u>	<u>328,712,614</u>
Depreciable Assets:				
Buildings and Improvements	142,447,389	4,445,724	-	146,893,113
Furniture and Equipment	19,893,887	528,180	(216,827)	20,205,240
Vehicles	10,137,324	2,803,318	(909,113)	12,031,529
Infrastructure	857,541,306	19,981,738	-	877,523,044
Total Depreciable Assets	<u>1,030,019,906</u>	<u>27,758,960</u>	<u>(1,125,940)</u>	<u>1,056,652,926</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(63,440,936)	(3,838,494)	-	(67,279,430)
Furniture and Equipment	(11,786,752)	(1,865,113)	216,827	(13,435,038)
Vehicles	(7,005,079)	(815,386)	896,806	(6,923,659)
Infrastructure	(382,702,564)	(26,438,690)	-	(409,141,254)
Total Accumulated Depreciation	<u>(464,935,331)</u>	<u>(32,957,683)</u>	<u>1,113,633</u>	<u>(496,779,381)</u>
Total Depreciable Assets, Net	<u>565,084,575</u>	<u>(5,198,723)</u>	<u>(12,307)</u>	<u>559,873,545</u>
Total Net Capital Assets	<u>\$ 893,088,483</u>	<u>\$ 5,731,734</u>	<u>\$ (10,234,058)</u>	<u>\$ 888,586,159</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 1,370,653
Public Safety	1,135,568
Community Development	149,266
Community and Cultural	1,972,374
Public Works	27,144,860
Internal Service Funds	1,184,962
Total	<u>\$ 32,957,683</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Non-Depreciable Assets:				
Land	\$ 1,729,408	\$ -	\$ -	\$ 1,729,408
Construction in progress	<u>10,520,844</u>	<u>6,026,824</u>	<u>(11,984,590)</u>	<u>4,563,078</u>
Total Non-Depreciable Assets	<u>12,250,252</u>	<u>6,026,824</u>	<u>(11,984,590)</u>	<u>6,292,486</u>
Depreciable Assets:				
Furniture and Equipment	1,016,758	88,446	-	1,105,204
Infrastructure	<u>44,967,109</u>	<u>14,957,983</u>	-	<u>59,925,092</u>
Total Depreciable Assets	<u>45,983,867</u>	<u>15,046,429</u>	-	<u>61,030,296</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(367,559)	(56,599)	-	(424,158)
Infrastructure	<u>(8,573,420)</u>	<u>(1,179,812)</u>	-	<u>(9,753,232)</u>
Total Accumulated Depreciation	<u>(8,940,979)</u>	<u>(1,236,411)</u>	-	<u>(10,177,390)</u>
Total Depreciable Assets, Net	<u>37,042,888</u>	<u>13,810,018</u>	-	<u>50,852,906</u>
Total Net Capital Assets	<u>\$ 49,293,140</u>	<u>\$ 19,836,842</u>	<u>\$ (11,984,590)</u>	<u>\$ 57,145,392</u>

Depreciation expense for business-type activities was charged as follows:

Electric Utility	<u>\$ 1,236,411</u>
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City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Moreno Valley Public Facilities Financing Authority:					
2011 Private Placement Refunding, Series 1997					
Variable Rate Certificates of Participation	\$ 1,800,000	\$ -	\$ (273,000)	\$ 1,527,000	\$ 282,000
2013 Refunding of 2005 Lease Revenue Bonds	7,713,000	-	(1,132,000)	6,581,000	1,183,000
Unamortized Premium	702,077	-	(117,013)	585,064	117,013
2014 Refunding of 2005 Lease Revenue Bonds	22,602,069	-	-	22,602,069	-
Unamortized Premium	1,307,426	-	(72,635)	1,234,791	72,635
City:					
2013 Total Road Improvement Program COP's	19,510,000	-	(515,000)	18,995,000	540,000
Unamortized Discount	(118,755)	-	5,398	(113,357)	(5,398)
Net Pension Liability	62,211,508	13,779,800	(5,562,530)	70,428,778	-
Net OPEB Liability	6,642,408	1,104,556	(898,689)	6,848,275	-
Accrued Self-Insurance Claims and Judgments	2,400,000	6,152	(279,152)	2,127,000	893,000
Compensated Absences:					
Governmental Funds	6,268,211	3,070,260	(3,150,511)	6,187,960	3,712,776
Internal Service Funds	279,189	132,087	(169,168)	242,108	145,265
Totals	<u>\$ 131,317,133</u>	<u>\$ 18,092,855</u>	<u>\$ (12,164,300)</u>	<u>\$ 137,245,688</u>	<u>\$ 6,940,291</u>

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 6 Long-term Debt (Continued)

2011 Private Placement Refunding, 1997 Lease Revenue Bonds

The 2011 Private Placement Refunding Bonds mature in serial and term fashion through November 1, 2022 and bear interest 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 public safety building financed by the original 1997 Lease Revenue bonds issue.

The annual debt service requirements for the 2011 Private Placement Refunding, 1997 Lease Revenue Bonds outstanding at June 30, 2018, are as follows:

Year Ending June 30,	2011 Private Placement Refunding 1997 Lease Revenue Bonds	
	Principal	Interest
2019	\$ 282,000	\$ 55,163
2020	291,000	43,760
2021	305,000	31,900
2022	318,000	19,502
2023	331,000	6,587
Totals	\$ 1,527,000	\$ 156,912

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 6 Long-term Debt (Continued)

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, 2018, are as follows:

Year Ending June 30,	2013 Refunding Lease Revenue Bonds	
	Principal	Interest
2019	\$ 1,183,000	\$ 298,898
2020	1,256,000	238,026
2021	1,312,000	173,921
2022	1,377,000	106,805
2023	1,453,000	36,233
Totals	\$ 6,581,000	\$ 853,883

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, are as follows:

Year Ending June 30,	2013 Total Road Improvement Program Certificates of Participation	
	Principal	Interest
2019	\$ 540,000	\$ 941,063
2020	570,000	914,063
2021	600,000	885,563
2022	630,000	855,563
2023	660,000	824,063
2024-2028	3,740,000	3,675,481
2029-2033	4,745,000	2,674,488
2034-2038	6,095,000	1,331,219
2039	1,415,000	72,519
Totals	\$ 18,995,000	\$ 12,174,022

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, are as follows:

Year Ending June 30,	2014 Refunding Lease Revenue Bonds	
	Principal	Interest
2019	\$ -	\$ 1,009,332
2020	-	1,009,332
2021	-	1,009,332
2022	-	1,009,332
2023	-	1,009,332
2024-2028	7,143,381	4,188,182
2029-2033	9,066,771	2,251,306
2034-2036	6,391,917	390,493
Totals	\$ 22,602,069	\$ 11,876,641

Compensated Absences

At June 30, 2018, the amount of compensated absences liability was \$6,430,068. This amount consists of \$6,187,960 for governmental funds, principally paid by the General Fund, and \$242,108 for internal service funds.

Pension and OPEB Liability

Pension and OPEB obligations will be met from unrestricted revenues of the General Fund.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Refunding Lease Revenue Bonds, 2013	\$ 917,000	\$ -	\$ (133,000)	784,000	\$ 142,000
Plus Unamortized Premium	75,640	-	(12,606)	63,034	12,606
Refunding Lease Revenue Bonds, 2014	2,662,931	-	-	2,662,931	-
Plus Unamortized Premium	148,122	-	(7,796)	140,326	7,796
Lease Revenue Bonds, 2015	10,255,000	-	(200,000)	10,055,000	205,000
Less Unamortized Discount	(38,831)	-	1,438	(37,393)	(1,438)
Refunding Lease Revenue Bonds, 2016	23,800,000	-	(825,000)	22,975,000	840,000
Less Unamortized Discount	(479,922)	-	22,853	(457,069)	(22,853)
Compensated Absences	302,597	90,970	(113,639)	279,928	167,957
Net Pension Liability	1,714,399	447,491	(180,640)	1,981,250	-
Net OPEB Liability	244,374	35,874	(29,188)	251,060	-
Totals	<u>\$ 39,601,310</u>	<u>\$ 574,335</u>	<u>\$ (1,477,578)</u>	<u>\$ 38,698,067</u>	<u>\$ 1,351,068</u>

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 6 Long-term Debt (Continued)

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 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, 2018, are as follows

Year Ending June 30,	Refunding Lease Revenue Bonds, 2013	
	Principal	Interest
2019	\$ 142,000	\$ 36,227
2020	149,000	28,850
2021	158,000	21,080
2022	163,000	12,945
2023	172,000	4,390
Totals	<u>\$ 784,000</u>	<u>\$ 103,492</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, are as follows:

Year Ending June 30,	Refunding Lease Revenue Bonds, 2014	
	Principal	Interest
2019	\$ -	\$ 118,918
2020	-	118,918
2021	-	118,918
2022	-	118,918
2023	-	118,918
2024-2028	841,619	493,443
2029-2033	1,068,229	265,244
2034-2036	753,083	46,007
Totals	\$ 2,662,931	\$ 1,399,284

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 6 Long-term Debt (Continued)

Lease Revenue Bonds, 2015

Lease Revenue Bonds 2015 (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, 2018, are as follows:

Year Ending June 30,	Lease Revenue Bonds, 2015	
	Principal	Interest
2019	\$ 205,000	\$ 453,388
2020	210,000	448,325
2021	215,000	442,344
2022	220,000	435,681
2023	225,000	428,447
2024-2028	1,255,000	2,007,247
2029-2033	1,540,000	1,715,466
2034-2038	1,935,000	1,309,394
2039-2043	2,460,000	766,750
2044-2046	1,790,000	137,000
Totals	<u>\$ 10,055,000</u>	<u>\$ 8,144,042</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 6 Long-term Debt (Continued)

Refunding Lease Revenue Bonds, 2016

Refunding Lease Revenue Bonds, 2016, 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, 2018, are as follows:

Year Ending June 30,	Refunding Lease Revenue Bonds, 2016	
	Principal	Interest
2019	\$ 840,000	\$ 861,275
2020	850,000	844,475
2021	875,000	825,350
2022	895,000	803,475
2023	920,000	778,863
2024-2028	5,040,000	3,444,781
2029-2033	6,075,000	2,409,306
2034-2038	7,480,000	1,009,531
Totals	<u>\$ 22,975,000</u>	<u>\$ 10,977,056</u>

Compensated Absences

At June 30, 2018, the amount of compensated absences liability totaled \$279,928. Based on the current trend of usage, \$167,957 is expected to be paid within one year.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 6 **Long-term Debt (Continued)**

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, 2018 was \$5,445,000.

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, 2018 (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, 2018 was \$1,855,000.

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, 2018 was \$3,715,000.

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, 2018 was \$3,265,000.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 7 Interfund Receivables, Payables and Transfers

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>		
	<u>CSD Zones</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ 42,626	\$ 1,524,735	\$ 1,567,361

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, 2018 the CSD Zones Fund included \$42,626 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:	
Article 3 Transportation	\$ 26,309
Law Enforcement Grants	233,144
Community Development Block Grant	498,691
Storm Water Maintenance	56,618
ASES Program Grant	486,022
Child Care Grant	3,435
TUMF Capital Projects	220,516
Total	\$ 1,524,735

b. Advances To/From Other Funds

	<u>Advances from Other Funds</u>
	<u>Development Impact Fees</u>
<u>Advances to Other Funds</u>	
General Fund	<u>\$ 4,809,000</u>

The General Fund loaned \$4,809,000 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, 2019.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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	\$ -	\$ -	\$ 1,503,113	\$ 8,034,729	\$ 2,099,336	\$ 11,637,178
Development Impact Fees	10,000	-	-	4,443,646	-	4,453,646
CSD Zones	-	-	-	1,631,818	-	1,631,818
Nonmajor Governmental Funds	-	1,058,000	14,359	1,582,920	20,000	2,675,279
Internal Service Funds	3,702,478	-	-	-	-	3,702,478
Electric Utility	-	-	-	-	300,000	300,000
Totals	\$ 3,712,478	\$ 1,058,000	\$ 1,517,472	\$ 15,693,113	\$ 2,419,336	\$ 24,400,399

The General Fund transferred a total of \$11,637,178 to several funds to purchase land, provide subsidies to cover the operating deficits, and to cover the cost for general benefit services.

The Development Impact Fees Fund transferred a total of \$4,443,646 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 \$3,702,478 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.

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, 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.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 8 Employee Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, 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	29.892%	29.892%	29.892%

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Active Employees	306
Retired Employees	332
Inactive Employees	244

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2018 (Continued)

Note 8 Employee Pension Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2017
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, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be 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, 2018 (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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Public Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2017	\$ 181,138,874	\$ 117,212,967	\$ 63,925,907	\$ 62,211,508	\$ 1,714,399
Changes in the year:					
Service Cost	4,154,188	-	4,154,188	4,023,526	130,662
Interest on the Total Pension Liability	13,608,182	-	13,608,182	13,180,164	428,018
Changes of Assumptions	11,559,898	-	11,559,898	11,196,305	363,593
Differences between Expected and Actual Experience	(566,196)	-	(566,196)	(548,387)	(17,809)
Net Plan to Plan Resource Movement	-	(7,368)	7,368	7,136	232
Contributions - Employer	-	5,743,170	(5,743,170)	(5,562,530)	(180,640)
Contributions - Employees	-	1,676,844	(1,676,844)	(1,624,102)	(52,742)
Net Investment Income	-	13,032,362	(13,032,362)	(12,622,456)	(409,906)
Benefit Payments, including Refunds of Employee Contributions	(7,770,872)	(7,770,872)	-	-	-
Administrative Expense	-	(173,057)	173,057	167,614	5,443
Net Changes	20,985,200	12,501,079	8,484,121	8,217,270	266,851
Balance at June 30, 2018	<u>\$ 202,124,074</u>	<u>\$ 129,714,046</u>	<u>\$ 72,410,028</u>	<u>\$ 70,428,778</u>	<u>\$ 1,981,250</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	\$ 100,636,724	\$ 72,410,028	\$ 49,165,420

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, the City recognized pension expense of \$9,885,586, principally paid by General Fund, Community Services District, and the Electric Utility. At June 30, 2018, 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	\$ 6,521,396	\$ -
Changes of assumptions	7,113,783	-
Differences between expected and actual experiences	-	(1,004,788)
Net difference between projected and actual earnings on pension plan investments	1,610,261	-
	\$ 15,245,440	\$ (1,004,788)

\$6,521,396 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, 2019. 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 Ended June 30,	
2018	\$ 3,530,726
2019	4,439,631
2020	696,450
2021	(947,551)
2022	-
Thereafter	-

As of June 30, 2018, the City did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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 \$133 per month for 2018 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 December 31, 2016 (the census date), the following employees were covered by the benefit terms:

Category	Count
Active employees	287
Inactive employees or beneficiaries currently receiving benefit payments	272
Inactive employees entitled to but not yet receiving benefit payment	0

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, the City's ADC contribution rate was 3.10% 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 December 31, 2016.

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 December 31, 2016 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 3%. Individual salary increases based on CalPERS
Investment rate of return	7.00%
Healthcare cost trend rates	7.00% in the first year, trending down to 3.94% over 58 years.

*Mortality Rates were based on CalPERS Tables

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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	<u>100%</u>	<u>4.44%</u>

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. 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.

Change in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 16,912,341	\$ 10,025,559	\$ 6,886,782
Changes for the year:			
Service Cost	409,532	-	409,532
Interest on the Total OPEB Liability	1,149,342	-	1,149,342
Contribution - Employer	-	642,216	(642,216)
Implicit subsidy - Employer	-	285,661	(285,661)
Net Investment Income	-	423,688	(423,688)
Benefit Payments	(700,673)	(700,673)	-
Implicit Rate Subsidy Fulfilled	(285,661)	(285,661)	-
Administrative Expenses	-	(5,244)	5,244
Net Changes	<u>572,540</u>	<u>359,987</u>	<u>212,553</u>
Balance at June 30, 2018	<u>\$ 17,484,881</u>	<u>\$ 10,385,546</u>	<u>\$ 7,099,335</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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%) or one percentage point higher (8%) follows:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability	\$ 8,868,356	\$ 7,099,335	\$ 5,496,332

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 (2.94%) or one percentage point higher (4.94%) than current healthcare cost trend rates follows:

	1% Decrease 6.00% decreasing to 2.94%	Healthcare Cost Trend Rate 7.00% decreasing to 3.94%	1% Increase 8.00% decreasing to 4.94%
Net OPEB liability	\$ 6,904,122	\$ 7,099,335	\$ 7,194,669

c. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$756,645. At June 30, 2018, 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
Net differences between projected and actual earnings on OPEB plan investments	<u>\$ 212,846</u>	<u>\$ (512,817)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2019	\$ (117,728)
2020	(117,728)
2021	(117,728)
2022	53,213

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

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, 2018:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of 6/30/2018</u>	<u>Remaining Commitments</u>
<u>Governmental Activities</u>			
Cycle 1 ATP Citywide Cycle 1 ATP Citywide SRTS Pedestrian Facility Improvements	\$ 1,385,896	\$ -	\$ 1,385,896
Citywide Pavement Rehabilitation Program	2,705,744	-	2,705,744
Alessandro Blvd at Chagall Ct and at Graham St	490,404	127,633	362,771
Residential Traffic Management Program - Speed Humps	67,000	62,600	4,400
SR- 60/ Theodore Interchange Improvements	3,315,222	1,259,681	2,055,541
Other projects	8,444,442	7,370,313	1,074,129
<u>Electric Utility</u>			
Kitching Substation	\$ 18,294,841	\$ 18,225,909	\$ 68,932
Solar Carport	2,771,369	2,765,484	5,885

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.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 10 **Commitments and Contingencies (Continued)**

e. Tax Abatements

As of June 30, 2018 the City provides tax abatements through the Hire MoVal program. The Hire-MoVal program has been designed to provide local businesses with an incentive to hire local residents for their job force. This program is also a tool for the City's business recruitment/retention efforts. Businesses that participate in this program may qualify to receive refunds of sales tax dollars. The refunds or abatements only apply to sales tax revenues generated by that company.

The Hire-Moval program requires that 30% of the company workforce be comprised of city residents. The manner by which the amount of the abatement is determined can vary from agreement to agreement. As of June 30, 2018 the City only has one agreement in place for the abatement of sales taxes.

The terms of that agreement, 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 covers ten year period but may be lengthened to twenty years if additional conditions are met. 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%

* Additional conditions must be met to extend the agreement to years 11 through 20.

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, 2018 (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 of 1979. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage.

The City participates in the excess workers' compensation and employer's liability programs of the Authority. For workers' compensation, the City has a self-insured retention of \$300,000 per occurrence. For employer's liability, the City has a self-insured retention of \$250,000 per occurrence. The City has a pooled retention of \$5,000,000 each occurrence, a \$45,000,000 reinsurance layer in excess of the \$5,000,000 pooled retention per occurrence for workers' compensation claims, and a \$5,000,000 employer's liability reinsurance layer per occurrence in excess of the \$5,000,000 pooled retention. During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There has been no significant reduction in pooled or insured liability coverage from coverage in the prior year.

Self-Insurance Payable

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The City established two self-insurance funds (Internal Service Funds) to account for and finance its uninsured risks of loss. Under this program, the self-insurance funds provide coverage for up to a maximum of \$300,000 for each workers' compensation claim and \$250,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year-end. The accruals are in the amounts of \$1,460,000 and \$667,000 for the workers' compensation claims and general liability claims, respectively, for a total of \$2,127,000. Of these amounts, the current year's adjustment is a decrease of \$273,000.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (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, 2016	\$ 607,660	\$ 1,353,000	\$ 1,960,660
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.	619,156	360,105	979,261
Payments on claims attributable to events of both the current fiscal year and prior fiscal years.	<u>(272,816)</u>	<u>(267,105)</u>	<u>(539,921)</u>
Amount 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	<u>\$ 667,000</u>	<u>\$ 1,460,000</u>	<u>\$ 2,127,000</u>

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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	\$ 2,557,093
Cash and Investments with Fiscal Agent	<u>390,545</u>
	<u>\$ 2,947,638</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, 2018 (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, 2018, follows:

	Balance July 1, 2017	Additions	Repayments	Balance June 30, 2018	Due Within One Year
Fiduciary Activities					
City loans - Principal	\$ 11,001,996	\$ -	\$ (595,140)	\$ 10,406,856	\$ 595,140
City loans - Interest	3,040,345	-	(167,860)	2,872,485	167,860
2007 TABs, Series A	41,105,000	-	(41,105,000)	-	-
2017 Ref of the 2007 TABs, Series A	-	38,045,000	-	38,045,000	-
Unamortized premium	-	3,674,223	(167,010)	3,507,213	167,010
Totals	<u>\$ 55,147,341</u>	<u>\$ 41,719,223</u>	<u>\$ (42,035,010)</u>	<u>\$ 54,831,554</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, 2018, the outstanding principal and accrued interest balances are \$10,406,856 and \$2,872,485, respectively.

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2018, are as follows:

Year Ending June 30,	2017 Tax Allocation Bonds Series A	
	Principal	Interest
2019	\$ -	\$ 1,506,881
2020	-	1,506,881
2021	-	1,506,881
2022	-	1,506,881
2023	-	1,506,881
2024-2028	5,585,000	7,187,906
2029-2033	12,745,000	4,699,781
2034-2038	16,175,000	1,829,391
2039	3,540,000	55,313
Totals	\$ 38,045,000	\$ 21,306,796

City of Moreno Valley, California

**Notes to Financial Statements
Year Ended June 30, 2018 (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 \$59,351,796 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 \$5,385,106 and the debt service obligation on the bonds was \$2,240,209.

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, 2018, 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.

City of Moreno Valley, California
Notes to Financial Statements
Year Ended June 30, 2018 (Continued)

Note 13 Subsequent Events

The City has evaluated events subsequent to June 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 5, 2018, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred, other than what is noted below, that requires recognition or additional disclosure in the financial statements.

In July 2018, the City and Moreno Valley Utility (MVU) entered into an Equipment Lease/Purchase Agreement (ELPA) with Banc of America Leasing & Capital (BALCAP) for the purchase and retrofit of streetlights. The project is comprised of two phases. The first phase finances the purchase of approximately 9,411 streetlights from Southern California Edison (SCE) while the second phase will finance the retrofit of these streetlights along with approximately 2,000 streetlights already owned by MVU with LED fixtures. BALCAP provided financing totaling \$8,110,892 with an interest rate of 5.42%, annual debt service to be \$429,000 per year starting in FY 2019/20 with the final payment occurring in FY 2033/34. Transition of the streetlights from SCE ownership to the City is expected to be completed by January 2019 and the retrofit to LED fixtures is scheduled to be completed by December 2019.

City of Moreno Valley

**Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Years***

	Reporting Period			
	2015	2016	2017	2018
Total Pension Liability				
Service cost	\$ 4,630,703	\$ 4,122,713	\$ 3,836,160	\$ 4,154,188
Interest on total pension liability	11,785,648	12,457,642	12,991,903	13,608,182
Changes in assumptions	—	(3,142,601)	—	11,559,898
Differences between expected and actual experience	—	(1,159,680)	(2,531,675)	(566,196)
Benefit payments, including refunds of employee contributions	(5,670,706)	(6,643,394)	(7,199,811)	(7,770,872)
Net change in total pension liability	<u>10,745,645</u>	<u>5,634,680</u>	<u>7,096,577</u>	<u>20,985,200</u>
Total pension liability - beginning of year	<u>157,661,972</u>	<u>168,407,617</u>	<u>174,042,297</u>	<u>181,138,874</u>
Total pension liability - end of year (a)	<u>\$ 168,407,617</u>	<u>\$ 174,042,297</u>	<u>\$ 181,138,874</u>	<u>\$ 202,124,074</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 4,620,745	\$ 4,923,787	\$ 5,086,125	\$ 5,743,170
Contributions - employee	1,934,518	1,688,857	1,705,426	1,676,844
Net investment income	16,911,034	2,629,698	639,392	13,032,362
Benefit payments	(5,670,706)	(6,643,394)	(7,199,811)	(7,770,872)
Net Plan to Plan Resource Movement	—	—	—	(7,368)
Administrative expenses	—	(132,025)	(71,338)	(173,057)
Net change in plan fiduciary net position	<u>17,795,591</u>	<u>2,466,923</u>	<u>159,794</u>	<u>12,501,079</u>
Plan fiduciary net position - beginning of year	<u>96,790,659</u>	<u>114,586,250</u>	<u>117,053,173</u>	<u>117,212,967</u>
Plan fiduciary net position - end of year (b)	<u>\$ 114,586,250</u>	<u>\$ 117,053,173</u>	<u>\$ 117,212,967</u>	<u>\$ 129,714,046</u>
Net pension liability - end of year (a)-(b)	<u>\$ 53,821,367</u>	<u>\$ 56,989,124</u>	<u>\$ 63,925,907</u>	<u>\$ 72,410,028</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>68.04%</u>	<u>67.26%</u>	<u>64.71%</u>	<u>64.18%</u>
Covered - employee payroll	\$ 23,278,052	\$ 22,079,654	\$ 20,814,759	\$ 20,793,815
Net pension liability as percentage of covered-employee payroll	<u>231.21%</u>	<u>258.11%</u>	<u>307.12%</u>	<u>348.23%</u>

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, 2016 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 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.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Moreno Valley

**Schedule of Pension Plan Contributions
Last Ten Years***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actually determined contributions	\$ 4,616,283	\$ 4,919,325	\$ 5,081,663	\$ 5,738,708
Contributions in relation to the actuarially determined contributions	(4,620,745)	(4,923,787)	(5,086,125)	(5,743,170)
Contribution deficiency / (excess)	<u>\$ (4,462)</u>	<u>\$ (4,462)</u>	<u>\$ (4,462)</u>	<u>\$ (4,462)</u>
 Covered-employee payroll	 <u>\$ 20,534,386</u>	 <u>\$ 20,337,228</u>	 <u>\$ 21,180,324</u>	 <u>\$ 21,546,792</u>
 Contributions as a percentage of covered-employee payroll	 <u>19.85%</u>	 <u>22.30%</u>	 <u>24.44%</u>	 <u>27.62%</u>

Notes to Schedule:

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial cost method	Entry Age Normal
Amortization method / Period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 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.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Moreno Valley

**Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years***

	Fiscal Year Ended	
	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		
Benefit payments, including refunds of employee contributions	(977,892)	(700,673)
Implicit rate subsidy fulfilled	-	(285,661)
Net change in total OPEB liability	523,013	572,540
Total OPEB liability - beginning of year	16,389,328	16,912,341
Total OPEB liability - end of year (a)	\$ 16,912,341	\$ 17,484,881
 Plan Fiduciary Net Position		
Net investment income	\$ 1,450,417	\$ 423,688
Contributions - employer	1,116,747	642,216
Employer - implicit subsidy	-	285,661
Benefit payments, including refunds of employee contributions	(977,892)	(700,673)
Implicit rate subsidy fulfilled	-	(285,661)
Administrative expenses	(4,601)	(5,244)
Net change in plan fiduciary net position	1,584,671	359,987
Plan fiduciary net position - beginning of year	8,440,888	10,025,559
Plan fiduciary net position - end of year (b)	\$ 10,025,559	\$ 10,385,546
 Net OPEB liability - end of year (a)-(b)	\$ 6,886,782	\$ 7,099,335
 Plan fiduciary net position as a percentage of the total OPEB liability	59.28%	59.40%
 Covered - employee payroll	\$ 20,650,038	\$ 21,269,539
 Net OPEB liability as percentage of covered-employee payroll	33.35%	33.38%

* Fiscal year 2017 was the first year of implementation, therefore only two years are shown.

City of Moreno Valley

**Schedule of Contributions - OPEB
Last Ten Years***

	<u>2017</u>	<u>2018</u>
Actually determined contributions	\$ 642,132	\$ 659,902
Contributions in relation to the actuarially determined contributions	(838,855)	(642,216)
Contribution deficiency / (excess)	<u>\$ (196,723)</u>	<u>\$ 17,686</u>
Covered-employee payroll	<u>\$ 21,180,324</u>	<u>\$ 21,546,792</u>
Contributions as a percentage of covered-employee payroll	<u>3.96%</u>	<u>2.98%</u>

Notes to Schedule:

Valuation date	6/30/2017	6/30/2018
----------------	-----------	-----------

Actuarial cost method	Entry age normal cost, level percent of pay
Amortization method	Closed period
Amortization period	19 years
Asset valuation method	Market value 3/31/2018, projected to 6/30/2018
Inflation	2.50%
Healthcare trend rates	7.00%, trending down to 3.94%
PEMHCA trend rate	3.00%
Rate of return on assets	7.00%
Mortality rate	CalPERS rates
Retirement rates	CalPERS rates
Other information	The ADC does not take into account the implicit subsidy

* Fiscal year 2017 was the first year of implementation, therefore only two years are shown.

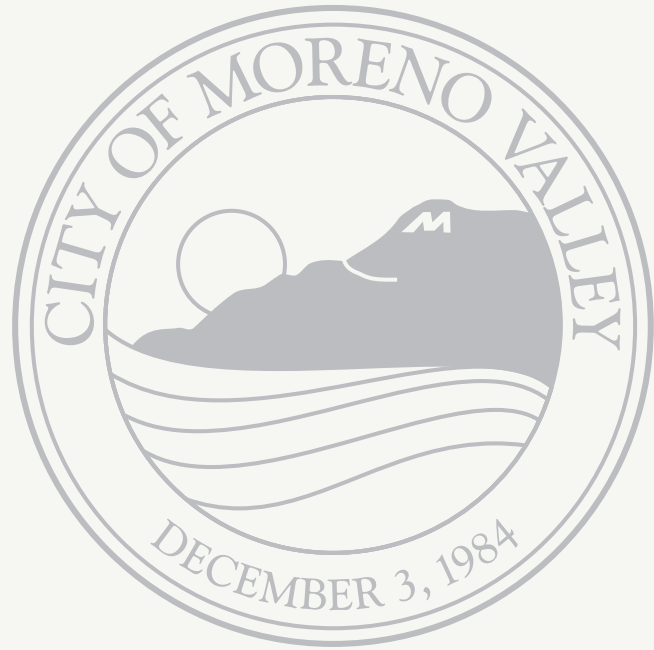
City of Moreno Valley

**Schedule of Investment Returns - OPEB
Last Ten Years***

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018
Annual money-weighted rate of return, net of investment expense	<u>9.77%</u>	<u>10.24%</u>

Notes: Rate of return shown on a April 1 - March 31 basis.

* Fiscal year 2017 was the first year of implementation, therefore only two years are shown.

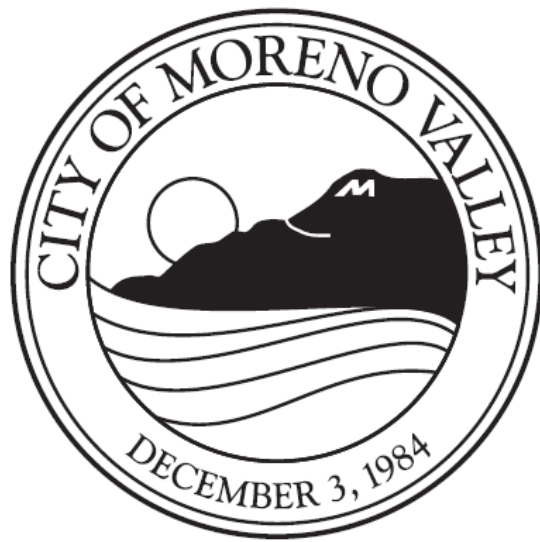


Supplemental Schedules



City of Moreno Valley, CA

FISCAL YEAR ENDED JUNE 30, 2018



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 (Centerpointe) 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.

CFD No. 2014-01 (Maintenance Services) 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.

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).

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED):

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.

Neighborhood Stabilization Program 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.

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.

Traffic Signal Mitigation Fund

This fund is used to account for traffic signal projects funded by revenues received from traffic mitigation fees.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS (CONTINUED):

Parks and Community Services Development and Capital Projects Fund

This fund is used to account for parks acquisition and development projects in accordance with the Quimby Act, a 1965 provision in the State Subdivision Map Act for the dedication of park land. This fund is used to account for general parks and recreation capital projects, the development of new parks and recreation facilities, community parks, neighborhood parks and sports facilities and for the major renovation of existing parks and facilities.

DIF Capital Projects Fund

This group of funds is used to account for construction of major capital improvements funded by the development impact fee (DIF) revenues charged to developers.

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.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

PERMANENT FUNDS:

Celebration Park Endowment Fund

This fund is used to account for the endowment program for Celebration Park. The principal endowment amount was provided by a developer. The Parks and Community Services Department 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.

Rockridge Park Endowment Fund

This fund is used to account for the endowment program provided for Rockridge Park. The principal endowment was provided by a developer. The interest earned will be used for the benefit of the facilities at Rockridge Park.

NPDES Endowment Fund

This fund is used to account for the endowment program provided for 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.

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	STATE GASOLINE TAX	MEASURE A	AIR QUALITY MANAGEMENT	SPECIAL DISTRICTS ADMINISTRATION
Assets				
Pooled cash and investments	\$ 1,498,640	\$ 3,214,347	\$ 231,264	\$ 1,693,555
Receivables:				
Accounts	-	-	68,068	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	438,204	1,014,318	-	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 1,936,844	\$ 4,228,665	\$ 299,332	\$ 1,693,555
Liabilities				
Accounts payable	\$ 10,536	\$ 207,029	\$ 15,000	\$ 35
Accrued liabilities	-	47,274	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	10,536	254,303	15,000	35
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	1,926,308	3,974,362	284,332	1,693,520
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,926,308	3,974,362	284,332	1,693,520
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,936,844	\$ 4,228,665	\$ 299,332	\$ 1,693,555

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

STORM WATER MAINTENANCE	STORM WATER MANAGEMENT	CFD No. 4-M	PUBLIC EDUCATION GOVERNMENT ACCESS	
\$ -	\$ 1,202,969	\$ 76,481	\$ 1,034,682	Assets
1,122	334	-	1,159	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
241,096	11,967	-	-	Notes and loans
-	-	-	-	Interest
-	-	-	-	Due from other governments
-	-	-	-	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 242,218</u>	<u>\$ 1,215,270</u>	<u>\$ 76,481</u>	<u>\$ 1,035,841</u>	Total Assets
\$ 5,993	\$ 59,611	\$ 3,775	\$ -	Liabilities
-	-	-	-	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
56,618	-	-	-	Due to other funds
<u>62,611</u>	<u>59,611</u>	<u>3,775</u>	<u>-</u>	Total Liabilities
-	-	-	-	Deferred Inflows of Resources
-	-	-	-	Unavailable revenues
-	-	-	-	Total Deferred Inflows of Resources
-	-	-	-	Fund Balances
-	-	-	-	Nonspendable:
-	-	-	-	Permanent fund principal
-	-	-	1,035,841	Restricted:
179,607	-	72,706	-	Community development projects
-	-	-	-	Public safety
-	-	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	1,155,659	-	-	Water quality
-	-	-	-	Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>179,607</u>	<u>1,155,659</u>	<u>72,706</u>	<u>1,035,841</u>	Total Fund Balances
<u>\$ 242,218</u>	<u>\$ 1,215,270</u>	<u>\$ 76,481</u>	<u>\$ 1,035,841</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds			
	CIVIL PENALTIES	EMERGENCY SERVICES AGENCY FINES	ENERGY EFFICIENCY REVOLVING	GENERAL PLAN AMENDMENTS
Assets				
Pooled cash and investments	\$ 86,282	\$ 595,357	\$ 149,434	\$ 1,750,000
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	<u>\$ 86,282</u>	<u>\$ 595,357</u>	<u>\$ 149,434</u>	<u>\$ 1,750,000</u>
Liabilities				
Accounts payable	\$ 2,006	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>2,006</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	-	-	-	-
Restricted:				
Community development projects	84,276	-	-	-
Public safety	-	595,357	-	-
Public works	-	-	149,434	1,750,000
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>84,276</u>	<u>595,357</u>	<u>149,434</u>	<u>1,750,000</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 86,282</u>	<u>\$ 595,357</u>	<u>\$ 149,434</u>	<u>\$ 1,750,000</u>

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

CFD No. 2014-01	CHILD CARE GRANT	ASES PROGRAM GRANT	USED OIL RECYCLING GRANT	
\$ 314,779	\$ -	\$ -	\$ 46,716	Assets
-	-	-	-	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
-	-	-	-	Notes and loans
-	-	-	-	Interest
872	47,991	554,725	-	Due from other governments
-	-	-	-	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 315,651</u>	<u>\$ 47,991</u>	<u>\$ 554,725</u>	<u>\$ 46,716</u>	Total Assets
				Liabilities
\$ 1,362	\$ 31,691	\$ 24,323	\$ -	Accounts payable
-	12,865	-	-	Accrued liabilities
-	-	-	46,716	Unearned revenues
-	3,435	486,022	-	Due to other funds
<u>1,362</u>	<u>47,991</u>	<u>510,345</u>	<u>46,716</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:
-	-	44,380	-	Community development projects
-	-	-	-	Public safety
314,289	-	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
				Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>314,289</u>	<u>-</u>	<u>44,380</u>	<u>-</u>	Total Fund Balances
<u>\$ 315,651</u>	<u>\$ 47,991</u>	<u>\$ 554,725</u>	<u>\$ 46,716</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

Special Revenue Funds

	OTHER GRANTS	CAPITAL PROJECTS GRANTS	LAW ENFORCEMENT GRANTS	HOME
Assets				
Pooled cash and investments	\$ 115,222	\$ 510,794	\$ -	\$ 296,188
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	6,654,512
Interest	-	-	-	565,425
Due from other governments	75,224	663,674	241,329	334,481
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 190,446	\$ 1,174,468	\$ 241,329	\$ 7,850,606
Liabilities				
Accounts payable	\$ 120,548	\$ 408,129	\$ 8,185	\$ 428,845
Accrued liabilities	-	-	-	-
Unearned revenues	69,898	-	-	-
Due to other funds	-	-	233,144	-
Total Liabilities	190,446	408,129	241,329	428,845
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	1,655,591
Total Deferred Inflows of Resources	-	-	-	1,655,591
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	-	-	-	5,766,170
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	-	766,339	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	766,339	-	5,766,170
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 190,446	\$ 1,174,468	\$ 241,329	\$ 7,850,606

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

NEIGHBORHOOD STABILIZATION PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	EMERGENCY SOLUTIONS GRANT	ARTICLE 3 TRANSPORTATION	
\$ 91,869	\$ -	\$ -	\$ -	Assets
-	-	-	-	Pooled cash and investments
6,246,660	-	-	-	Receivables:
-	-	-	-	Accounts
-	-	-	-	Notes and loans
-	732,105	146,550	26,309	Interest
-	-	-	-	Due from other governments
-	-	-	-	Restricted assets:
-	-	-	-	Cash with fiscal agents
<u>\$ 6,338,529</u>	<u>\$ 732,105</u>	<u>\$ 146,550</u>	<u>\$ 26,309</u>	Total Assets
\$ -	\$ 233,414	\$ 146,550	\$ -	Liabilities
-	-	-	-	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
-	498,691	-	26,309	Due to other funds
-	<u>732,105</u>	<u>146,550</u>	<u>26,309</u>	Total Liabilities
6,246,660	-	-	-	Deferred Inflows of Resources
-	-	-	-	Unavailable revenues
<u>6,246,660</u>	-	-	-	Total Deferred Inflows of Resources
-	-	-	-	Fund Balances
-	-	-	-	Nonspendable:
-	-	-	-	Permanent fund principal
91,869	-	-	-	Restricted:
-	-	-	-	Community development projects
-	-	-	-	Public safety
-	-	-	-	Public works
-	-	-	-	Capital projects
-	-	-	-	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
-	-	-	-	Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>91,869</u>	-	-	-	Total Fund Balances
<u>\$ 6,338,529</u>	<u>\$ 732,105</u>	<u>\$ 146,550</u>	<u>\$ 26,309</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Capital Project Funds

	FACILITY CONSTRUCTION	PUBLIC WORKS CAPITAL PROJECTS	TUMF CAPITAL PROJECTS	TRAFFIC SIGNAL MITIGATION
Assets				
Pooled cash and investments	\$ 10,636,193	\$ 1,442,790	\$ -	\$ 156,191
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	5,493,500	333,567	16,430	-
Restricted assets:				
Cash with fiscal agents	-	-	-	-
Total Assets	\$ 16,129,693	\$ 1,776,357	\$ 16,430	\$ 156,191
Liabilities				
Accounts payable	\$ 9,532	\$ 167,034	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	220,516	-
Total Liabilities	9,532	167,034	220,516	-
Deferred Inflows of Resources				
Unavailable revenues	5,493,500	-	-	-
Total Deferred Inflows of Resources	5,493,500	-	-	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	4,858,661	1,609,323	-	156,191
Debt service	-	-	-	-
Endowment	-	-	-	-
Water quality	-	-	-	-
Committed:				
Library development	5,768,000	-	-	-
Unassigned				
Total Fund Balances	10,626,661	1,609,323	(204,086)	156,191
Total Liabilities, Deferred Inflows of Resources and Fund Balance				
	\$ 16,129,693	\$ 1,776,357	\$ 16,430	\$ 156,191

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

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	
\$ 4,179,885	\$ 2,673,168	\$ -	\$ -	Assets
-	-	-	-	Pooled cash and investments
-	-	-	-	Receivables:
-	-	-	-	Accounts
-	-	-	-	Notes and loans
-	-	-	-	Interest
-	-	-	-	Due from other governments
-	-	-	-	Restricted assets:
-	-	3,497	242	Cash with fiscal agents
<u>\$ 4,179,885</u>	<u>\$ 2,673,168</u>	<u>\$ 3,497</u>	<u>\$ 242</u>	Total Assets
\$ 494,014	\$ 12,434	\$ -	\$ -	Liabilities
-	-	-	-	Accounts payable
-	-	-	-	Accrued liabilities
-	-	-	-	Unearned revenues
-	-	-	-	Due to other funds
<u>494,014</u>	<u>12,434</u>	<u>-</u>	<u>-</u>	Total Liabilities
-	-	-	-	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
3,685,871	2,660,734	-	-	Capital projects
-	-	3,497	242	Debt service
-	-	-	-	Endowment
-	-	-	-	Water quality
-	-	-	-	Committed:
-	-	-	-	Library development
-	-	-	-	Unassigned
<u>3,685,871</u>	<u>2,660,734</u>	<u>3,497</u>	<u>242</u>	Total Fund Balances
<u>\$ 4,179,885</u>	<u>\$ 2,673,168</u>	<u>\$ 3,497</u>	<u>\$ 242</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balance

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	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	\$ -	\$ 49,262	\$ 10,709
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash with fiscal agents	165	-	-	-
Total Assets	\$ 6,019,223	\$ -	\$ 49,262	\$ 10,709
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable:				
Permanent fund principal	-	-	49,050	10,000
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	-	-	-	-
Debt service	6,019,223	-	-	-
Endowment	-	-	212	709
Water quality	-	-	-	-
Committed:				
Library development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	6,019,223	-	49,262	10,709
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 6,019,223	\$ -	\$ 49,262	\$ 10,709

City of Moreno Valley, California

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

<u>Permanent Funds</u>				
<u>ROCKRIDGE PARK ENDOWMENT</u>	<u>NPDES ENDOWMENT</u>	<u>CULTURAL PRESERVATION</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ 110,322	\$ 32,519	\$ 121,428	\$ 38,340,104	Assets
-	-	-	70,683	Pooled cash and investments
-	-	-	12,901,172	Receivables:
-	-	-	565,425	Accounts
-	-	-	10,372,342	Notes and loans
-	-	-	3,904	Interest
-	-	-		Due from other governments
-	-	-		Restricted assets:
-	-	-		Cash with fiscal agents
<u>\$ 110,322</u>	<u>\$ 32,519</u>	<u>\$ 121,428</u>	<u>\$ 62,253,630</u>	Total Assets
				Liabilities
\$ -	\$ -	\$ -	\$ 2,390,046	Accounts payable
-	-	-	60,139	Accrued liabilities
-	-	-	116,614	Unearned revenues
-	-	-	1,524,735	Due to other funds
-	-	-	<u>4,091,534</u>	Total Liabilities
				Deferred Inflows of Resources
-	-	-	13,395,751	Unavailable revenues
-	-	-	<u>13,395,751</u>	Total Deferred Inflows of Resources
				Fund Balances
100,000	14,506	114,542	288,098	Nonspendable:
-	-	-	7,022,536	Permanent fund principal
-	-	-	595,357	Restricted:
-	-	-	10,344,558	Community development projects
-	-	-	13,737,119	Public safety
-	-	-	6,022,962	Public works
10,322	18,013	6,886	36,142	Capital projects
-	-	-	1,155,659	Debt service
-	-	-	5,768,000	Endowment
-	-	-	(204,086)	Water quality
<u>110,322</u>	<u>32,519</u>	<u>121,428</u>	<u>44,766,345</u>	Committed:
				Library development
				Unassigned
				Total Fund Balances
<u>\$ 110,322</u>	<u>\$ 32,519</u>	<u>\$ 121,428</u>	<u>\$ 62,253,630</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, 2018

	Special Revenue Funds			
	STATE GASOLINE TAX	MEASURE A	AIR QUALITY MANAGEMENT	SPECIAL DISTRICTS ADMINISTRATION
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,548,941	4,475,450	263,374	-
Fees and charges for services	-	132,921	-	792,658
Use of money and property	-	60,680	2,878	15,924
Fines and forfeitures	-	-	-	-
Miscellaneous	220	12,400	-	-
Total revenues	5,549,161	4,681,451	266,252	808,582
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community and cultural	-	-	-	-
Public works	3,732,853	1,964,659	206,042	557,050
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	1,287,073	-	-
Total expenditures	3,732,853	3,251,732	206,042	557,050
Excess (deficiency) of revenues over expenditures	1,816,308	1,429,719	60,210	251,532
Other Financing Sources (Uses)				
Transfers in	160,000	-	-	-
Transfers in from Successor Agency	-	-	-	-
Transfers out	(50,000)	(2,590,697)	-	-
Total other financing sources (uses)	110,000	(2,590,697)	-	-
Net change in fund balances	1,926,308	(1,160,978)	60,210	251,532
Fund Balances				
Fund balances - beginning of year	-	5,135,340	224,122	1,441,988
Fund balances - end of year	\$ 1,926,308	\$ 3,974,362	\$ 284,332	\$ 1,693,520

City of Moreno Valley, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds				
STORM WATER MAINTENANCE	STORM WATER MANAGEMENT	CFD No. 4-M	PUBLIC EDUCATION GOVERNMENT ACCESS	
				Revenues
				Taxes:
\$ -	\$ -	\$ -	\$ -	Other taxes
-	-	-	-	Intergovernmental
453,006	658,183	25,363	-	Fees and charges for services
-	-	237	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	541,691	Miscellaneous
<u>453,006</u>	<u>658,183</u>	<u>25,600</u>	<u>541,691</u>	Total revenues
				Expenditures
				Current:
-	-	-	736,453	General government
-	-	-	-	Public safety
-	-	-	-	Community development
-	-	-	-	Community and cultural
453,006	451,996	29,929	-	Public works
-	-	-	-	Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	-	-	-	Capital outlay
<u>453,006</u>	<u>451,996</u>	<u>29,929</u>	<u>736,453</u>	Total expenditures
-	206,187	(4,329)	(194,762)	Excess (deficiency) of revenues over expenditures
				Other Financing Sources (Uses)
50,000	223	-	-	Transfers in
-	-	-	-	Transfers in from Successor Agency
-	-	-	-	Transfers out
<u>50,000</u>	<u>223</u>	<u>-</u>	<u>-</u>	Total other financing sources (uses)
50,000	206,410	(4,329)	(194,762)	Net change in fund balances
129,607	949,249	77,035	1,230,603	Fund Balances
\$ <u>179,607</u>	\$ <u>1,155,659</u>	\$ <u>72,706</u>	\$ <u>1,035,841</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, 2018

Special Revenue Funds				
	CIVIL PENALTIES	EMERGENCY SERVICES AGENCY FINES	ENERGY EFFICIENCY REVOLVING	GENERAL PLAN AMENDMENTS
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	102,031	-	-
Fees and charges for services	-	-	-	-
Use of money and property	-	3,255	-	-
Fines and forfeitures	5,942	-	-	-
Miscellaneous	-	-	5,083	-
Total revenues	5,942	105,286	5,083	-
Expenditures				
Current:				
General government	38,127	-	-	-
Public safety	-	4,036	-	-
Community development	-	-	-	-
Community and cultural	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	15,154	-	-
Total expenditures	38,127	19,190	-	-
Excess (deficiency) of revenues over expenditures	(32,185)	86,096	5,083	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	1,750,000
Transfers in from Successor Agency	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	1,750,000
Net change in fund balances	(32,185)	86,096	5,083	1,750,000
Fund Balances				
Fund balances - beginning of year	116,461	509,261	144,351	-
Fund balances - end of year	\$ 84,276	\$ 595,357	\$ 149,434	\$ 1,750,000

City of Moreno Valley, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds				
CFD No. 2014-01	CHILD CARE GRANT	ASES PROGRAM GRANT	USED OIL RECYCLING GRANT	
				Revenues
				Taxes:
\$ 118,315	\$ -	\$ -	\$ -	Other taxes
-	814,537	7,396,335	65,356	Intergovernmental
58,900	8,315	-	-	Fees and charges for services
3,424	-	-	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	575	-	-	Miscellaneous
<u>180,639</u>	<u>823,427</u>	<u>7,396,335</u>	<u>65,356</u>	Total revenues
				Expenditures
				Current:
-	-	-	-	General government
-	-	-	-	Public safety
-	-	-	-	Community development
-	802,003	7,399,204	-	Community and cultural
26,775	-	-	65,356	Public works
-	-	-	-	Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	24,910	-	-	Capital outlay
<u>26,775</u>	<u>826,913</u>	<u>7,399,204</u>	<u>65,356</u>	Total expenditures
153,864	(3,486)	(2,869)	-	Excess (deficiency) of revenues over expenditures
				Other Financing Sources (Uses)
-	3,486	-	-	Transfers in
-	-	-	-	Transfers in from Successor Agency
-	-	-	-	Transfers out
<u>-</u>	<u>3,486</u>	<u>-</u>	<u>-</u>	Total other financing sources (uses)
153,864	-	(2,869)	-	Net change in fund balances
160,425	-	47,249	-	Fund Balances
\$ <u>314,289</u>	\$ -	\$ <u>44,380</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, 2018

Special Revenue Funds				
	OTHER GRANTS	CAPITAL PROJECTS GRANTS	LAW ENFORCEMENT GRANTS	HOME
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	710,081	1,022,989	470,221	668,195
Fees and charges for services	-	-	-	-
Use of money and property	-	-	-	60,206
Fines and forfeitures	-	-	-	-
Miscellaneous	-	357	-	-
Total revenues	710,081	1,023,346	470,221	728,401
Expenditures				
Current:				
General government	-	-	-	-
Public safety	74,417	-	441,003	-
Community development	78,896	-	29,218	936,554
Community and cultural	33,750	-	-	-
Public works	51,683	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	451,335	1,054,468	-	-
Total expenditures	690,081	1,054,468	470,221	936,554
Excess (deficiency) of revenues over expenditures	20,000	(31,122)	-	(208,153)
Other Financing Sources (Uses)				
Transfers in	-	45,501	-	-
Transfers in from Successor Agency	-	-	-	-
Transfers out	(20,000)	-	-	-
Total other financing sources (uses)	(20,000)	45,501	-	-
Net change in fund balances	-	14,379	-	(208,153)
Fund Balances				
Fund balances - beginning of year	-	751,960	-	5,974,323
Fund balances - end of year	\$ -	\$ 766,339	\$ -	\$ 5,766,170

City of Moreno Valley, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds

NEIGHBORHOOD STABILIZATION PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	EMERGENCY SOLUTIONS GRANT	ARTICLE 3 TRANSPORTATION	
				Revenues
				Taxes:
\$ -	\$ -	\$ -	\$ -	Other taxes
91,869	1,677,333	256,291	26,309	Intergovernmental
-	-	-	-	Fees and charges for services
-	-	-	-	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	-	Miscellaneous
<u>91,869</u>	<u>1,677,333</u>	<u>256,291</u>	<u>26,309</u>	Total revenues
				Expenditures
				Current:
-	-	-	-	General government
-	58,134	-	-	Public safety
2,860,044	901,632	256,291	-	Community development
-	-	-	-	Community and cultural
-	-	-	-	Public works
				Debt service:
-	-	-	-	Principal retirement
-	-	-	-	Interest and fiscal charges
-	747,396	-	26,309	Capital outlay
<u>2,860,044</u>	<u>1,707,162</u>	<u>256,291</u>	<u>26,309</u>	Total expenditures
(2,768,175)	(29,829)	-	-	Excess (deficiency) of revenues over expenditures
				Other Financing Sources (Uses)
2,860,044	32,995	-	-	Transfers in
-	-	-	-	Transfers in from Successor Agency
-	-	-	-	Transfers out
<u>2,860,044</u>	<u>32,995</u>	<u>-</u>	<u>-</u>	Total other financing sources (uses)
91,869	3,166	-	-	Net change in fund balances
				Fund Balances
-	(3,166)	-	-	Fund balances - beginning of year
<u>\$ 91,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	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, 2018

Capital Projects Fund				
	FACILITY CONSTRUCTION	PUBLIC WORKS CAPITAL PROJECTS	TUMF CAPITAL PROJECTS	TRAFFIC SIGNAL MITIGATION
Revenues				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	214,660	611,082	-
Fees and charges for services	-	54,885	-	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	198	-	-
Total revenues	-	269,743	611,082	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community and cultural	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	594,755	1,531,149	611,082	-
Total expenditures	594,755	1,531,149	611,082	-
Excess (deficiency) of revenues over expenditures	(594,755)	(1,261,406)	-	-
Other Financing Sources (Uses)				
Transfers in	755,000	1,481,000	-	-
Transfers in from Successor Agency	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	755,000	1,481,000	-	-
Net change in fund balances	160,245	219,594	-	-
Fund Balances				
Fund balances - beginning of year	10,466,416	1,389,729	(204,086)	156,191
Fund balances - end of year	\$ 10,626,661	\$ 1,609,323	\$ (204,086)	\$ 156,191

City of Moreno Valley, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Capital Projects Fund		Debt Service Funds		
PARKS & COMMUNITY SERVICES DEVELOPMENT & CAPITAL PROJECTS	DIF CAPITAL PROJECTS	TRIP COP 13A	2013 REFUNDING OF 2005 LEASE REVENUE BONDS	
\$ -	\$ -	\$ -	\$ -	Revenues
-	-	-	-	Taxes:
-	-	-	-	Other taxes
-	-	-	-	Intergovernmental
-	-	-	-	Fees and charges for services
-	-	958	274	Use of money and property
-	-	-	-	Fines and forfeitures
-	-	-	-	Miscellaneous
<u>-</u>	<u>-</u>	<u>958</u>	<u>274</u>	Total revenues
-	-	-	-	Expenditures
-	-	-	-	Current:
-	-	-	-	General government
-	-	-	-	Public safety
-	-	-	-	Community development
-	-	-	-	Community and cultural
-	-	5,876	1,950	Public works
-	-	515,000	1,132,000	Debt service:
-	-	966,813	356,649	Principal retirement
3,160,195	331,771	-	-	Interest and fiscal charges
<u>3,160,195</u>	<u>331,771</u>	<u>1,487,689</u>	<u>1,490,599</u>	Capital outlay
(3,160,195)	(331,771)	(1,486,731)	(1,490,325)	Total expenditures
2,876,832	1,498,146	1,487,197	1,490,483	Excess (deficiency) of revenues over expenditures
-	-	-	-	Other Financing Sources (Uses)
-	-	-	-	Transfers in
-	-	-	-	Transfers in from Successor Agency
-	-	-	-	Transfers out
<u>2,876,832</u>	<u>1,498,146</u>	<u>1,487,197</u>	<u>1,490,483</u>	Total other financing sources (uses)
(283,363)	1,166,375	466	158	Net change in fund balances
3,969,234	1,494,359	3,031	84	Fund Balances
<u>\$ 3,685,871</u>	<u>\$ 2,660,734</u>	<u>\$ 3,497</u>	<u>\$ 242</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, 2018

	<u>Debt Service Funds</u>		<u>Permanent Funds</u>	
	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	263	-	212	36
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	263	-	212	36
Expenditures				
Current:				
General government	3,320	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community and cultural	-	-	-	537
Public works	-	-	-	-
Debt service:				
Principal retirement	-	273,000	-	-
Interest and fiscal charges	1,009,332	66,207	-	-
Capital outlay	-	-	-	-
Total expenditures	1,012,652	339,207	-	537
Excess (deficiency) of revenues over expenditures	(1,012,389)	(339,207)	212	(501)
Other Financing Sources (Uses)				
Transfers in	1,013,000	189,207	-	-
Transfers in from Successor Agency	-	150,000	-	-
Transfers out	-	-	(14,359)	-
Total other financing sources (uses)	1,013,000	339,207	(14,359)	-
Net change in fund balances	611	-	(14,147)	(501)
Fund Balances				
Fund balances - beginning of year	6,018,612	-	63,409	11,210
Fund balances - end of year	\$ 6,019,223	\$ -	\$ 49,262	\$ 10,709

City of Moreno Valley, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Permanent Funds				
ROCKRIDGE PARK ENDOWMENT	NPDES ENDOWMENT	CULTURAL PRESERVATION	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 118,315	Revenues
-	-	-	24,415,054	Taxes:
-	-	-	2,184,231	Other taxes
401	114	441	149,303	Intergovernmental
-	-	-	5,942	Fees and charges for services
-	-	-	560,524	Use of money and property
<u>401</u>	<u>114</u>	<u>441</u>	<u>27,433,369</u>	Fines and forfeitures
				Miscellaneous
				Total revenues
				Expenditures
				Current:
-	-	-	777,900	General government
-	-	-	577,590	Public safety
-	-	-	5,062,635	Community development
-	-	-	8,235,494	Community and cultural
-	-	-	7,547,175	Public works
-	-	-	1,920,000	Debt service:
-	-	-	2,399,001	Principal retirement
-	-	-	9,835,597	Interest and fiscal charges
<u>-</u>	<u>-</u>	<u>-</u>	<u>36,355,392</u>	Capital outlay
				Total expenditures
401	114	441	(8,922,023)	Excess (deficiency) of revenues over expenditures
				Other Financing Sources (Uses)
-	-	-	15,693,114	Transfers in
-	-	-	150,000	Transfers in from Successor Agency
-	(223)	-	(2,675,279)	Transfers out
<u>-</u>	<u>(223)</u>	<u>-</u>	<u>13,167,835</u>	Total other financing sources (uses)
401	(109)	441	4,245,812	Net change in fund balances
109,921	32,628	120,987	40,520,533	Fund Balances
<u>\$ 110,322</u>	<u>\$ 32,519</u>	<u>\$ 121,428</u>	<u>\$ 44,766,345</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 5,713,345	\$ 5,725,187	\$ 5,548,941	\$ (176,246)
Use of money and property	1,000	1,000	-	(1,000)
Miscellaneous	1,000	1,000	220	(780)
Total Revenues	5,715,345	5,727,187	5,549,161	(178,026)
Expenditures				
Current:				
Public works	4,265,713	4,023,676	3,732,853	290,823
Capital outlay	1,444,387	1,420,433	-	1,420,433
Total Expenditures	5,710,100	5,444,109	3,732,853	1,711,256
Excess (Deficiency) of Revenues Over (Under) expenditures	5,245	283,078	1,816,308	1,533,230
Other Financing Sources (Uses)				
Transfers in (note 7)	160,000	160,000	160,000	-
Transfers out (note 7)	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (uses)	110,000	110,000	110,000	-
Net change in fund balances	115,245	393,078	1,926,308	1,533,230
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ 115,245	\$ 393,078	\$ 1,926,308	\$ 1,533,230

City of Moreno Valley, California

Budgetary Comparison Schedule
MEASURE A
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,229,761	\$ 6,312,761	\$ 4,475,450	\$ (1,837,311)
Fees and charges for services	-	-	132,921	132,921
Use of money and property	80,000	80,000	60,680	(19,320)
Miscellaneous	30,000	30,000	12,400	(17,600)
Total Revenues	6,339,761	6,422,761	4,681,451	(1,741,310)
Expenditures				
Current:				
Public works	1,906,144	2,036,182	1,964,659	71,523
Capital outlay	-	5,475,197	1,287,073	4,188,124
Total Expenditures	1,906,144	7,511,379	3,251,732	4,259,647
Excess (Deficiency) of Revenues Over (Under) expenditures	4,433,617	(1,088,618)	1,429,719	2,518,337
Other Financing Sources (Uses)				
Transfers out (note 7)	(2,547,000)	(2,592,501)	(2,590,697)	1,804
Total Other Financing Sources (uses)	(2,547,000)	(2,592,501)	(2,590,697)	1,804
Net change in fund balances	1,886,617	(3,681,119)	(1,160,978)	2,520,141
Fund balances - Beginning of year	5,135,340	5,135,340	5,135,340	-
Fund balances - End of year	\$ 7,021,957	\$ 1,454,221	\$ 3,974,362	\$ 2,520,141

City of Moreno Valley, California

Budgetary Comparison Schedule
 AIR QUALITY MANAGEMENT
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 263,374	\$ 43,374
Use of money and property	7,000	7,000	2,878	(4,122)
Total Revenues	227,000	227,000	266,252	39,252
Expenditures				
Current:				
Public works	210,729	210,729	206,042	4,687
Capital outlay	30,000	77,649	-	77,649
Total Expenditures	240,729	288,378	206,042	82,336
Excess (Deficiency) of Revenues Over (Under) expenditures	(13,729)	(61,378)	60,210	121,588
Net change in fund balances	(13,729)	(61,378)	60,210	121,588
Fund balances - Beginning of year	224,122	224,122	224,122	-
Fund balances - End of year	\$ 210,393	\$ 162,744	\$ 284,332	\$ 121,588

City of Moreno Valley, California

Budgetary Comparison Schedule
SPECIAL DISTRICTS ADMINISTRATION
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 722,200	\$ 777,700	\$ 792,658	\$ 14,958
Use of money and property	8,500	21,300	15,924	(5,376)
Total Revenues	730,700	799,000	808,582	9,582
Expenditures				
Current:				
Public works	715,515	803,670	557,050	246,620
Total Expenditures	715,515	803,670	557,050	246,620
Excess (Deficiency) of Revenues Over (Under) expenditures	15,185	(4,670)	251,532	256,202
Net change in fund balances	15,185	(4,670)	251,532	256,202
Fund balances - Beginning of year	1,441,988	1,441,988	1,441,988	-
Fund balances - End of year	\$ 1,457,173	\$ 1,437,318	\$ 1,693,520	\$ 256,202

City of Moreno Valley, California

Budgetary Comparison Schedule
STORM WATER MAINTENANCE
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 390,000	\$ 390,000	\$ 453,006	\$ 63,006
Total Revenues	390,000	390,000	453,006	63,006
Expenditures				
Current:				
Public works	437,960	464,760	453,006	11,754
Total Expenditures	437,960	464,760	453,006	11,754
Excess (Deficiency) of Revenues Over (Under) expenditures	(47,960)	(74,760)	-	74,760
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	2,040	(24,760)	50,000	74,760
Fund balances - Beginning of year	129,607	129,607	129,607	-
Fund balances - End of year	\$ 131,647	\$ 104,847	\$ 179,607	\$ 74,760

City of Moreno Valley, California

**Budgetary Comparison Schedule
STORM WATER MANAGEMENT
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 727,440	\$ 727,440	\$ 658,183	\$ (69,257)
Miscellaneous	-	4,000	-	(4,000)
Total Revenues	727,440	731,440	658,183	(73,257)
Expenditures				
Current:				
Public works	650,998	650,998	451,996	199,002
Total Expenditures	650,998	650,998	451,996	199,002
Excess (Deficiency) of Revenues Over (Under) expenditures	76,442	80,442	206,187	125,745
Other Financing Sources (Uses)				
Transfers in (note 7)	223	223	223	-
Total Other Financing Sources (uses)	223	223	223	-
Net change in fund balances	76,665	80,665	206,410	125,745
Fund balances - Beginning of year	949,249	949,249	949,249	-
Fund balances - End of year	\$ 1,025,914	\$ 1,029,914	\$ 1,155,659	\$ 125,745

City of Moreno Valley, California

Budgetary Comparison Schedule
CFD No. 4-M
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 41,400	\$ 41,400	\$ 25,363	\$ (16,037)
Use of money and property	81	81	237	156
Total Revenues	41,481	41,481	25,600	(15,881)
Expenditures				
Current:				
Public works	33,815	33,815	29,929	3,886
Total Expenditures	33,815	33,815	29,929	3,886
Excess (Deficiency) of Revenues Over (Under) expenditures	7,666	7,666	(4,329)	(11,995)
Net change in fund balances	7,666	7,666	(4,329)	(11,995)
Fund balances - Beginning of year	77,035	77,035	77,035	-
Fund balances - End of year	\$ 84,701	\$ 84,701	\$ 72,706	\$ (11,995)

City of Moreno Valley, California
Budgetary Comparison Schedule
PUBLIC EDUCATION GOVERNMENT ACCESS
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ 565,000	\$ 565,000	\$ 541,691	\$ (23,309)
Total Revenues	565,000	565,000	541,691	(23,309)
Expenditures				
Current:				
General government	723,168	723,168	736,453	(13,285)
Total Expenditures	723,168	723,168	736,453	(13,285)
Excess (Deficiency) of Revenues Over (Under) expenditures	(158,168)	(158,168)	(194,762)	(36,594)
Net change in fund balances	(158,168)	(158,168)	(194,762)	(36,594)
Fund balances - Beginning of year	1,230,603	1,230,603	1,230,603	-
Fund balances - End of year	\$ 1,072,435	\$ 1,072,435	\$ 1,035,841	\$ (36,594)

City of Moreno Valley, California

Budgetary Comparison Schedule
 CIVIL PENALTIES
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 5,942	\$ (24,058)
Total Revenues	30,000	30,000	5,942	(24,058)
Expenditures				
Current:				
General government	31,466	31,466	38,127	(6,661)
Total Expenditures	31,466	31,466	38,127	(6,661)
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,466)	(1,466)	(32,185)	(30,719)
Net change in fund balances	(1,466)	(1,466)	(32,185)	(30,719)
Fund balances - Beginning of year	116,461	116,461	116,461	-
Fund balances - End of year	\$ 114,995	\$ 114,995	\$ 84,276	\$ (30,719)

City of Moreno Valley, California

Budgetary Comparison Schedule
EMERGENCY SERVICES AGENCY FINES
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 55,000	\$ 55,000	\$ 102,031	\$ 47,031
Use of money and property	4,000	4,000	3,255	(745)
Total Revenues	59,000	59,000	105,286	46,286
Expenditures				
Current:				
Public safety	59,000	59,000	4,036	54,964
Capital outlay	-	-	15,154	(15,154)
Total Expenditures	59,000	59,000	19,190	39,810
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	86,096	86,096
Net change in fund balances	-	-	86,096	86,096
Fund balances - Beginning of year	509,261	509,261	509,261	-
Fund balances - End of year	\$ 509,261	\$ 509,261	\$ 595,357	\$ 86,096

City of Moreno Valley, California

Budgetary Comparison Schedule
ENERGY EFFICIENCY REVOLVING
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ 10,000	\$ 5,083	\$ (4,917)
Total Revenues	<u>-</u>	<u>10,000</u>	<u>5,083</u>	<u>(4,917)</u>
Excess (Deficiency) of Revenues Over (Under) expenditures	-	10,000	5,083	(4,917)
Net change in fund balances	-	10,000	5,083	(4,917)
Fund balances - Beginning of year	144,351	144,351	144,351	-
Fund balances - End of year	<u>\$ 144,351</u>	<u>\$ 154,351</u>	<u>\$ 149,434</u>	<u>\$ (4,917)</u>

City of Moreno Valley, California

**Budgetary Comparison Schedule
GENERAL PLAN AMENDMENTS
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
Community development	1,000,000	1,000,000	-	1,000,000
Total Expenditures	1,000,000	1,000,000	-	1,000,000
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,000,000)	(1,000,000)	-	1,000,000
Other Financing Sources (Uses)				
Transfers in (note 7)	1,750,000	1,750,000	1,750,000	-
Total Other Financing Sources (uses)	1,750,000	1,750,000	1,750,000	-
Net change in fund balances	750,000	750,000	1,750,000	1,000,000
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ 750,000	\$ 750,000	\$ 1,750,000	\$ 1,000,000

City of Moreno Valley, California

Budgetary Comparison Schedule
CFD No. 2014-01
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Other taxes	\$ 22,000	\$ 117,159	\$ 118,315	\$ 1,156
Fees and charges for services	10,000	65,000	58,900	(6,100)
Use of money and property	700	2,300	3,424	1,124
Total Revenues	32,700	184,459	180,639	(3,820)
Expenditures				
Current:				
Public works	32,211	38,961	26,775	12,186
Total Expenditures	32,211	38,961	26,775	12,186
Excess (Deficiency) of Revenues Over (Under) expenditures	489	145,498	153,864	8,366
Net change in fund balances	489	145,498	153,864	8,366
Fund balances - Beginning of year	160,425	160,425	160,425	-
Fund balances - End of year	\$ 160,914	\$ 305,923	\$ 314,289	\$ 8,366

City of Moreno Valley, California

Budgetary Comparison Schedule
CHILD CARE GRANT
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 697,817	\$ 784,351	\$ 814,537	\$ 30,186
Fees and charges for services	15,000	15,000	8,315	(6,685)
Miscellaneous	790	790	575	(215)
Total Revenues	713,607	800,141	823,427	23,286
Expenditures				
Current:				
Community and cultural	713,607	800,141	802,003	(1,862)
Capital outlay	-	-	24,910	(24,910)
Total Expenditures	713,607	800,141	826,913	(26,772)
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	(3,486)	(3,486)
Other Financing Sources (Uses)				
Transfers in (note 7)	-	-	3,486	3,486
Total Other Financing Sources (uses)	-	-	3,486	3,486
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

Budgetary Comparison Schedule
ASES PROGRAM GRANT
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,773,200	\$ 7,396,333	\$ 7,396,335	\$ 2
Total Revenues	6,773,200	7,396,333	7,396,335	2
Expenditures				
Current:				
Community and cultural	6,773,200	7,396,333	7,399,204	(2,871)
Total Expenditures	6,773,200	7,396,333	7,399,204	(2,871)
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	(2,869)	(2,869)
Net change in fund balances	-	-	(2,869)	(2,869)
Fund balances - Beginning of year	47,249	47,249	47,249	-
Fund balances - End of year	\$ 47,249	\$ 47,249	\$ 44,380	\$ (2,869)

City of Moreno Valley, California

Budgetary Comparison Schedule
 USED OIL RECYCLING GRANT
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 55,462	\$ 55,462	\$ 65,356	\$ 9,894
Total Revenues	55,462	55,462	65,356	9,894
Expenditures				
Current:				
Public works	55,462	55,462	65,356	(9,894)
Total Expenditures	55,462	55,462	65,356	(9,894)
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 130,700	\$ 790,986	\$ 710,081	\$ (80,905)
Total Revenues	130,700	790,986	710,081	(80,905)
Expenditures				
Current:				
Public safety	75,700	106,125	74,417	31,708
Public works	55,000	55,000	51,683	3,317
Community development	-	144,775	78,896	65,879
Community and cultural	-	33,750	33,750	-
Capital outlay	-	451,336	451,335	1
Total Expenditures	130,700	790,986	690,081	100,905
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	20,000	20,000
Other Financing Sources (Uses)				
Transfers out (note 7)	-	-	(20,000)	(20,000)
Total Other Financing Sources (uses)	-	-	(20,000)	(20,000)
Net change in fund balances	-	-	-	-
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ -	\$ -

City of Moreno Valley, California

Budgetary Comparison Schedule
CAPITAL PROJECTS GRANTS
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,404,979	\$ 16,031,301	\$ 1,022,989	\$ (15,008,312)
Miscellaneous	-	-	357	357
Total Revenues	4,404,979	16,031,301	1,023,346	(15,007,955)
Expenditures				
Capital outlay	-	16,031,301	1,054,468	14,976,833
Total Expenditures	-	16,031,301	1,054,468	14,976,833
Excess (Deficiency) of Revenues Over (Under) expenditures	4,404,979	-	(31,122)	(31,122)
Other Financing Sources (Uses)				
Transfers in (note 7)	-	45,501	45,501	-
Total Other Financing Sources (uses)	-	45,501	45,501	-
Net change in fund balances	4,404,979	45,501	14,379	(31,122)
Fund balances - Beginning of year	751,960	751,960	751,960	-
Fund balances - End of year	\$ 5,156,939	\$ 797,461	\$ 766,339	\$ (31,122)

City of Moreno Valley, California

**Budgetary Comparison Schedule
LAW ENFORCEMENT GRANTS
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 372,779	\$ 513,120	\$ 470,221	\$ (42,899)
Total Revenues	372,779	513,120	470,221	(42,899)
Expenditures				
Current:				
Public safety	326,487	441,003	441,003	-
Community development	46,292	72,117	29,218	42,899
Total Expenditures	372,779	513,120	470,221	42,899
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 527,298	\$ 1,157,163	\$ 668,195	\$ (488,968)
Use of money and property	-	-	60,206	60,206
Total Revenues	527,298	1,157,163	728,401	(428,762)
Expenditures				
Current:				
Community development	527,298	1,157,163	936,554	220,609
Total Expenditures	527,298	1,157,163	936,554	220,609
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	(208,153)	(208,153)
Net change in fund balances	-	-	(208,153)	(208,153)
Fund balances - Beginning of year	5,974,323	5,974,323	5,974,323	-
Fund balances - End of year	\$ 5,974,323	\$ 5,974,323	\$ 5,766,170	\$ (208,153)

City of Moreno Valley, California
Budgetary Comparison Schedule
NEIGHBORHOOD STABILIZATION PROGRAM
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 91,869	\$ 91,869
Total Revenues	-	-	91,869	91,869
Expenditures				
Current:				
Community development	-	2,860,044	2,860,044	-
Total Expenditures	-	2,860,044	2,860,044	-
Excess (Deficiency) of Revenues Over (Under) expenditures	-	(2,860,044)	(2,768,175)	91,869
Other Financing Sources (Uses)				
Transfers in (note 7)	-	2,860,044	2,860,044	-
Total Other Financing Sources (uses)	-	2,860,044	2,860,044	-
Net change in fund balances	-	-	91,869	91,869
Fund balances - Beginning of year	-	-	-	-
Fund balances - End of year	\$ -	\$ -	\$ 91,869	\$ 91,869

City of Moreno Valley, California

Budgetary Comparison Schedule
COMMUNITY DEVELOPMENT BLOCK GRANT
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,068,143	\$ 3,549,115	\$ 1,677,333	\$ (1,871,782)
Total Revenues	2,068,143	3,549,115	1,677,333	(1,871,782)
Expenditures				
Current:				
Public safety	-	58,134	58,134	-
Community development	1,069,351	1,041,217	901,632	139,585
Community and cultural	-	530,642	-	530,642
Capital outlay	998,792	1,952,117	747,396	1,204,721
Total Expenditures	2,068,143	3,582,110	1,707,162	1,874,948
Excess (Deficiency) of Revenues Over (Under) expenditures	-	(32,995)	(29,829)	3,166
Other Financing Sources (Uses)				
Transfers in (note 7)	-	32,995	32,995	-
Total Other Financing Sources (uses)	-	32,995	32,995	-
Net change in fund balances	-	-	3,166	3,166
Fund balances - Beginning of year	(3,166)	(3,166)	(3,166)	-
Fund balances - End of year	\$ (3,166)	\$ (3,166)	\$ -	\$ 3,166

City of Moreno Valley, California

Budgetary Comparison Schedule
EMERGENCY SOLUTIONS GRANT
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 181,852	\$ 261,852	\$ 256,291	\$ (5,561)
Total Revenues	181,852	261,852	256,291	(5,561)
Expenditures				
Current:				
Community development	181,852	261,852	256,291	5,561
Total Expenditures	181,852	261,852	256,291	5,561
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 49,000	\$ 26,309	\$ (22,691)
Total Revenues	-	49,000	26,309	(22,691)
Expenditures				
Capital outlay	-	49,000	26,309	22,691
Total Expenditures	-	49,000	26,309	22,691
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
FACILITY CONSTRUCTION
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Total Revenues	1,000,000	1,000,000	-	(1,000,000)
Expenditures				
Capital outlay	750,000	1,184,465	594,755	589,710
Total Expenditures	750,000	1,184,465	594,755	589,710
Excess (Deficiency) of Revenues Over (Under) expenditures	250,000	(184,465)	(594,755)	(410,290)
Other Financing Sources (Uses)				
Transfers in (note 7)	750,000	755,000	755,000	-
Total Other Financing Sources (uses)	750,000	755,000	755,000	-
Net change in fund balances	1,000,000	570,535	160,245	(410,290)
Fund balances - Beginning of year	10,466,416	10,466,416	10,466,416	-
Fund balances - End of year	\$ 11,466,416	\$ 11,036,951	\$ 10,626,661	\$ (410,290)

City of Moreno Valley, California

Budgetary Comparison Schedule
PUBLIC WORKS CAPITAL PROJECTS
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,898,340	\$ 4,898,340	\$ 214,660	\$ (4,683,680)
Fees and charges for services	-	-	54,885	54,885
Miscellaneous	-	-	198	198
Total Revenues	4,898,340	4,898,340	269,743	(4,628,597)
Expenditures				
Capital outlay	1,543,398	7,087,110	1,531,149	5,555,961
Total Expenditures	1,543,398	7,087,110	1,531,149	5,555,961
Excess (Deficiency) of Revenues Over (Under) expenditures	3,354,942	(2,188,770)	(1,261,406)	927,364
Other Financing Sources (Uses)				
Transfers in (note 7)	-	1,481,000	1,481,000	-
Total Other Financing Sources (uses)	-	1,481,000	1,481,000	-
Net change in fund balances	3,354,942	(707,770)	219,594	927,364
Fund balances - Beginning of year	1,389,729	1,389,729	1,389,729	-
Fund balances - End of year	\$ 4,744,671	\$ 681,959	\$ 1,609,323	\$ 927,364

City of Moreno Valley, California

Budgetary Comparison Schedule
TUMF CAPITAL PROJECTS
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,879,978	\$ 2,879,978	\$ 611,082	\$ (2,268,896)
Total Revenues	2,879,978	2,879,978	611,082	(2,268,896)
Expenditures				
Capital outlay	2,079,978	2,678,694	611,082	2,067,612
Total Expenditures	2,079,978	2,678,694	611,082	2,067,612
Excess (Deficiency) of Revenues Over (Under) expenditures	800,000	201,284	-	(201,284)
Net change in fund balances	800,000	201,284	-	(201,284)
Fund balances - Beginning of year	(204,086)	(204,086)	(204,086)	-
Fund balances - End of year	\$ 595,914	\$ (2,802)	\$ (204,086)	\$ (201,284)

City of Moreno Valley, California

Budgetary Comparison Schedule
PARKS & COMMUNITY SERVICES DEVELOPMENT AND CAPITAL PROJECTS
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Capital outlay	\$ 248,500	\$ 4,348,518	\$ 3,160,195	\$ 1,188,323
Total Expenditures	248,500	4,348,518	3,160,195	1,188,323
Excess (Deficiency) of Revenues Over (Under) expenditures	(248,500)	(4,348,518)	(3,160,195)	1,188,323
Other Financing Sources (Uses)				
Transfers in (note 7)	248,500	2,876,832	2,876,832	-
Total Other Financing Sources (uses)	248,500	2,876,832	2,876,832	-
Net change in fund balances	-	(1,471,686)	(283,363)	1,188,323
Fund balances - Beginning of year	3,969,234	3,969,234	3,969,234	-
Fund balances - End of year	\$ 3,969,234	\$ 2,497,548	\$ 3,685,871	\$ 1,188,323

City of Moreno Valley, California

Budgetary Comparison Schedule
DIF CAPITAL PROJECTS
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total Revenues	5,000	5,000	-	(5,000)
Expenditures				
Capital outlay	792,872	2,741,044	331,771	2,409,273
Total Expenditures	792,872	2,741,044	331,771	2,409,273
Excess (Deficiency) of Revenues Over (Under) expenditures	(787,872)	(2,736,044)	(331,771)	2,404,273
Other Financing Sources (Uses)				
Transfers in (note 7)	792,872	1,537,553	1,498,146	(39,407)
Total Other Financing Sources (uses)	792,872	1,537,553	1,498,146	(39,407)
Net change in fund balances	5,000	(1,198,491)	1,166,375	2,364,866
Fund balances - Beginning of year	1,494,359	1,494,359	1,494,359	-
Fund balances - End of year	\$ 1,499,359	\$ 295,868	\$ 2,660,734	\$ 2,364,866

City of Moreno Valley, California

Budgetary Comparison Schedule
TRIP COP 13A
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 958	\$ 958
Total Revenues	-	-	958	958
Expenditures				
Current:				
Public works	7,000	7,000	5,876	1,124
Debt service:				
Principal retirement	515,000	515,000	515,000	-
Interest and fiscal charges	967,000	967,000	966,813	187
Total Expenditures	1,489,000	1,489,000	1,487,689	1,311
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,489,000)	(1,489,000)	(1,486,731)	2,269
Other Financing Sources (Uses)				
Transfers in (note 7)	1,489,000	1,489,000	1,487,197	(1,803)
Total Other Financing Sources (uses)	1,489,000	1,489,000	1,487,197	(1,803)
Net change in fund balances	-	-	466	466
Fund balances - Beginning of year	3,031	3,031	3,031	-
Fund balances - End of year	\$ 3,031	\$ 3,031	\$ 3,497	\$ 466

City of Moreno Valley, California

Budgetary Comparison Schedule
 2013 REFUNDING OF 2005 LEASE REVENUE BONDS
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 274	\$ 274
Total Revenues	-	-	274	274
Expenditures				
Current:				
Public works	3,000	3,000	1,950	1,050
Debt service:				
Principal retirement	1,133,000	1,133,000	1,132,000	1,000
Interest and fiscal charges	357,000	357,000	356,649	351
Total Expenditures	1,493,000	1,493,000	1,490,599	2,401
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,493,000)	(1,493,000)	(1,490,325)	2,675
Other Financing Sources (Uses)				
Transfers in (note 7)	1,493,000	1,493,000	1,490,483	(2,517)
Total Other Financing Sources (uses)	1,493,000	1,493,000	1,490,483	(2,517)
Net change in fund balances	-	-	158	158
Fund balances - Beginning of year	84	84	84	-
Fund balances - End of year	\$ 84	\$ 84	\$ 242	\$ 158

City of Moreno Valley, California

Budgetary Comparison Schedule
 2014 REFUNDING OF 2005 LEASE REVENUE BONDS
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 263	\$ 263
Total Revenues	-	-	263	263
Expenditures				
Current:				
General government	3,000	3,000	3,320	(320)
Debt service:				
Interest and fiscal charges	1,010,000	1,010,000	1,009,332	668
Total Expenditures	1,013,000	1,013,000	1,012,652	348
Excess (Deficiency) of Revenues Over (Under) expenditures	(1,013,000)	(1,013,000)	(1,012,389)	611
Other Financing Sources (Uses)				
Transfers in (note 7)	1,013,000	1,013,000	1,013,000	-
Total Other Financing Sources (uses)	1,013,000	1,013,000	1,013,000	-
Net change in fund balances	-	-	611	611
Fund balances - Beginning of year	6,018,612	6,018,612	6,018,612	-
Fund balances - End of year	\$ 6,018,612	\$ 6,018,612	\$ 6,019,223	\$ 611

City of Moreno Valley, California

Budgetary Comparison Schedule
 2011 PRIVATE PLACEMENT REFUNDING 97 LEASE REVENUE BONDS
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Debt service:				
Principal retirement	\$ 273,000	\$ 273,000	\$ 273,000	\$ -
Interest and fiscal charges	67,000	67,000	66,207	793
Total Expenditures	340,000	340,000	339,207	793
Excess (Deficiency) of Revenues Over (Under) expenditures	(340,000)	(340,000)	(339,207)	793
Other Financing Sources (Uses)				
Transfers in (note 7)	190,000	190,000	189,207	(793)
Transfers from Successor Agency	150,000	150,000	150,000	-
Total Other Financing Sources (uses)	340,000	340,000	339,207	(793)
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 212	\$ (788)
Total Revenues	1,000	1,000	212	(788)
Excess (Deficiency) of Revenues Over (Under) expenditures	1,000	1,000	212	(788)
Other Financing Sources (Uses)				
Transfers out (note 7)	-	(14,359)	(14,359)	-
Total Other Financing Sources (uses)	-	(14,359)	(14,359)	-
Net change in fund balances	1,000	(13,359)	(14,147)	(788)
Fund balances - Beginning of year	63,409	63,409	63,409	-
Fund balances - End of year	\$ 64,409	\$ 50,050	\$ 49,262	\$ (788)

City of Moreno Valley, California

Budgetary Comparison Schedule
EQUESTRIAN TRAIL ENDOWMENT
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 200	\$ 200	\$ 36	\$ (164)
Total Revenues	200	200	36	(164)
Expenditures				
Current:				
Community and cultural	200	200	537	(337)
Total Expenditures	200	200	537	(337)
Excess (Deficiency) of Revenues Over (Under) expenditures	-	-	(501)	(501)
Net change in fund balances	-	-	(501)	(501)
Fund balances - Beginning of year	11,210	11,210	11,210	-
Fund balances - End of year	\$ 11,210	\$ 11,210	\$ 10,709	\$ (501)

City of Moreno Valley, California

Budgetary Comparison Schedule
ROCKRIDGE PARK ENDOWMENT
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,500	\$ 1,500	\$ 401	\$ (1,099)
Total Revenues	1,500	1,500	401	(1,099)
Excess (Deficiency) of Revenues Over (Under) expenditures	1,500	1,500	401	(1,099)
Net change in fund balances	1,500	1,500	401	(1,099)
Fund balances - Beginning of year	109,921	109,921	109,921	-
Fund balances - End of year	\$ 111,421	\$ 111,421	\$ 110,322	\$ (1,099)

City of Moreno Valley, California

**Budgetary Comparison Schedule
NPDES ENDOWMENT
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Use of money and property	\$ 250	\$ 250	\$ 114	\$ (136)
Total Revenues	250	250	114	(136)
Excess (Deficiency) of Revenues Over (Under) expenditures	250	250	114	(136)
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	(109)	(136)
Fund balances - Beginning of year	32,628	32,628	32,628	-
Fund balances - End of year	\$ 32,655	\$ 32,655	\$ 32,519	\$ (136)

City of Moreno Valley, California

Budgetary Comparison Schedule
CULTURAL PRESERVATION
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,600	\$ 1,600	\$ 441	\$ (1,159)
Total Revenues	1,600	1,600	441	(1,159)
Excess (Deficiency) of Revenues Over (Under) expenditures	1,600	1,600	441	(1,159)
Net change in fund balances	1,600	1,600	441	(1,159)
Fund balances - Beginning of year	120,987	120,987	120,987	-
Fund balances - End of year	\$ 122,587	\$ 122,587	\$ 121,428	\$ (1,159)



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 the City Hall building.

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, 2018

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
Assets				
Current:				
Pooled cash and investments	\$ 1,981,280	\$ 3,437,188	\$ 8,904,551	\$ 5,595,548
Receivables:				
Accounts	-	-	-	69
Prepaid costs	-	-	-	14,481
Inventories	-	-	-	20,543
Total Current Assets	1,981,280	3,437,188	8,904,551	5,630,641
Noncurrent:				
Capital assets - net of accumulated depreciation	-	-	2,197,235	10,563,151
Total Noncurrent Assets	-	-	2,197,235	10,563,151
Total Assets	1,981,280	3,437,188	11,101,786	16,193,792
Liabilities				
Current:				
Accounts payable	11,151	-	4,061	165,085
Compensated absences	41,634	3,638	-	76,772
Self-insurance payable	426,000	467,000	-	-
Total Current Liabilities	478,785	470,638	4,061	241,857
Noncurrent:				
Compensated absences	27,756	2,425	-	51,181
Self-insurance payable	241,000	993,000	-	-
Total Noncurrent Liabilities	268,756	995,425	-	51,181
Total Liabilities	747,541	1,466,063	4,061	293,038
Net Position				
Net investment in capital assets	-	-	2,197,235	10,563,151
Unrestricted	1,233,739	1,971,125	8,900,490	5,337,603
Total Net Position	\$ 1,233,739	\$ 1,971,125	\$ 11,097,725	\$ 15,900,754

See Notes to Financial Statements

City of Moreno Valley, California

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

FLEET OPERATIONS	EQUIPMENT REPLACEMENT RESERVE	COMPENSATED ABSENCES	TOTAL	
\$ 4,744,704	\$ 14,001,243	\$ 2,313,042	\$ 40,977,556	Assets
-	-	-	69	Current:
-	-	-	14,481	Pooled cash and investments
11,913	-	-	32,456	Receivables:
<u>4,756,617</u>	<u>14,001,243</u>	<u>2,313,042</u>	<u>41,024,562</u>	Accounts
				Prepaid costs
				Inventories
				Total Current Assets
106,656	-	-	12,867,042	Noncurrent:
<u>106,656</u>	<u>-</u>	<u>-</u>	<u>12,867,042</u>	Capital assets - net of accumulated depreciation
<u>4,863,273</u>	<u>14,001,243</u>	<u>2,313,042</u>	<u>53,891,604</u>	Total Noncurrent Assets
				Total Assets
				Liabilities
85,617	-	-	265,914	Current:
23,221	-	-	145,265	Accounts payable
-	-	-	893,000	Compensated absences
<u>108,838</u>	<u>-</u>	<u>-</u>	<u>1,304,179</u>	Self-insurance payable
				Total Current Liabilities
15,481	-	-	96,843	Noncurrent:
-	-	-	1,234,000	Compensated absences
<u>15,481</u>	<u>-</u>	<u>-</u>	<u>1,330,843</u>	Self-insurance payable
<u>124,319</u>	<u>-</u>	<u>-</u>	<u>2,635,022</u>	Total Noncurrent Liabilities
				Total Liabilities
106,656	-	-	12,867,042	Net Position
4,632,298	14,001,243	2,313,042	38,389,540	Net investment in capital assets
<u>\$ 4,738,954</u>	<u>\$ 14,001,243</u>	<u>\$ 2,313,042</u>	<u>\$ 51,256,582</u>	Unrestricted
				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, 2018

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
Operating Revenues				
Sales and service charges	\$ 1,087,030	\$ 485,953	\$ -	\$ 4,337,637
Miscellaneous	6,726	120,404	1,171	2,009
Total Operating Revenues	1,093,756	606,357	1,171	4,339,646
Operating Expenses				
Cost of services	555,360	158,250	121,750	3,568,664
Depreciation expense	-	-	810,729	364,110
Self-insurance claims and charges	289,418	452,602	-	-
Total Operating Expenses	844,778	610,852	932,479	3,932,774
Net Operating Income (Loss)	248,978	(4,495)	(931,308)	406,872
Nonoperating Revenues (Expenses)				
Gain (loss) on disposal of capital assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	248,978	(4,495)	(931,308)	406,872
Transfers in	-	-	1,228,371	465,965
Transfers out	-	-	(699,000)	-
Change in Net Position	248,978	(4,495)	(401,937)	872,837
Total Net Position - Beginning of Year	984,761	1,975,620	11,499,662	15,027,917
Total Net Position - End of Year	\$ 1,233,739	\$ 1,971,125	\$ 11,097,725	\$ 15,900,754

See Notes to Financial Statements

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, 2018

<u>FLEET OPERATIONS</u>	<u>EQUIPMENT REPLACEMENT RESERVE</u>	<u>COMPENSATED ABSENCES</u>	<u>TOTAL</u>	
\$ 1,981,548	\$ 581,182	\$ -	\$ 8,473,350	Operating Revenues
-	-	-	130,310	Sales and service charges
1,981,548	581,182	-	8,603,660	Miscellaneous
				Total Operating Revenues
				Operating Expenses
1,082,910	-	-	5,486,934	Cost of services
10,123	-	-	1,184,962	Depreciation expense
-	-	-	742,020	Self-insurance claims and charges
1,093,033	-	-	7,413,916	Total Operating Expenses
				Net Operating Income (Loss)
888,515	581,182	-	1,189,744	
				Nonoperating Revenues (Expenses)
222,312	-	-	222,312	Gain (loss) on disposal of capital assets
222,312	-	-	222,312	Total Nonoperating Revenues (Expenses)
				Income (Loss) Before Contributions and Transfers
1,110,827	581,182	-	1,412,056	
45,000	-	680,000	2,419,336	Transfers in
(2,814,194)	(189,284)	-	(3,702,478)	Transfers out
(1,658,367)	391,898	680,000	128,914	Change in Net Position
6,397,321	13,609,345	1,633,042	51,127,668	Total Net Position - Beginning of Year
\$ 4,738,954	\$ 14,001,243	\$ 2,313,042	\$ 51,256,582	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, 2018

	GENERAL LIABILITY INSURANCE	WORKERS' COMPENSATION INSURANCE	TECHNOLOGY SERVICES	FACILITIES MAINTENANCE
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,093,756	\$ 606,357	\$ 1,171	\$ 4,339,683
Payments to suppliers	(545,936)	(97,158)	(230,856)	(2,809,570)
Payments to employees	(289,470)	(60,279)	(12,689)	(945,648)
Cash paid for claims	(576,418)	(438,602)	-	-
Net cash provided (used) by operating activities	(318,068)	10,318	(242,374)	584,465
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash transfers in	-	-	1,228,371	465,965
Cash transfers out	-	-	(699,000)	-
Net cash provided (used) by noncapital financing activities	-	-	529,371	465,965
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(701,029)	(563,168)
Proceeds from the sale or disposition of capital assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	(701,029)	(563,168)
Net increase (decrease) in cash and cash equivalents	(318,068)	10,318	(414,032)	487,262
Balances - beginning of year	2,299,348	3,426,870	9,318,583	5,108,286
Balances - end of year	\$ 1,981,280	\$ 3,437,188	\$ 8,904,551	\$ 5,595,548
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$ 248,978	\$ (4,495)	\$ (931,308)	\$ 406,872
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	810,729	364,110
(Increase) decrease in accounts receivable	-	-	-	35
(Increase) decrease in prepaid costs	-	-	-	(8,896)
(Increase) decrease in inventories	-	-	-	911
Increase (decrease) in accounts payable	(309,171)	-	(121,795)	(120,179)
Increase (decrease) in self-insurance payable	(287,000)	14,000	-	-
Increase (decrease) in compensated absences	29,125	813	-	(58,388)
Net cash provided (used) by operating activities	(318,068)	10,318	(242,374)	584,465

City of Moreno Valley, California

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

FLEET OPERATIONS	EQUIPMENT REPLACEMENT RESERVE	COMPENSATED ABSENCES	Total	
\$ 1,981,548	\$ 581,182	\$ -	\$ 8,603,697	CASH FLOWS FROM OPERATING ACTIVITIES
(616,616)	-	-	(4,300,136)	Cash receipts from customers
(419,294)	-	-	(1,727,380)	Payments to suppliers
-	-	-	(1,015,020)	Payments to employees
<u>945,638</u>	<u>581,182</u>	<u>-</u>	<u>1,561,161</u>	Cash paid for claims
				Net cash provided (used) by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
45,000	-	680,000	2,419,336	Cash transfers in
(2,814,194)	(189,284)	-	(3,702,478)	Cash transfers out
<u>(2,769,194)</u>	<u>(189,284)</u>	<u>680,000</u>	<u>(1,283,142)</u>	Net cash provided (used) by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
-	-	-	(1,264,197)	Acquisition and construction of capital assets
222,312	-	-	222,312	Proceeds from the sale or disposition of capital assets
<u>222,312</u>	<u>-</u>	<u>-</u>	<u>(1,041,885)</u>	Net cash provided (used) by capital and related financing activities
(1,601,244)	391,898	680,000	(763,866)	Net increase (decrease) in cash and cash equivalents
6,345,948	13,609,345	1,633,042	41,741,422	Balances - beginning of year
<u>\$ 4,744,704</u>	<u>\$ 14,001,243</u>	<u>\$ 2,313,042</u>	<u>\$ 40,977,556</u>	Balances - end of the year
				Reconciliation of operating income (loss) to net cash provided (used) by operating activities:
\$ 888,515	\$ 581,182	\$ -	\$ 1,189,744	Operating Income (Loss)
				Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:
10,123	-	-	1,184,962	Depreciation
-	-	-	35	(Increase) decrease in accounts receivable
-	-	-	(8,896)	(Increase) decrease in prepaid costs
(4,390)	-	-	(3,479)	(Increase) decrease in inventories
60,021	-	-	(491,124)	Increase (decrease) in accounts payable
-	-	-	(273,000)	Increase (decrease) in self-insurance payable
(8,631)	-	-	(37,081)	Increase (decrease) in compensated absences
<u>\$ 945,638</u>	<u>\$ 581,182</u>	<u>\$ -</u>	<u>\$ 1,561,161</u>	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 to account for the receipts and disbursements of the Moreno Valley Community Foundation, 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 debt service and administrative costs related to the CFD No. 5 2007 Special Tax Bonds.

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, 2018

	<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	\$ 6,521,969	\$ 883,106	\$ 157,714	\$ 221,650	\$ 1,674
Accounts receivable	300	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted Assets:					
Cash with fiscal agents	-	-	-	-	-
Total Assets	<u>\$ 6,522,269</u>	<u>\$ 883,106</u>	<u>\$ 157,714</u>	<u>\$ 221,650</u>	<u>\$ 1,674</u>
Liabilities:					
Current:					
Accounts payable	\$ 7,298	\$ 883,106	\$ 157,714	\$ -	\$ -
Deposits payable	6,514,971	-	-	-	-
Payable to trustee	-	-	-	221,650	1,674
Total Liabilities	<u>\$ 6,522,269</u>	<u>\$ 883,106</u>	<u>\$ 157,714</u>	<u>\$ 221,650</u>	<u>\$ 1,674</u>

See Notes to Financial Statements

City of Moreno Valley, California

Combining Balance Sheet
All Agency Funds
June 30, 2018

CFD # 5 Stoneridge	2007 Towngate Improvement Refunding	2007 Towngate Refunding	IA1 CFD # 7	Total	
\$ 21,108	\$ 87,622	\$ 195,330	\$ 2,450	\$ 8,092,623	Assets:
-	-	-	-	300	Current:
10,861	4,295	-	-	15,156	Pooled cash and investments
					Accounts receivable
					Due from other governments
781,705	686,704	2,724,839	762,026	4,955,274	Restricted Assets:
					Cash with fiscal agents
\$ 813,674	\$ 778,621	\$ 2,920,169	\$ 764,476	\$ 13,063,353	Total Assets
					Liabilities:
\$ -	\$ -	\$ -	\$ -	\$ 1,048,118	Current:
-	-	-	-	6,514,971	Accounts payable
813,674	778,621	2,920,169	764,476	5,500,264	Deposits payable
					Payable to trustee
\$ 813,674	\$ 778,621	\$ 2,920,169	\$ 764,476	\$ 13,063,353	Total Liabilities

City of Moreno Valley, California

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Deposit Liability</u>				
Assets:				
Pooled cash and investments	\$ 6,426,011	2,092,898	1,996,940	\$ 6,521,969
Accounts receivable	600	144,913	145,213	300
Total Assets	<u>\$ 6,426,611</u>	<u>2,237,811</u>	<u>2,142,153</u>	<u>\$ 6,522,269</u>
Liabilities:				
Accounts payable	\$ 111,675	796,323	900,700	\$ 7,298
Deposits payable	6,314,936	3,138,511	2,938,476	6,514,971
Total Liabilities	<u>\$ 6,426,611</u>	<u>3,934,834</u>	<u>3,839,176</u>	<u>\$ 6,522,269</u>
<u>TUMF Trust</u>				
Assets:				
Pooled cash and investments	\$ 53,238	6,971,308	6,141,440	\$ 883,106
Total Assets	<u>\$ 53,238</u>	<u>6,971,308</u>	<u>6,141,440</u>	<u>\$ 883,106</u>
Liabilities:				
Accounts payable	\$ 53,238	6,971,308	6,141,440	\$ 883,106
Total Liabilities	<u>\$ 53,238</u>	<u>6,971,308</u>	<u>6,141,440</u>	<u>\$ 883,106</u>
<u>MSHCP Trust</u>				
Assets:				
Pooled cash and investments	\$ 69,720	2,582,009	2,494,015	\$ 157,714
Total Assets	<u>\$ 69,720</u>	<u>2,582,009</u>	<u>2,494,015</u>	<u>\$ 157,714</u>
Liabilities:				
Accounts payable	\$ 69,720	2,582,009	2,494,015	\$ 157,714
Total Liabilities	<u>\$ 69,720</u>	<u>2,582,009</u>	<u>2,494,015</u>	<u>\$ 157,714</u>
<u>Moreno Valley Foundation Donations</u>				
Assets:				
Pooled cash and investments	\$ 221,650	-	-	\$ 221,650
Total Assets	<u>\$ 221,650</u>	<u>-</u>	<u>-</u>	<u>\$ 221,650</u>
Liabilities:				
Payable to trustee	\$ 221,650	-	-	\$ 221,650
Total Liabilities	<u>\$ 221,650</u>	<u>-</u>	<u>-</u>	<u>\$ 221,650</u>

City of Moreno Valley, California

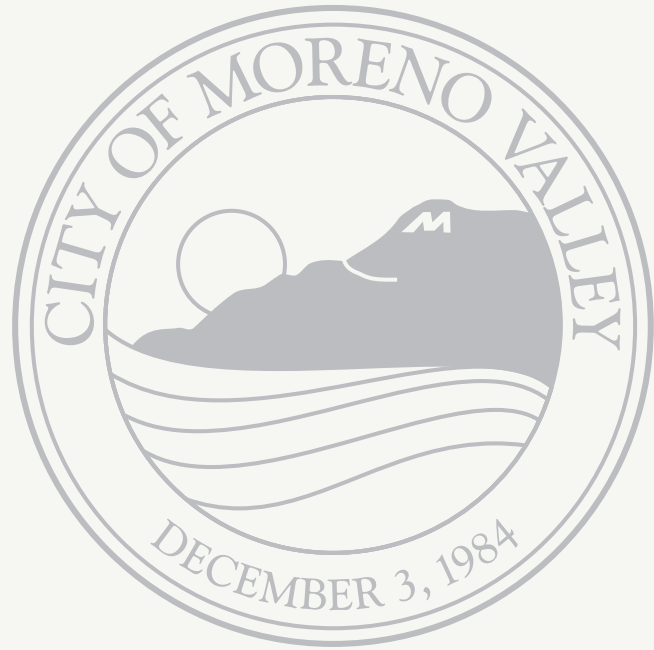
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Arts Commission</u>				
Assets:				
Pooled cash and investments	\$ 1,840	1,463	1,629	\$ 1,674
Total Assets	\$ 1,840	1,463	1,629	\$ 1,674
Liabilities:				
Payable to trustee	\$ 1,840	1,463	1,629	\$ 1,674
Total Liabilities	\$ 1,840	1,463	1,629	\$ 1,674
<u>CFD # 5 Stoneridge</u>				
Assets:				
Pooled cash and investments	\$ -	638,267	617,159	\$ 21,108
Due from other governments	45,141	10,861	45,141	10,861
Restricted assets:				
Cash with fiscal agents	756,810	597,392	572,497	781,705
Total Assets	\$ 801,951	1,235,659	1,189,656	\$ 813,674
Liabilities:				
Payable to trustee	\$ 798,859	14,815	-	\$ 813,674
Due to City of Moreno Valley	3,092	-	3,092	-
Total Liabilities	\$ 801,951	14,815	3,092	\$ 813,674
<u>2007 Towngate Improvement Refunding</u>				
Assets:				
Pooled cash and investments	\$ 89,372	421,332	423,082	\$ 87,622
Due from other governments	-	4,295	-	4,295
Restricted assets:				
Cash with fiscal agents	678,398	398,217	389,911	686,704
Total Assets	\$ 767,770	819,549	812,993	\$ 778,621
Liabilities:				
Payable to trustee	\$ 767,770	10,851	-	\$ 778,621
Total Liabilities	\$ 767,770	10,851	-	\$ 778,621

City of Moreno Valley, California

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>2007 Towngate Refunding</u>				
Assets:				
Pooled cash and investments	\$ 195,830	1,320,309	1,320,809	\$ 195,330
Restricted assets:				
Cash with fiscal agents	2,685,534	1,208,256	1,168,951	2,724,839
Total Assets	\$ 2,881,364	2,528,565	2,489,760	\$ 2,920,169
Liabilities:				
Payable to trustee	\$ 2,881,364	38,805	-	\$ 2,920,169
Total Liabilities	\$ 2,881,364	38,805	-	\$ 2,920,169
<u>IA1 CFD #7</u>				
Assets:				
Pooled cash and investments	\$ 27,200	374,576	399,326	\$ 2,450
Restricted assets:				
Cash with fiscal agents	232,610	811,039	281,623	762,026
Total Assets	\$ 259,810	1,185,615	680,949	\$ 764,476
Liabilities:				
Payable to trustee	\$ 259,810	504,666	-	\$ 764,476
Total Liabilities	\$ 259,810	504,666	-	\$ 764,476
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 7,084,861	14,402,162	13,394,400	\$ 8,092,623
Accounts receivable	600	144,913	145,213	300
Due from other governments	45,141	15,156	45,141	15,156
Restricted assets:				
Cash with fiscal agents	4,353,352	3,014,904	2,412,982	4,955,274
Total Assets	\$ 11,483,954	17,577,135	15,997,736	\$ 13,063,353
Liabilities:				
Accounts payable	\$ 234,633	10,349,640	9,536,155	\$ 1,048,118
Deposits payable	6,314,936	3,138,511	2,938,476	6,514,971
Payable to trustee	4,931,293	570,600	1,629	5,500,264
Due to City of Moreno Valley	3,092	-	3,092	-
Total Liabilities	\$ 11,483,954	14,058,751	12,479,352	\$ 13,063,353



Statistical Section



City of Moreno Valley, CA

FISCAL YEAR ENDED JUNE 30, 2018

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.

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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.

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Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its key revenues.

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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.

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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.

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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.

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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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 704,987,685	\$ 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
Restricted for:										
Community development projects	19,960,752	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
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
Public safety	280,107	2,103,241	644,786	626,545	328,561	328,236	1,000,633	473,282	509,262	595,357
Public works/capital projects	71,335,816	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
Debt service	17,373,369	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
Other programs	11,731,764	2,545,781	301,868	170,051	311,702	538,101	538,908	707,617	949,249	1,155,659
Permanent funds-nonexpendable	66,436	169,287	170,162	188,335	191,646	328,823	332,597	337,682	338,156	324,240
Unrestricted:	69,630,581	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
Total Governmental activities net position	<u>\$ 895,366,510</u>	<u>\$ 941,652,520</u>	<u>\$ 948,471,198</u>	<u>\$ 942,064,400</u>	<u>\$ 1,007,995,816</u>	<u>\$ 1,041,697,324</u>	<u>\$ 996,487,445</u>	<u>\$ 1,012,158,113</u>	<u>\$ 1,003,482,558</u>	<u>\$ 1,004,800,070</u>
Business-type activities										
Net investment in capital assets	\$ 10,083,679	\$ 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
Restricted for:										
Regulatory contingencies	1,767,402	1,158,200	1,702,037	2,520,912	3,444,969	3,903,663	3,803,242	-	4,806,157	5,460,607
Unrestricted:	(4,023,374)	(4,520,034)	(5,623,674)	(413,445)	(652,825)	260,457	4,297,438	12,487,075	4,972,812	12,167,888
Total Business-type activities net position	<u>\$ 7,827,707</u>	<u>\$ 8,839,920</u>	<u>\$ 10,021,344</u>	<u>\$ 10,504,312</u>	<u>\$ 11,845,022</u>	<u>\$ 13,733,416</u>	<u>\$ 19,004,092</u>	<u>\$ 26,464,745</u>	<u>\$ 30,291,480</u>	<u>\$ 38,588,058</u>
Primary government										
Net investment in capital assets	\$ 715,071,364	\$ 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
Restricted for:										
Community development projects	19,960,752	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
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
Public safety	280,107	2,103,241	644,786	626,545	328,561	328,236	1,000,633	473,282	509,262	595,357
Public works/capital projects	71,335,816	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
Debt service	17,373,369	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
Other programs	11,731,764	2,545,781	301,868	170,051	311,702	538,101	538,908	707,617	949,249	1,155,659
Permanent funds-nonexpendable	66,436	169,287	170,162	188,335	191,646	328,823	332,597	337,682	338,156	324,240
Regulatory contingencies	1,767,402	1,158,200	1,702,037	2,520,912	3,444,969	3,903,663	3,803,242	-	4,806,157	5,460,607
Unrestricted:	65,607,207	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
Total primary government net position	<u>\$ 903,194,217</u>	<u>\$ 950,492,440</u>	<u>\$ 958,492,542</u>	<u>\$ 952,568,712</u>	<u>\$ 1,019,840,838</u>	<u>\$ 1,055,430,740</u>	<u>\$ 1,015,491,537</u>	<u>\$ 1,038,622,858</u>	<u>\$ 1,033,774,038</u>	<u>\$ 1,043,388,128</u>

City of Moreno Valley
Change in Net Position
Last ten fiscal years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 14,948,628	\$ 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
Public safety	50,856,439	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
Community and economic development	12,036,237	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
Community and cultural	27,904,884	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
Public works	36,095,949	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
Interest and fiscal charges	10,334,932	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
Total Governmental activities expenses	<u>152,177,069</u>	<u>146,739,622</u>	<u>150,458,518</u>	<u>140,500,449</u>	<u>140,960,408</u>	<u>141,603,306</u>	<u>146,144,794</u>	<u>142,026,769</u>	<u>152,505,383</u>	<u>170,120,241</u>
Business-type activities:										
Electric	14,067,086	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
Total business-type activities expenses	<u>14,067,086</u>	<u>13,812,966</u>	<u>14,807,788</u>	<u>16,549,224</u>	<u>18,139,446</u>	<u>19,796,146</u>	<u>22,277,378</u>	<u>24,230,159</u>	<u>25,319,390</u>	<u>26,286,674</u>
Total primary government expenses	<u>\$ 166,244,155</u>	<u>\$ 160,552,588</u>	<u>\$ 165,266,306</u>	<u>\$ 157,049,673</u>	<u>\$ 159,099,854</u>	<u>\$ 161,399,452</u>	<u>\$ 168,422,172</u>	<u>\$ 166,256,928</u>	<u>\$ 177,824,773</u>	<u>\$ 196,406,915</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,144,983	\$ 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
Public safety	6,559,817	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
Community and economic development	7,607,316	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
Community and cultural	14,982,931	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
Public works	7,840,754	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
Operating contributions and grants:										
General government	92,319	66,861	940,799	1,094,413	2,974,751	121,564	154,230	121,850	146,906	325,286
Public safety	385,195	1,016,552	1,009,290	988,848	796,155	687,498	4,213,573	3,954,561	2,459,630	2,896,580
Community and economic development	2,541,925	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
Community and cultural	5,936,040	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
Public works	3,901,583	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
Capital grants and contributions										
General government	-	31,307	-	5,056,545	-	17,576	-	-	-	-
Public safety	-	146,606	534,771	893,608	357,393	-	-	-	-	-
Community development	-	918,785	20,180	-	-	9,729,528	16,679,953	16,349,211	-	-
Community and cultural	239,746	-	-	-	-	-	-	-	-	431,335
Public works	31,573,778	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
Total governmental activities program revenues	<u>82,806,387</u>	<u>118,546,092</u>	<u>77,781,591</u>	<u>62,423,603</u>	<u>106,053,799</u>	<u>66,746,763</u>	<u>74,071,523</u>	<u>66,045,216</u>	<u>48,160,930</u>	<u>58,000,429</u>
Business-type activities:										
Charges for services										
Electric	12,430,482	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
Capital grants and contributions										
	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>12,430,482</u>	<u>13,326,364</u>	<u>15,671,939</u>	<u>16,778,766</u>	<u>19,098,088</u>	<u>20,213,736</u>	<u>27,678,542</u>	<u>29,363,663</u>	<u>29,090,573</u>	<u>31,443,140</u>
Total primary government program revenues	<u>\$ 95,236,869</u>	<u>\$ 131,872,456</u>	<u>\$ 93,453,530</u>	<u>\$ 79,202,369</u>	<u>\$ 125,151,887</u>	<u>\$ 86,960,499</u>	<u>\$ 101,750,065</u>	<u>\$ 95,408,879</u>	<u>\$ 77,251,503</u>	<u>\$ 89,443,569</u>

(Continued)

City of Moreno Valley
Change in Net Position
Last ten fiscal years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (69,370,682)	\$ (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)
Business-type activities	(1,636,604)	(486,602)	864,151	229,542	958,642	417,590	5,401,164	5,133,504	3,771,183	5,156,466
Total primary government net (expense)/revenue	\$ (71,007,286)	\$ (28,680,132)	\$ (71,812,776)	\$ (77,847,304)	\$ (33,947,967)	\$ (74,438,953)	\$ (66,672,107)	\$ (70,848,049)	\$ (100,573,270)	\$ (106,963,346)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 28,316,208	\$ 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
Property taxes in lieu	16,791,078	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
Transient occupancy taxes	497,936	535,775	692,586	747,100	831,881	991,431	1,197,143	1,416,343	1,852,584	2,344,159
Sales taxes	12,163,719	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
Franchise taxes	4,876,055	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
Business license taxes	1,051,702	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
Utility users taxes	15,081,286	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
Other taxes	2,683,193	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
Franchise in lieu taxes	120,969	132,548	150,456	168,267	189,577	194,943	278,186	293,022	288,383	620,349
Documentary transfer tax	598,084	479,208	424,931	434,554	350,413	447,103	502,822	740,120	719,514	767,591
Intergovernmental-motor vehicle in lieu, unrestricted	865,718	547,188	-	-	-	-	-	-	-	-
Use of money and property	9,381,199	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
Gain on sale of capital assets	-	-	605	-	-	-	-	-	-	-
Miscellaneous	1,787,772	1,238,641	2,784,308	469,671	1,728,104	696,377	403,609	1,975,035	769,125	1,040,861
Contributed capital	-	-	-	-	-	-	-	-	-	14,513,139
Extraordinary items	-	-	-	(7,305,736)	31,492,582	26,364,076	-	-	-	-
Transfers	653,554	225,192	(107,841)	-	-	(904,032)	-	-	-	300,000
Total governmental activities	94,868,473	78,737,142	79,738,864	71,670,048	100,838,025	105,555,256	83,113,960	91,652,221	90,082,314	113,437,322
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
Miscellaneous	131,033	1,250,000	179,892	164,243	373,220	531,523	1,141,838	2,124,605	209,279	293,756
Contributed capital	-	-	-	-	-	-	-	-	-	3,098,784
Transfers	(653,554)	(225,192)	107,841	-	-	904,032	-	-	-	(300,000)
Total business-type activities	(522,521)	1,086,236	317,273	253,426	382,068	1,470,804	1,279,785	2,327,149	338,532	3,140,112
Total primary government	\$ 94,345,952	\$ 79,823,378	\$ 80,056,137	\$ 71,923,474	\$ 101,220,093	\$ 107,026,060	\$ 84,393,745	\$ 93,979,370	\$ 90,420,846	\$ 116,577,434
Change in Net Position										
Governmental activities	\$ 25,497,791	\$ 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
Business-type activities	(2,159,125)	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
Total primary government	\$ 23,338,666	\$ 51,143,246	\$ 8,243,361	\$ (5,923,830)	\$ 67,272,126	\$ 32,587,107	\$ 17,721,638	\$ 23,131,321	\$ (10,152,424)	\$ 9,614,088

City of Moreno Valley
Fund Balances, Governmental Funds
Last ten fiscal years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 34,787,698	\$ 33,788,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,066,883	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
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
Assigned	-	-	1,414,860	2,613,937	646,598	1,156,993	1,115,184	2,621,245	10,007,195	10,742,934
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
Total General Fund	<u>\$ 51,854,581</u>	<u>\$ 51,289,539</u>	<u>\$ 46,365,519</u>	<u>\$ 41,467,054</u>	<u>\$ 34,374,025</u>	<u>\$ 40,555,575</u>	<u>\$ 43,375,903</u>	<u>\$ 51,122,035</u>	<u>\$ 56,131,737</u>	<u>\$ 55,721,954</u>
All Other Funds										
Reserved	\$ 86,530,127	\$ 79,688,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	42,222,678	30,378,947	-	-	-	-	-	-	-	-
Capital projects funds	27,359,094	27,373,151	-	-	-	-	-	-	-	-
Permanent funds	66,436	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
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
Committed	-	-	13,321	17,332	17,332	-	-	1,000,000	5,768,000	5,768,000
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)
Total all other funds	<u>\$ 156,178,335</u>	<u>\$ 137,609,871</u>	<u>\$ 120,527,204</u>	<u>\$ 108,227,828</u>	<u>\$ 114,054,878</u>	<u>\$ 129,436,171</u>	<u>\$ 116,277,158</u>	<u>\$ 109,970,256</u>	<u>\$ 109,606,697</u>	<u>\$ 116,649,058</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue										
Taxes:										
Property taxes	\$ 28,316,208	\$ 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
Property taxes in lieu	16,791,078	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
Utility users taxes	15,081,286	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
Sales taxes	12,163,719	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
Other taxes	9,827,939	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
Licenses and permits	1,930,905	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
Intergovernmental	32,642,154	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
Fees and charges for services	21,876,389	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
Use of money and property	9,381,199	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
Fines and forfeitures	1,262,712	1,176,403	833,799	653,285	650,259	619,942	630,175	569,383	626,710	654,993
Miscellaneous	1,787,772	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
Total revenues	151,061,361	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
Expenditures										
General government	14,825,012	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
Public safety	57,866,348	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
Community development	13,895,163	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
Community and cultural	27,331,726	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
Public works	45,328,685	13,796,314	15,018,071	15,588,709	15,673,611	18,273,000	18,130,438	19,293,627	18,434,525	19,311,593
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
Debt service										
Principal retirement	4,154,660	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
Interest and fiscal charges	10,382,080	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
Bond issuance costs	-	-	-	-	-	895,960	360,956	-	-	-
Total expenditures	173,783,674	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
Excess (Deficiency) of revenues over (under) expenditures	(22,722,313)	(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
Other Financing Sources (Uses)										
Issuance of debt	-	-	7,447,764	-	-	-	-	-	-	-
Transfers in (note 7)	27,284,397	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
Transfers out (note 7)	(24,926,511)	(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)
Transfers from Successor Agency	-	-	-	900,124	2,811,741	9,729,528	1,489,134	1,620,000	150,000	150,000
Contributions to Successor Agency	-	-	-	-	-	-	-	(298,513)	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
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)	2,357,886	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
Extraordinary Items	-	-	-	(2,566,209)	23,492,746	-	-	-	-	-
Net change in fund balances	\$ (20,364,427)	\$ (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
Debt service as a percentage of noncapital expenditures	10.65%	9.58%	14.35%	8.59%	4.39%	13.06%	5.38%	5.21%	4.35%	3.14%

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
2009	\$ 12,790,196	\$ 16,791,078	\$ 15,081,286	\$ 10,202,384	\$ 497,936	\$ 4,997,024	\$ 1,051,701	\$ 598,084	\$ 62,875,407
2010	9,917,734	13,703,197	15,358,341	9,298,296	535,775	4,757,920	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	18,937,742	1,416,343	5,786,958	2,249,400	740,120	74,124,475
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
Change 2009 to 2018	15.00%	10.00%	4.00%	88.00%	371.00%	26.00%	124.00%	28.00%	27.00%

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Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley
Key Revenues, General Fund
Last Ten Fiscal Years

Fiscal Year	Utility Users Taxes	Property Taxes	Property Taxes In-Lieu of VLF	Sales Taxes	Property Taxes In-Lieu of Sales Taxes	Development Services
2009	\$ 15,081,286	\$ 12,790,196	\$ 16,791,078	\$ 7,135,246	\$ 3,067,138	\$ 5,510,492
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

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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
2009	\$ 13,132,444	\$ 243,521	\$ 13,375,965	\$ (154,973)	\$ 13,220,992	0.00131	\$ 2,229,290	\$ 117,596	\$ 2,346,886	\$ (72,232)	\$ 2,274,654	0.01045	0.00265
2010	10,625,910	236,904	10,862,814	(154,289)	10,708,525	0.00160	2,391,494	154,639	2,546,133	(81,595)	2,464,538	0.00675	0.00256
2011	10,516,338	238,786	10,755,124	(227,178)	10,527,946	0.00164	2,375,549	157,430	2,532,979	(81,830)	2,451,149	0.00575	0.00242
2012	10,561,585	271,336	10,832,921	(236,235)	10,596,686	0.00258	-	-	-	-	-	-	0.00258
2013	10,646,415	342,094	10,988,509	(249,331)	10,739,178	0.00183	-	-	-	-	-	-	0.00183
2014	11,042,637	352,337	11,394,974	(264,161)	11,130,813	0.00185	-	-	-	-	-	-	0.00185
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

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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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Rate:	\$0.00131	\$0.00160	\$0.00164	\$0.00258	\$0.00183	\$0.00185	\$0.00179	\$0.00173	\$0.00172	\$0.00169
Redevelopment Agency Direct Rate:	0.01045	0.00675	0.00575	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Tax Rate:	0.00265	0.00256	0.00242	0.00258	0.00183	0.00185	0.00179	0.00173	0.00172	0.00169
Eastern Municipal Water Imp Dist	0.00700	0.03000	0.03000	0.03000	0.03000	0.03000	0.01100	0.01100	0.01100	0.01000
Metropolitan Water Dist Original Area	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Moreno Valley Unified School District	0.03081	0.02660	0.03357	0.04096	0.04060	0.04354	0.04071	0.10223	0.10320	0.09333
Mt. San Jacinto Jr College	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01394	0.01320	0.01320
Riverside City Community College District	0.01254	0.01242	0.01499	0.01700	0.01702	0.01768	0.01791	0.01725	0.01649	0.01616
San Jacinto Unified School District	0.09600	0.09052	0.11744	0.12875	0.12800	0.12746	0.11866	0.11727	0.11656	0.15078
Val Verde Unified District	0.03189	0.04089	0.03347	0.03160	0.08383	0.07235	0.07882	0.07135	0.07210	0.06368
Total Tax Rate	\$0.19695	\$0.17231	\$0.24298	\$0.25717	\$0.30662	\$0.29823	\$0.27239	\$0.33827	\$0.33777	\$0.35234

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	2018			2009		
	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)	\$ 227,046,927	1	1.53%	\$ -	-	-
Western A West California, LLC	159,642,240	2	1.08%	-	-	-
Ross Dress for Less, Inc.	136,465,055	3	0.92%	75,224,265	4	0.56%
First Industrial LP	117,297,981	4	0.79%	-	-	-
FR California Indian Avenue	114,425,887	5	0.77%	-	-	-
Walgreen Company	110,207,831	6	0.74%	137,065,344	1	1.01%
Golden State FC, LLC	106,921,683	7	0.72%	-	-	-
Towngate on Mem Apartments, LLC	98,558,244	8	0.66%	-	-	-
AI California, LLC	96,958,747	9	0.65%	-	-	-
March Business Center, LLC	92,132,500	10	0.62%	-	-	-
Stonegate 552, LLC	-	-	-	111,780,000	2	0.83%
Ridge Moreno Valley	-	-	-	100,490,106	3	0.74%
Moreno Valley Day St Apartment	-	-	-	70,530,959	5	0.52%
Homart Newco Two, Inc.	-	-	-	64,502,887	6	0.48%
Moreno Valley Properties	-	-	-	61,781,741	7	0.46%
WNRA Moreno Valley	-	-	-	56,591,246	8	0.42%
Knickerbocker Properties, Inc.	-	-	-	48,450,000	9	0.36%
SP4 Heacock, LP	-	-	-	46,230,145	10	0.34%
	<u>\$ 1,259,657,095</u>		<u>8.49%</u>	<u>\$ 772,646,693</u>		<u>5.71%</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
2009	\$ 41,285,111	\$ 41,165,168	99.71%	\$ 119,943	\$ 41,285,111	100.00%
2010	35,573,656	35,492,693	99.77%	80,963	35,573,656	100.00%
2011	33,713,334	33,658,226	99.84%	55,108	33,713,334	100.00%
2012	33,226,437	33,172,713	99.84%	53,724	33,226,437	100.00%
2013	25,630,602	25,580,901	99.81% ⁽²⁾	49,701	25,630,602	100.00%
2014	26,906,254	26,862,040	99.84%	44,214	26,906,254	100.00%
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%	-	29,425,906	99.43%

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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 2017/18 Assessed Valuation \$ 14,833,775,985

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt 6/30/2018	% Applicable(1)	City's Share of Debt 6/30/2018
Metropolitan Water District	\$ 60,600,000	0.541%	\$ 327,846
Riverside County Flood Control and Water Reclamation District, Zone No.4	16,750,000	31.049	5,200,708
Eastern Municipal Water District I.D. No U-22	2,384,000	100	2,384,000
Riverside Community College District	256,365,337	14.993	38,436,855
Mount San Jacinto Community College District	177,765,000	0.026	46,219
Moreno Valley Unified School District	112,668,521	84.415	95,109,132
San Jacinto Unified School District	66,094,684	0.777	513,556
Val Verde Unified School District	122,764,421	37.979	46,624,699
Moreno Valley Unified School District Community Facilities District No. 2002-1	6,590,000	100	6,590,000
Moreno Valley Unified School District Community Facilities District No. 2003-1&2	10,235,000	100	10,235,000
Moreno Valley Unified School District Community Facilities District No. 2004-1	2,370,000	100	2,370,000
Moreno Valley Unified School District Community Facilities District No. 2004-2	4,905,000	100	4,905,000
Moreno Valley Unified School District Community Facilities District No. 2004-3	3,200,000	100	3,200,000
Moreno Valley Unified School District Community Facilities District No. 2004-4	3,790,000	100	3,790,000
Moreno Valley Unified School District Community Facilities District No. 2004-5	3,900,000	100	3,900,000
Moreno Valley Unified School District Community Facilities District No. 2004-6	24,725,000	100	24,725,000
Moreno Valley Unified School District Community Facilities District No. 2005-1	6,600,000	100	6,600,000
Moreno Valley Unified School District Community Facilities District No. 2005-2, 3 & 5	24,260,000	100	24,260,000
Moreno Valley Unified School District Community Facilities District No. 2007-1	5,080,000	100	5,080,000
Val Verde Unified School District Community Facilities District No. 98-1	16,195,000	100	16,195,000
Val Verde Unified School District Community Facilities District No. 2003-2	2,650,000	100	2,650,000
Eastern Municipal Water District Community Facilities Districts	13,998,000	100	13,998,000
City of Moreno Valley Community Facilities District No. 5	5,445,000	100	5,445,000
City of Moreno Valley Community Facilities District No. 7, 1.A. No. 1	3,265,000	100	3,265,000
City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1	1,855,000	100	1,855,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 327,706,015

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	\$ 812,829,106	5.626%	\$ 45,729,766
Riverside County Pension Obligations	266,365,000	5.626%	14,985,695
Moreno Valley Unified School District Certificates of Participation	14,900,000	84.415%	12,577,835
San Jacinto Unified School District Certificates of Participation	42,595,000	0.777%	330,963
Val Verde Unified School District Certificates of Participation	65,560,000	37.979%	24,899,032
Western Municipal Water District Certificates of Participation	10,197,212	0.133%	13,562
City of Moreno Valley General Fund Obligations	67,187,000	100%	67,187,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 165,723,853
Less: Riverside County self-supporting obligations			188,657
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 165,535,196

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 73,830,000 36.416-100% \$ 53,438,611

TOTAL DIRECT DEBT 67,187,000
TOTAL GROSS OVERLAPPING DEBT 479,681,479
TOTAL NET OVERLAPPING DEBT 479,492,822

GROSS COMBINED TOTAL DEBT 546,868,479 (2)
NET COMBINED TOTAL DEBT 546,679,822

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 2017-18 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt	2.21%
Total Direct Debt (\$67,187,000)	0.45%
Gross Combined Total Debt	3.69%
Net Combined Total Debt	3.69%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$3,017,908,774):

Total Overlapping Tax Increment Debt 1.77%

AB: (\$500)

Source: California Municipal Statistics

City of Moreno Valley
 Legal Debt Margin
 Last Ten Fiscal Years
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2018:	
Assessed Value	\$ 14,693,509
Debt Limit (15% of assessed value)	2,204,026
Debt applicable to limit:	-
Total net debt applicable to limit	<u>\$ -</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Valuation (in thousands)	\$ 13,375,965	\$ 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
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation (in thousands)	3,343,991	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
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit (in thousands)	501,599	407,356	388,758	392,346	397,156	457,487	452,421	490,579	521,618	551,007
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin (in thousands)	501,599	407,356	388,758	392,346	397,156	457,487	452,421	490,579	521,618	551,007
Total net debt applicable to the limit as a percentage of the debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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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		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	Total Primary Government		
2009	\$ 5,470,001	\$ 45,205,000	\$ 42,725,000	\$ 6,849,487	\$ 100,249,488	\$ 30,775,000	\$ 131,024,488	3.96%	\$ 703
2010	4,875,000	44,205,000	42,605,000	6,667,850	98,352,850	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	124,216,668	3.63%	636
2012	-	38,775,000	- ⁽³⁾	12,405,733	51,180,733	29,245,000	80,425,733	2.35%	409
2013	-	37,855,000	-	12,340,304	50,195,304	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	96,105,248	2.66%	482
2015	20,000,000	32,486,745	-	10,620,844	63,107,589	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	93,340,491	2.54%	454
2017	19,391,245	32,324,572	-	1,800,000	53,515,817	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	87,597,396	2.24%	422

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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.

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

<u>Fiscal Year Ended June 30,</u> ⁽¹⁾	<u>Certificates of Participation</u>	<u>Lease Revenue Bonds</u>	<u>Total Governmental Activities</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2009	\$ 5,470,001	\$ 45,205,000	\$ 50,675,001	0.38%	\$ 272
2010	4,875,000	44,205,000	49,080,000	0.45%	260
2011	- ⁽²⁾	39,660,000 ⁽²⁾	39,660,000	0.37%	203
2012	-	38,775,000	38,775,000	0.36%	197
2013	-	37,855,000	37,855,000	0.35%	191
2014	20,000,000	36,394,230	56,394,230	0.50%	283
2015	20,000,000	32,486,745	52,486,745	0.43%	258
2016	20,000,000	33,788,512	53,788,512	0.41%	262
2017	19,391,245	32,324,572	51,715,817	0.37%	250
2018	18,881,643	31,002,924	49,884,567	0.34%	240

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

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Fiscal Year Ended June 30,	Community Facilities District No. 3, AutoMall Refinancing					Community Facilities District No. 5 of the City of Moreno Valley (Stoneridge)				Towngate Community Facilities District No. 87-1, 2007 Special Tax Refunding Bonds			
	Special Tax Levy	Property Tax Increment	Debt Service		Coverage	Special Tax Levy	(Fund 4108) Debt Service		Coverage	Property Tax Increment	Debt Service		Coverage
			Principal	Interest			Principal	Interest			Principal	Interest	
2009	\$ 1,212,713	\$ 103,026	\$ 865,000	\$ 269,300	1.16	\$ 344,701	\$ -	\$ 288,613	1.19	\$ 1,164,131	\$ 575,000	\$ 435,881	1.15
2010	1,173,443	185,125	950,000	205,775	1.18	362,124	15,000	288,313	1.19	373,011	600,000	409,381	0.37
2011	78,021	96,489	1,045,000	135,950	0.15	376,005	20,000	287,613	1.22	1,168,536	630,000	382,569	1.15
2012	74,137	29,292	925,000	64,688	0.10	384,249	30,000	286,613	1.21	1,175,145	655,000	359,294	1.16
2013	75,878	31,192	295,000	18,938	0.34	388,022	35,000	285,295	1.21	1,170,595	680,000	335,931	1.15
2014	-	-	105,000	3,938	0.00	393,684	45,000	283,633	1.20	1,174,345	700,000	310,906	1.16
2015	-	-	-	-	0.00	398,468	55,000	281,505	1.18	1,186,238	730,000	283,181	1.17
2016	-	-	-	-	0.00	405,862	65,000	278,893	1.18	1,190,000	760,000	253,381	1.17
2017	-	-	-	-	0.00	368,314	75,000	275,775	1.05	1,175,245	790,000	218,431	1.17
2018	-	-	-	-	0.00	419,663	85,000	272,175	1.17	1,173,745	830,000	177,931	1.16

Fiscal Year Ended June 30,	Community Redevelopment Agency 2007 Tax Allocation Bonds				Towngate Community Facilities District No. 87-1, Improvement No. 1 Special Tax Refunding Bonds					Community Facilities District No. 7 Improvement Area 1 Special Tax Bonds Series 2016			
	Property Tax Increment	Debt Service		Coverage	Special Tax Levy	Property Tax Increment	(Fund 4105) Debt Service		Coverage	Special Tax Levy	Debt Service		Coverage
		Principal	Interest				Principal	Interest			Principal	Interest	
2009	\$ 23,775,956	\$ 770,000	\$ 2,073,084	8.36	\$ 108,706	\$ 287,228	\$ 220,000	\$ 175,859	1.00	\$ -	\$ -	\$ -	-
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	189,410	-	94,088	2.01

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>
2009	186,301	\$ 3,702,458	\$ 18,898	15.7%
2010	188,537	3,836,808	19,230	17.6%
2011	195,216	3,463,419	17,519	16.1%
2012	196,495	3,491,186	17,425	13.9%
2013	198,129	3,615,062	18,246	11.8%
2014	199,258	3,612,548	18,130	11.0%
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%

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

Employer	Sector	Business Type	2018		2009	
			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	10.19%	9,000	26.67%
Amazon	Fulfillment	Retail Distribution	7,500	7.96%		
Riverside University Health Systems Medical Center	Medical Facilities	County Hospital	3,400	3.61%	2,215	6.56%
Moreno Valley Unified School District	Public Sector	Public Schools	3,100	3.29%	3,752	11.12%
Ross Dress for Less / DD's Discounts	Distribution	Retail Distribution	2,400	2.55%	600	1.78%
Moreno Valley Mall (excludes major tenants)	Retail	Retail Mall	1,500	1.59%	1,669	4.95%
Kaiser Permanente Community Hospital	Medical Facilities	Hospital/Medical Services	1,457	1.55%		
Harbor Freight Tools	Distribution	Retail Distribution	788	0.84%		
Val Verde Unified School District (MV Only)	Public Sector	Public Schools	640	0.68%	734	2.18%
United Natural Foods, Inc. (UNFI)	Distribution	Retail Distribution	620	0.66%		
City of Moreno Valley	Public Sector	Municipal Government			1,183	3.51%
Riverside Community College - Moreno Valley Campus	Public Sector	Higher Education			1,038	3.08%
Walgreens	Distribution	Retail Distribution			650	1.93%
Wal-Mart Super Center	Retail	Discount Dept. Store			465	1.38%

"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

<u>Function</u>	<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>
General Government	142	150	147	125	96	93	94	91	101	104
Public Works	151	146	143	134	122	121	119	118	121	121
Community Development	72	68	59	66	59	49	51	60	51	60
Parks and Community Services	238	453	101 (2)	118	112	113	127	138	147	149
Animal Services	29	27	21	19	21	22	22	22	26	22
Redevelopment Agency	16	14	12	0	0	0	0	0	0	0
Public Safety (1)	393	415	407	407	318	286	287	284	291	289
	<u>1,041</u>	<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>

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

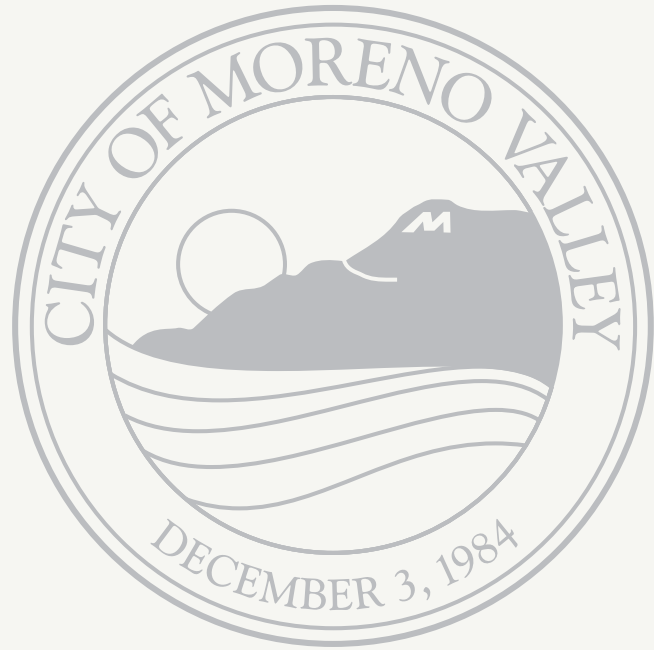
	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Lane miles of streets	1,076	1,076	1,076	1,076	1,095	1,080	1,080	1,080	1,080	1,090
Number of street lights	11,037	11,046	11,260	11,358	11,381	11,449	11,512	11,620	11,694	12,011
Number of traffic signals	167	170	173	175	180	182	186	188	191	190
Fire protection:										
Number of stations	6	6	6	6	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	4	6	6	6	2	3	2	2
Recreation and culture:										
Parks	39	37	37	37	37	37	38	38	38	38
Maintained acreage of parks	531	531	532	520	520	520	533	533	540	540
Parks under construction	6	6	1	1	1	1	-	-	-	-
Acreage of parks under construction	25.14	25.14	12.25	12.75	12.75	12.75	-	-	-	-
Multi-use athletic fields	21	21	21	21	21	21	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	42,413	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	10 Miles	11 Miles	11 Miles	11 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	1
Square footage of skate parks	1,850	1,850	1,851	1,850	1,850	1,850	1,850	1,850	1,850	1,850
Soccer Arena	0	0	0	1	1	1	1	1	1	1
Nine-hole golf courses	1	1	1	1	1	1	1	1	1	1
Play apparatus	24	26	26	26	26	26	27	27	28	28
Water play features	2	2	2	2	2	2	2	2	2	2
Utilities:										
Residential utility meters	4,802	4,904	5,003	5,028	5,091	5,202	5,260	5,365	5,494	5,725
Commercial utility meters	565	545	599	592	607	639	652	663	673	694

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	81	80	79	71	72	69	69	69	69	75
Volunteers	25	25	10	16	16	25	18	16	14	11
Non-sworn personnel	8	8	8	8	8	11	13	12	11	10
OEM non-sworn personnel	0	0	0	2	3	3	2	3	3	3
Responses to emergency calls	12,971	13,530	15,268	14,824	15,905	16,340	17,727	19,006	21,268	19,807
Inspections and Permits	3,522	2,369	3,383	2,304	2,400	3,251	3,445	6,382	4,741	3,737
Apartment Complex Inspections	0	0	0	849	872	1,476	1,777	1,943	771	1,160
Plan checks	664	424	358	786	1,218	1,646	1,788	1,317	861	1,202
Counter/Public inquiries	7,249	2,734	2,452	2,671	2,431	2,966	2,683	2,604	2,162	2,472
Police protection:										
Provided through contract with the County of Riverside Sheriff's Department:										
Sworn officers	186	184	186	181	181	153	151	150	150	150
Classified personnel	55	54	55	54	51	49	50	50	50	46
City support personnel	3	3	3	3	3	2	2	0	0	1
Volunteers	56	62	77	85	77	69	84	72	88	149
Responses to Calls:										
Priority 1	572	519	423	363	425	402	420	461	446	521
Priority 1A	1,110	1,181	1,274	1,289	1,584	1,500	1,463	1,480	1,398	1,553
Priority 2	24,967	24,938	27,797	26,021	27,733	28,048	28,696	30,294	31,097	31,450
Priority 3	26,466	24,800	27,487	29,393	29,860	28,521	30,499	35,317	33,816	31,841
Priority 4	17,592	16,630	18,625	18,087	17,280	16,662	16,749	17,944	17,841	16,708
Priority 5	91	1	1	1	1	63	62	54	18	11
Priority 6	0	0	0	0	0	0	0	0	0	0
Priority 7	0	0	0	0	0	0	1	0	0	0
Priority 8	0	0	1	1	0	0	0	0	0	0
Priority 9	248	279	312	223	347	436	312	295	331	292
Cancelled	5,359	5,222	5,543	5,991	23,338	26,172	29,095	26,061	22,903	19,210
Disp/Arr Time Missing	8,540	7,638	7,944	8,125	8,941	8,191	9,384	8,807	7,592	7,077
Same Disp/Arr Time	60,510	54,645	54,379	47,638	45,096	40,425	45,041	47,794	67,829	66,269
T. R. U. Calls	43	32	37	54	87	76	42	27	39	34
Building and Safety:										
Building permits issued	2,058	1,645	1,700	1,889	1,797	2,066	2,329	2,411	2,823	4,369
Counter requests for service	8,922	6,611	6,105	6,563	6,407	7,049	7,597	8,066	7,895	9,615
Planning:										
Planning applications processed	894	682	644	740	745	752	667	672	494	674
Counter requests for services	4,669	3,875	3,683	3,853	3,749	3,718	3,527	3,366	3,598	4,018
Recreation and culture:										
Rounds of golf played	6,123	6,638	9,719	n/a	8,209	9,002	7,948	8,237	6,500	7,652
Facility rentals	893	1,026	1,005	992	997	1,058	1,087	1,235	1,300	1,026
Participants in recreation programs	46,075	46,561	46,040	48,473	41,992	47,405	43,361	44,000	46,000	48,000
Utilities:										
Average residential daily consumption (kilowatt hours)	19.8	18.5	18.5	19.7	20.7	19.1	20.1	19.7	19.7	20.18
Average commercial daily consumption (kilowatt hours)	254.8	284.4	296.3	371.9	383.0	395.3	573	622.2	646.2	630.75
New residential connections	123	93	99	23	63	111	58	105	129	231
New commercial connections	65	5	54	23	15	32	13	11	10	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	7	9	8	7
Full-time career status (FTE)	324	312	283	281	277	299	261	264	262	263
Part-time career status (FTE)	14	29	21	66	22	11	14	15	12	13

Sources: City of Moreno Valley Technology Services, Fire Department, Police Department, Community Development, Parks & Community Services, Public Works, Utilities, Financial-Payroll.



Community Services District



City of Moreno Valley, CA

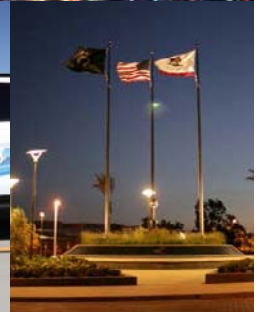
FISCAL YEAR ENDED JUNE 30, 2018

City of Moreno Valley, CA

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

Community Services District



FISCAL YEAR ENDED JUNE 30, 2018

**City of Moreno Valley, California
Community Services District**

**Financial Statements
Year Ended June 30, 2018**

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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, 2018, 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, 2018, 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 5, 2018 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.

Vasquez + Company LLP

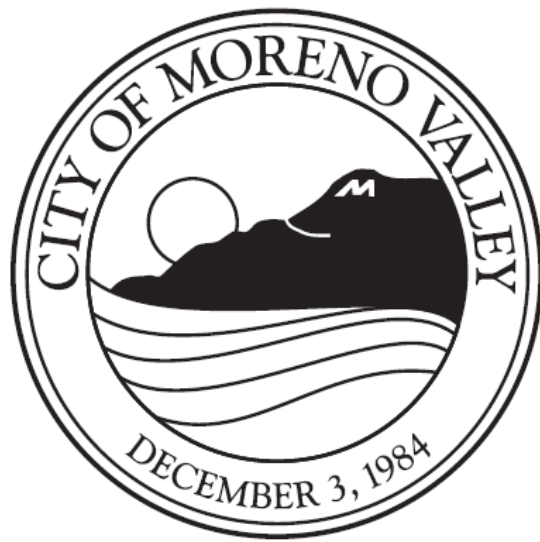
**Glendale, California
December 5, 2018**

**City of Moreno Valley, California
Community Services District**

**Statement of Net Position
June 30, 2018**

	Governmental Activities
Assets	
Cash and investments (note 2)	\$ 19,828,675
Prepaid costs	13,702
Receivables:	
Accounts	380,531
Due from other governments	280,591
Capital assets not being depreciated (note 3)	2,872,916
Capital assets, net of depreciation (note 3)	<u>19,683,162</u>
Total Assets	<u>43,059,577</u>
 Deferred Outflows of Resources	
Deferred outflows of resources related to pensions (note 4)	1,982,262
Deferred outflows of resources related to OPEB (note 5)	<u>29,674</u>
Total Deferred Outflows of Resources	<u>2,011,936</u>
 Liabilities	
Accounts payable	1,162,777
Unearned revenue	431,572
Due to the City of Moreno Valley	42,626
Net pension liability (note 4)	11,350,802
Net OPEB liability (note 5)	<u>910,871</u>
Total Liabilities	<u>13,898,648</u>
 Deferred Inflows of Resources	
Deferred inflows of resources related to pensions (note 4)	361,450
Deferred inflows of resources related to OPEB (note 5)	<u>60,665</u>
Total Deferred Inflows of Resources	<u>422,115</u>
 Net Position	
Net investment in capital assets (note 3)	22,556,078
Restricted for:	
Special zones	<u>8,194,672</u>
Total Net Position	<u>\$ 30,750,750</u>

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, 2018**

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 and cultural	\$ 16,401,123	\$ 5,809,593	\$ -	\$ -	\$ (10,591,530)
Public works	5,889,924	-	-	-	(5,889,924)
Total governmental activities	\$ 22,291,047	\$ 5,809,593	\$ -	\$ -	\$ (16,481,454)
General revenues					
Taxes:					
Property taxes					5,049,219
Other taxes					6,560,496
Use of money and property					812,153
Other					255,726
Capital assets contribution from the City of Moreno Valley					3,625,698
Transfers from the City of Moreno Valley					1,517,472
Total general revenues, contributions, and transfers					17,820,764
Change in net position					1,339,310
Net position - Beginning of year					29,411,440
Net position - End of year					\$ 30,750,750

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, 2018**

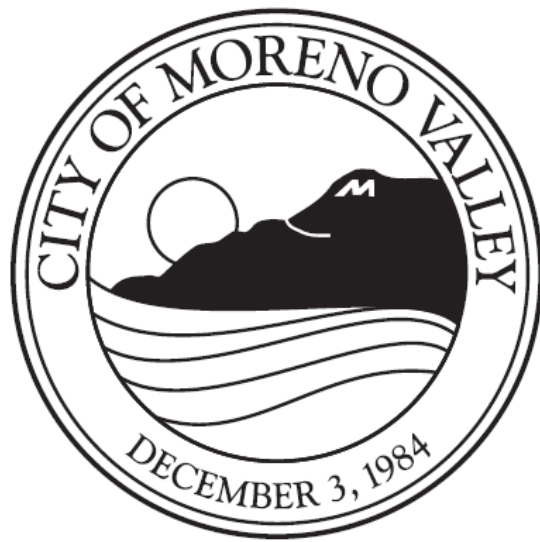
	Special Revenue Funds			
	Zone L Library Services	Zone A Parks & Community Services	Zone E Extensive Landscaping Administration	Landscape Maintenance District No. 2014-02
Assets				
Pooled cash and investments (note 2)	\$ 1,492,110	\$ 5,998,678	\$ 2,791,200	\$ 5,133,075
Prepays	12,617	1,085	-	-
Receivables:				
Accounts	-	380,531	-	-
Due from other governments	60,644	133,274	7,219	26,339
Total Assets	<u>\$ 1,565,371</u>	<u>\$ 6,513,568</u>	<u>\$ 2,798,419</u>	<u>\$ 5,159,414</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 148,047	\$ 294,155	\$ 29,407	\$ 223,830
Unearned revenues	-	431,572	-	-
Due to the City of Moreno Valley	-	42,626	-	-
Total Liabilities	<u>148,047</u>	<u>768,353</u>	<u>29,407</u>	<u>223,830</u>
Fund Balances				
Restricted for:				
Special zones	1,417,324	5,745,215	2,769,012	4,935,584
Total Fund Balances	<u>1,417,324</u>	<u>5,745,215</u>	<u>2,769,012</u>	<u>4,935,584</u>
Total Liabilities and Fund Balances	<u>\$ 1,565,371</u>	<u>\$ 6,513,568</u>	<u>\$ 2,798,419</u>	<u>\$ 5,159,414</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, 2018**

Special Revenue Funds			
Zone D Standard Landscaping Administration	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 2,296,894	\$ 2,116,718	\$ 19,828,675	Assets
-	-	13,702	Pooled cash and investments (note 2)
-	-	380,531	Prepays
10,198	42,917	280,591	Receivables:
<u>\$ 2,307,092</u>	<u>\$ 2,159,635</u>	<u>\$ 20,503,499</u>	Accounts
			Due from other governments
			Total Assets
			Liabilities and Fund Balances
			Liabilities
\$ 210,674	\$ 256,664	\$ 1,162,777	Accounts payable
-	-	431,572	Unearned revenues
-	-	42,626	Due to the City of Moreno Valley
<u>210,674</u>	<u>256,664</u>	<u>1,636,975</u>	Total Liabilities
			Fund Balances
			Restricted for:
2,096,418	1,902,971	18,866,524	Special zones
<u>2,096,418</u>	<u>1,902,971</u>	<u>18,866,524</u>	Total Fund Balances
<u>\$ 2,307,092</u>	<u>\$ 2,159,635</u>	<u>\$ 20,503,499</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, 2018**

Fund balances of governmental funds		\$ 18,866,524
<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	2,872,916	
Depreciable capital assets, net of accumulated depreciation	19,683,162	22,556,078
<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	(11,350,802)	
Net OPEB liability	(910,871)	(12,261,673)
<p>Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds.</p>		
		2,011,936
<p>Deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the governmental funds.</p>		
		(422,115)
Net position of governmental activities		\$ 30,750,750

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, 2018

	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	\$ 2,121,739	\$ 2,572,189	\$ -	\$ -
Other taxes	-	4,942,998	-	-
Fees and charges for services	37,652	1,247,440	324,583	2,091,030
Use of money and property	-	755,131	13,284	23,895
Fines and forfeitures	36,694	-	-	-
Miscellaneous	9	41,629	-	174,518
Total Revenues	<u>2,196,094</u>	<u>9,559,387</u>	<u>337,867</u>	<u>2,289,443</u>
Expenditures				
Current:				
Community and cultural	2,179,161	9,071,916	-	-
Public works	-	-	252,012	2,142,331
Total Expenditures	<u>2,179,161</u>	<u>9,071,916</u>	<u>252,012</u>	<u>2,142,331</u>
Excess (deficiency) of revenues over expenditures	16,933	487,471	85,855	147,112
Other Financing Sources (Uses)				
Transfers in	475,000	538,443	-	180,529
Transfers out	-	(1,631,818)	-	-
Total Other Financing Sources (Uses)	<u>475,000</u>	<u>(1,093,375)</u>	<u>-</u>	<u>180,529</u>
Net Change in Fund Balances	491,933	(605,904)	85,855	327,641
Fund Balances - Beginning of Year	925,391	6,351,119	2,683,157	4,607,943
Fund Balances - End of Year	<u>\$ 1,417,324</u>	<u>\$ 5,745,215</u>	<u>\$ 2,769,012</u>	<u>\$ 4,935,584</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, 2018

Special Revenue Funds																																																																									
Zone D Standard Landscaping Administration	Nonmajor Governmental Funds	Total Governmental Funds																																																																							
<table border="0" style="width: 100%;"> <tr><td style="text-align: right;">\$</td><td style="text-align: right;">-</td><td style="text-align: right;">\$</td><td style="text-align: right;">355,291</td><td style="text-align: right;">\$</td><td style="text-align: right;">5,049,219</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">1,617,498</td><td></td><td style="text-align: right;">6,560,496</td></tr> <tr><td></td><td style="text-align: right;">991,716</td><td></td><td style="text-align: right;">1,117,172</td><td></td><td style="text-align: right;">5,809,593</td></tr> <tr><td></td><td style="text-align: right;">18,378</td><td></td><td style="text-align: right;">1,465</td><td></td><td style="text-align: right;">812,153</td></tr> <tr><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">-</td><td></td><td style="text-align: right;">36,694</td></tr> <tr><td></td><td style="text-align: right;">1,500</td><td></td><td style="text-align: right;">1,376</td><td></td><td style="text-align: right;">219,032</td></tr> <tr><td></td><td style="text-align: right;"><u>1,011,594</u></td><td></td><td style="text-align: right;"><u>3,092,802</u></td><td></td><td style="text-align: right;"><u>18,487,187</u></td></tr> </table>	\$	-	\$	355,291	\$	5,049,219		-		1,617,498		6,560,496		991,716		1,117,172		5,809,593		18,378		1,465		812,153		-		-		36,694		1,500		1,376		219,032		<u>1,011,594</u>		<u>3,092,802</u>		<u>18,487,187</u>	<table border="0" style="width: 100%;"> <tr><td></td><td style="text-align: right;">-</td><td style="text-align: right;">1,215,682</td><td style="text-align: right;">12,466,759</td></tr> <tr><td></td><td style="text-align: right;">955,798</td><td style="text-align: right;">2,539,783</td><td style="text-align: right;">5,889,924</td></tr> <tr><td></td><td style="text-align: right;"><u>955,798</u></td><td style="text-align: right;"><u>3,755,465</u></td><td style="text-align: right;"><u>18,356,683</u></td></tr> <tr><td></td><td style="text-align: right;">55,796</td><td style="text-align: right;">(662,663)</td><td style="text-align: right;">130,504</td></tr> </table>		-	1,215,682	12,466,759		955,798	2,539,783	5,889,924		<u>955,798</u>	<u>3,755,465</u>	<u>18,356,683</u>		55,796	(662,663)	130,504	<table border="0" style="width: 100%;"> <tr><td></td><td style="text-align: right;">-</td><td style="text-align: right;">323,500</td><td style="text-align: right;">1,517,472</td></tr> <tr><td></td><td style="text-align: right;">-</td><td style="text-align: right;">-</td><td style="text-align: right;">(1,631,818)</td></tr> <tr><td></td><td style="text-align: right;"><u>-</u></td><td style="text-align: right;"><u>323,500</u></td><td style="text-align: right;"><u>(114,346)</u></td></tr> </table>		-	323,500	1,517,472		-	-	(1,631,818)		<u>-</u>	<u>323,500</u>	<u>(114,346)</u>	<p>Revenues</p> <p>Taxes:</p> <ul style="list-style-type: none"> Property taxes Other taxes <p>Fees and charges for services</p> <p>Use of money and property</p> <p>Fines and forfeitures</p> <p>Miscellaneous</p> <p>Total Revenues</p> <p>Expenditures</p> <p>Current:</p> <ul style="list-style-type: none"> Community and cultural Public works <p>Total Expenditures</p> <p>Excess (deficiency) of revenues over expenditures</p> <p>Other Financing Sources (Uses)</p> <ul style="list-style-type: none"> Transfers in Transfers out <p>Total Other Financing Sources (Uses)</p> <p>Net Change in Fund Balances</p> <p>Fund Balances - Beginning of Year</p> <p>Fund Balances - End of Year</p>
\$	-	\$	355,291	\$	5,049,219																																																																				
	-		1,617,498		6,560,496																																																																				
	991,716		1,117,172		5,809,593																																																																				
	18,378		1,465		812,153																																																																				
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<table border="0" style="width: 100%;"> <tr><td></td><td style="text-align: right;">55,796</td><td style="text-align: right;">(339,163)</td><td style="text-align: right;">16,158</td></tr> <tr><td></td><td style="text-align: right;">2,040,622</td><td style="text-align: right;">2,242,134</td><td style="text-align: right;">18,850,366</td></tr> <tr><td></td><td style="text-align: right;"><u>\$ 2,096,418</u></td><td style="text-align: right;"><u>\$ 1,902,971</u></td><td style="text-align: right;"><u>\$ 18,866,524</u></td></tr> </table>		55,796	(339,163)	16,158		2,040,622	2,242,134	18,850,366		<u>\$ 2,096,418</u>	<u>\$ 1,902,971</u>	<u>\$ 18,866,524</u>																																																													
	55,796	(339,163)	16,158																																																																						
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**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, 2018**

Net change in fund balances - total governmental funds	\$	16,158
--	----	--------

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.

Depreciation expense	(1,972,373)	
Capital assets contribution from the City of Moreno Valley	<u>3,625,698</u>	
		1,653,325

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.

(330,173)

Change in net position of governmental activities

\$ 1,339,310

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,926,694	\$ 1,926,694	\$ 2,121,739	\$ 195,045
Fees and charges for services	18,000	18,000	37,652	19,652
Fines and forfeitures	50,000	50,000	36,694	(13,306)
Miscellaneous	2,000	2,000	9	(1,991)
Total Revenues	1,996,694	1,996,694	2,196,094	199,400
Expenditures				
Current:				
Community & cultural	2,332,043	2,369,416	2,179,161	190,255
Total Expenditures	2,332,043	2,369,416	2,179,161	190,255
Excess (deficiency) of revenues over expenditures	(335,349)	(372,722)	16,933	389,655
Other financing sources (uses)				
Transfers in	475,000	475,000	475,000	-
Total Other Financing Sources (Uses)	475,000	475,000	475,000	-
Net Change in Fund Balances	139,651	102,278	491,933	389,655
Fund Balance - Beginning of Year	925,391	925,391	925,391	-
Fund Balance - End of Year	\$ 1,065,042	\$ 1,027,669	\$ 1,417,324	\$ 389,655

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 2,342,000	\$ 2,342,000	\$ 2,572,189	\$ 230,189
Other taxes	4,930,000	4,930,000	4,942,998	12,998
Fees and charges for services	1,173,400	1,226,150	1,247,440	21,290
Use of money and property	761,601	782,851	755,131	(27,720)
Miscellaneous	11,500	32,500	41,629	9,129
Total Revenues	9,218,501	9,313,501	9,559,387	245,886
Expenditures				
Current:				
Community and cultural	9,387,656	9,387,906	9,071,916	315,990
Capital outlay	111,000	140,359	-	140,359
Total Expenditures	9,498,656	9,528,265	9,071,916	456,349
Excess (deficiency) of revenues over expenditures	(280,155)	(214,764)	487,471	702,235
Other financing sources (uses)				
Transfers in	594,035	608,394	538,443	(69,951)
Transfers out	-	(1,628,332)	(1,631,818)	(3,486)
Total Other Financing Sources (Uses)	594,035	(1,019,938)	(1,093,375)	(73,437)
Net Change in Fund Balances	313,880	(1,234,702)	(605,904)	628,798
Fund Balance - Beginning of Year	6,351,119	6,351,119	6,351,119	-
Fund Balance - End of Year	\$ 6,664,999	\$ 5,116,417	\$ 5,745,215	\$ 628,798

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 292,700	\$ 388,199	\$ 324,583	\$ (63,616)
Use of money and property	23,400	35,100	13,284	(21,816)
Total Revenues	316,100	423,299	337,867	(85,432)
Expenditures				
Current:				
Public works	321,318	323,318	252,012	71,306
Total Expenditures	321,318	323,318	252,012	71,306
Excess (deficiency) of revenues over expenditures	(5,218)	99,981	85,855	(14,126)
Net Change in Fund Balances	(5,218)	99,981	85,855	(14,126)
Fund Balance - Beginning of Year	2,683,157	2,683,157	2,683,157	-
Fund Balance - End of Year	\$ 2,677,939	\$ 2,783,138	\$ 2,769,012	\$ (14,126)

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 2,114,200	\$ 2,090,554	\$ 2,091,030	\$ 476
Use of money and property	11,700	31,300	23,895	(7,405)
Miscellaneous	-	174,500	174,518	18
Total Revenues	2,125,900	2,296,354	2,289,443	(6,911)
Expenditures				
Current:				
Public works	2,358,181	2,428,161	2,142,331	285,830
Total Expenditures	2,358,181	2,428,161	2,142,331	285,830
Excess (deficiency) of revenues over expenditures	(232,281)	(131,807)	147,112	278,919
Other financing sources (uses)				
Transfers in	220,529	180,529	180,529	-
Total Other Financing Sources (Uses)	220,529	180,529	180,529	-
Net Change in Fund Balances	(11,752)	48,722	327,641	278,919
Fund Balance - Beginning of Year	4,607,943	4,607,943	4,607,943	-
Fund Balance - End of Year	\$ 4,596,191	\$ 4,656,665	\$ 4,935,584	\$ 278,919

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 1,195,900	\$ 989,327	\$ 991,716	\$ 2,389
Use of money and property	7,400	22,100	18,378	(3,722)
Miscellaneous	-	1,500	1,500	-
Total Revenues	1,203,300	1,012,927	1,011,594	(1,333)
Expenditures				
Current:				
Public works	926,769	977,769	955,798	21,971
Capital outlay	200,000	200,000	-	200,000
Total Expenditures	1,126,769	1,177,769	955,798	221,971
Excess (deficiency) of revenues over expenditures	76,531	(164,842)	55,796	220,638
Net Change in Fund Balances	76,531	(164,842)	55,796	220,638
Fund Balance - Beginning of Year	2,040,622	2,040,622	2,040,622	-
Fund Balance - End of Year	\$ 2,117,153	\$ 1,875,780	\$ 2,096,418	\$ 220,638

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, 2018**

Note 1 Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Moreno Valley, California, Community Services District (the District), was created by a City Council ordinance adopted on December 3, 1984. Its purpose is to act as a legal entity, separate and distinct from the City of Moreno Valley (the City), even though the City Council is currently serving as the District's Governing Board. The District is broadly empowered to engage in the general maintenance and administration of the City's community programs.

Governmental Accounting Standards define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either: a) the primary government has the ability to impose its will, or b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on the primary government. Since the City Council of the City of Moreno Valley also serves as the Governing Board of the District, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the District. Accordingly, in applying the criteria of Governmental Accounting Standards, the financial statements of the District are included in the City's Comprehensive Annual Financial Report. The District has the same fiscal year end as the City and its financial statements can be obtained from the City Clerk.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the component unit. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or 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, 2018 (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, 2018 (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 by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B 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 for most funds is established by the amount of expenditures budgeted for each department within the fund, but management control is exercised at budgetary line item levels within the departments. Management can transfer budgeted amounts between line items within each department provided that they do not increase or decrease total department appropriations. Expenditures may not legally exceed budgeted appropriations at the department and fund levels.

For the year ended June 30, 2018, 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, 2018 (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 of 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, 2018 (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 more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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, 2018 (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, 2018 (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 \$19,828,675

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, 2018 (Continued)**

Note 3 Capital Assets

The following is a summary of capital assets for governmental activities:

	Balances 7/1/2017	Additions	Deletions	Balances 6/30/2018
Non-Depreciable Assets:				
Land	\$ 779,584	\$ -	\$ -	\$ 779,584
Construction	1,006,624	3,625,698	(2,538,990)	2,093,332
Total Non-Depreciable Assets	<u>1,786,208</u>	<u>3,625,698</u>	<u>(2,538,990)</u>	<u>2,872,916</u>
Deprecible Assets				
Buildings and Improvements	57,478,414	2,450,062	-	59,928,476
Furniture and Equipment	3,277,891	88,928	-	3,366,819
Total Depreciable Assets	<u>60,756,305</u>	<u>2,538,990</u>	<u>-</u>	<u>63,295,295</u>
Less Accumulated Depreciation				
Buildings and Improvements	(40,125,553)	(1,723,129)	-	(41,848,682)
Furniture and Equipment	(1,514,207)	(249,244)	-	(1,763,451)
Total Accumulated Depreciation	<u>(41,639,760)</u>	<u>(1,972,373)</u>	<u>-</u>	<u>(43,612,133)</u>
Total Depreciable Assets, Net of Accumulated Depreciation	<u>19,116,545</u>	<u>566,617</u>	<u>-</u>	<u>19,683,162</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,902,753</u>	<u>\$ 4,192,315</u>	<u>\$ (2,538,990)</u>	<u>\$ 22,556,078</u>

Depreciation expense was charged to functions/programs of the District as follows:
Governmental Activities:

Community and cultural \$ 1,972,373

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (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. 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 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, 2018, 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	29.892%	29.892%	29.892%

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous
Active Employees	306
Retired Employees	332
Inactive Employees	244

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2017
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, 2016 valuation were based on the results of a January 2015 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, 2018 (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	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (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:

Miscellaneous Plan:	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 10,168,064
Changes in the year:	
Service Cost	579,119
Interest on the Total Pension Liability	1,897,064
Changes of Assumptions	1,611,520
Differences between Expected and Actual Experience	(78,931)
Net Plan to Plan Resource Movement	1,027
Contributions - Employer	(800,633)
Contributions - Employees	(233,762)
Net Investment Income	(1,816,791)
Administrative Expense	24,125
Net Changes	1,182,738
Balance at June 30, 2018	\$ 11,350,802

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of \$468,988. At June 30, 2018, the District 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	\$ 909,122	\$ -
Changes of assumptions	991,705	7,618
Differences between expected and actual experiences	-	(112,031)
Net difference between projected and actual earnings on pension plan investments	81,435	(257,037)
	\$ 1,982,262	\$ (361,450)

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 4 Pension Plans (Continued)

The amount of \$909,122 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, 2019. 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 Ended June 30,		
2018	\$	128,077
2019	\$	161,048
2020	\$	25,264
2021	\$	(34,372)
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 \$133 per month for 2018. PEMHCA amounts are adjusted on an annual basis.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (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 December 31, 2016 (the census date), the following employees were covered by the benefit terms:

<u>Category</u>	<u>Count</u>
Active employees	287
Inactive employees or beneficiaries currently receiving benefit payments	272
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, 2018, the City's ADC contribution rate was 3.10% 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 December 31, 2016.

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, 2018 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

The total OPEB liability for the December 31, 2016 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 3%. Individual salary increases based on CalPERS
Investment rate of return	7.00%
Healthcare cost trend rates	7.00% in the first year, trending down to 3.94% 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:

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 7.00%. 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, 2018 (Continued)**

Note 5 Other Post-Employment Benefits (OPEB) (Continued)

c. Change in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2017	\$ 881,237
Changes for the year:	
Service cost	57,097
Interest on the total OPEB liability	160,240
Contribution - employer	(129,364)
Net investment income	(59,070)
Administrative expense	731
Net Changes	29,634
Balance at June 30, 2018	\$ 910,871

d. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expenses of \$105,491. At June 30, 2018, 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
Net differences between projected and actual earnings on OPEB plan investments	\$ 29,674	\$ (60,665)

Note 6 Commitments and Contingencies

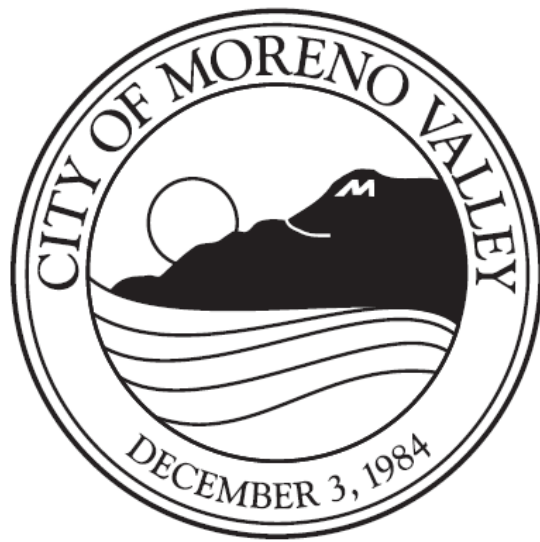
The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The City of Moreno Valley established two Self-Insurance Funds (internal service funds) to account for and finance its uninsured risks of 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.

**City of Moreno Valley
Community Services District**

**Notes to Financial Statements
Year Ended June 30, 2018 (Continued)**

Note 7 Subsequent Events

The District has evaluated events subsequent to June 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 5, 2018, 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, 2018

	Special Revenue Funds		
	Lighting		
	Maintenance	Zone C Arterial	
	District No.	Street Lights	
	2014-01	Administration	Zone M Median
Assets			
Pooled cash and investments	\$ 236,267	\$ 331,731	\$ 779,743
Due from other governments	14,212	9,905	-
Total Assets	\$ 250,479	\$ 341,636	\$ 779,743
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 98,663	\$ 42,487	\$ 71,557
Total Liabilities	98,663	42,487	71,557
Fund Balances			
Restricted for:			
Special zones	151,816	299,149	708,186
Total Fund Balances	151,816	299,149	708,186
Total Liabilities and Fund Balances	\$ 250,479	\$ 341,636	\$ 779,743

City of Moreno Valley, California
Community Services District

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds			
Zone S			
CFD No. 1	Sunnymead Boulevard Maintenance	Total Nonmajor Governmental Funds	
\$ 671,647	\$ 97,330	\$ 2,116,718	Assets
18,800	-	42,917	Pooled cash and investments
\$ 690,447	\$ 97,330	\$ 2,159,635	Due from other governments
			Total Assets
			 Liabilities and Fund Balances
			Liabilities
\$ 37,067	\$ 6,890	\$ 256,664	Accounts payable
37,067	6,890	256,664	Total Liabilities
			 Fund Balances
			Restricted for:
653,380	90,440	1,902,971	Special zones
653,380	90,440	1,902,971	Total Fund Balances
\$ 690,447	\$ 97,330	\$ 2,159,635	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
For the Year Ended June 30, 2018

	Special Revenue Funds		
	Lighting Maintenance District No.	Zone C Arterial Street Lights Administration	Zone M Median
	2014-01		
	<u>2014-01</u>	<u>Administration</u>	<u>Zone M Median</u>
Revenues			
Taxes:			
Property taxes	\$ 125,528	\$ 229,763	\$ -
Other taxes	-	423,584	-
Fees and charges for services	949,937	7,440	99,314
Use of money and property	198	(2,228)	3,952
Miscellaneous	-	-	1,376
Total Revenues	<u>1,075,663</u>	<u>658,559</u>	<u>104,642</u>
Expenditures			
Current:			
Community and cultural	-	-	-
Public works	1,447,170	797,338	238,621
Total Expenditures	<u>1,447,170</u>	<u>797,338</u>	<u>238,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(371,507)</u>	<u>(138,779)</u>	<u>(133,979)</u>
Other Financing Sources (Uses)			
Transfers In	-	145,000	178,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>145,000</u>	<u>178,500</u>
Net Change in Fund Balances	(371,507)	6,221	44,521
Fund Balances - Beginning of Year	523,323	292,928	663,665
Fund Balances - End of Year	<u>\$ 151,816</u>	<u>\$ 299,149</u>	<u>\$ 708,186</u>

City of Moreno Valley, California
Community Services District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds			
CFD No. 1	Zone S Sunnymead Boulevard Maintenance	Total Nonmajor Governmental Funds	
			Revenues
			Taxes:
\$ -	\$ -	\$ 355,291	Property taxes
1,193,914	-	1,617,498	Other taxes
25,899	34,582	1,117,172	Fees and charges for services
(976)	519	1,465	Use of money and property
-	-	1,376	Miscellaneous
1,218,837	35,101	3,092,802	Total Revenues
			Expenditures
			Current:
1,215,682	-	1,215,682	Community and cultural
-	56,654	2,539,783	Public works
1,215,682	56,654	3,755,465	Total Expenditures
			Excess (Deficiency) of Revenues Over (Under)
3,155	(21,553)	(662,663)	Expenditures
			Other Financing Sources (Uses)
-	-	323,500	Transfers In
-	-	323,500	Total Other Financing Sources (Uses)
3,155	(21,553)	(339,163)	Net change in Fund Balances
650,225	111,993	2,242,134	Fund Balances - Beginning of Year
\$ 653,380	\$ 90,440	\$ 1,902,971	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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 91,200	\$ 91,200	\$ 125,528	\$ 34,328
Fees and charges for services	953,700	949,880	949,937	57
Use of money and property	2,500	4,500	198	(4,302)
Total Revenues	1,047,400	1,045,580	1,075,663	30,083
Expenditures				
Current:				
Public works	1,524,949	1,534,724	1,447,170	87,554
Total Expenditures	1,524,949	1,534,724	1,447,170	87,554
Excess (Deficiency) of Revenues Over (Under) Expenditures	(477,549)	(489,144)	(371,507)	117,637
Other Financing Sources (Uses):				
Transfers In	500,000	-	-	-
Total Other Financing Sources (Uses)	500,000	-	-	-
Net Change in Fund Balances	22,451	(489,144)	(371,507)	117,637
Fund Balance - Beginning of Year	523,323	523,323	523,323	-
Fund Balance - End of Year	\$ 545,774	\$ 34,179	\$ 151,816	\$ 117,637

City of Moreno Valley, California
Community Services District

Budgetary Comparison Statement
Zone C Arterial Street Lights Administration
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 150,200	\$ 150,200	\$ 229,763	\$ 79,563
Other taxes	423,200	422,990	423,584	594
Fees and charges for services	10,000	10,000	7,440	(2,560)
Use of money and property	2,900	2,900	(2,228)	(5,128)
Total Revenues	586,300	586,090	658,559	72,469
Expenditures				
Current:				
Public works	865,014	875,014	797,338	77,676
Total Expenditures	865,014	875,014	797,338	77,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	(278,714)	(288,924)	(138,779)	150,145
Other Financing Sources (Uses):				
Transfers In	325,000	145,000	145,000	-
Total Other Financing Sources (Uses)	325,000	145,000	145,000	-
Net Change in Fund Balances	46,286	(143,924)	6,221	150,145
Fund Balance - Beginning of Year	292,928	292,928	292,928	-
Fund Balance - End of Year	\$ 339,214	\$ 149,004	\$ 299,149	\$ 150,145

**City of Moreno Valley, California
Community Services District**

**Budgetary Comparison Statement
Zone M Median
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 113,800	\$ 99,767	\$ 99,314	\$ (453)
Use of money and property	1,100	5,600	3,952	(1,648)
Miscellaneous	-	-	1,376	1,376
Total Revenues	114,900	105,367	104,642	(725)
Expenditures				
Current:				
Public works	209,652	266,752	238,621	28,131
Capital outlay	50,000	50,000	-	50,000
Total Expenditures	259,652	316,752	238,621	78,131
Excess (Deficiency) of Revenues Over (Under) Expenditures	(144,752)	(211,385)	(133,979)	77,406
Other Financing Sources (Uses):				
Transfers In	108,500	178,500	178,500	-
Total Other Financing Sources (Uses)	108,500	178,500	178,500	-
Net Change in Fund Balances	(36,252)	(32,885)	44,521	77,406
Fund Balance - Beginning of Year	663,665	663,665	663,665	-
Fund Balance - End of Year	\$ 627,413	\$ 630,780	\$ 708,186	\$ 77,406

City of Moreno Valley, California
Community Services District

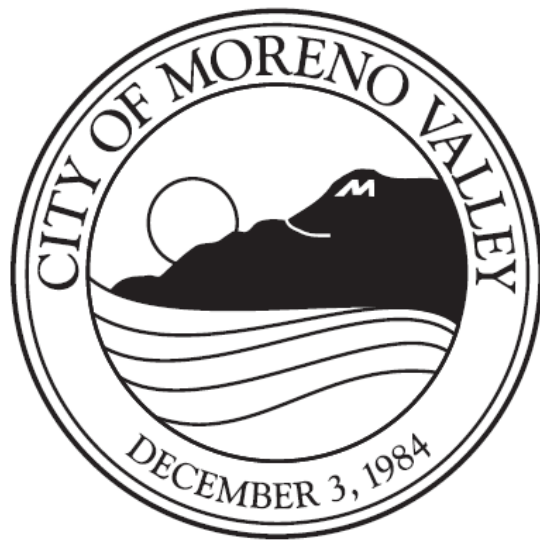
Budgetary Comparison Statement
CFD No. 1
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Other taxes	\$ 1,195,041	\$ 1,195,041	\$ 1,193,914	\$ (1,127)
Fees and charges for services	26,000	26,000	25,899	(101)
Use of money and property	1,500	1,500	(976)	(2,476)
Total Revenues	1,222,541	1,222,541	1,218,837	(3,704)
Expenditures				
Current:				
Community and cultural	1,331,234	1,331,234	1,215,682	115,552
Total Expenditures	1,331,234	1,331,234	1,215,682	115,552
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,693)	(108,693)	3,155	111,848
Net Change in Fund Balances	(108,693)	(108,693)	3,155	111,848
Fund Balance - Beginning of Year	650,225	650,225	650,225	-
Fund Balance - End of Year	\$ 541,532	\$ 541,532	\$ 653,380	\$ 111,848

**City of Moreno Valley, California
Community Services District**

**Budgetary Comparison Statement
Zone S Sunnymead Boulevard Maintenance
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fees and charges for services	\$ 59,000	\$ 59,575	\$ 34,582	\$ (24,993)
Use of money and property	600	1,100	519	(581)
Total Revenues	59,600	60,675	35,101	(25,574)
Expenditures				
Current:				
Public works	66,470	66,470	56,654	9,816
Total Expenditures	66,470	66,470	56,654	9,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,870)	(5,795)	(21,553)	(15,758)
Net Change in Fund Balances	(6,870)	(5,795)	(21,553)	(15,758)
Fund Balance - Beginning of Year	111,993	111,993	111,993	-
Fund Balance - End of Year	\$ 105,123	\$ 106,198	\$ 90,440	\$ (15,758)



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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the Series 2019 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2019 Bonds in substantially the following form:

[Date of Delivery]

Moreno Valley Public Financing Authority
Moreno Valley, California

Moreno Valley Public Financing Authority
Lease Revenue Refunding Bonds, Series 2019 (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Moreno Valley Public Financing Authority (the “Authority”) in connection with the issuance of \$15,830,000 aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Refunding Bonds, Series 2019 (Taxable) (the “Series 2019 Bonds”), issued pursuant to a Master Trust Agreement, dated as of December 1, 2015, as supplemented and amended by the First Supplement to Trust Agreement, dated as of December 1, 2016 and the Second Supplement to Trust Agreement, dated as of April 1, 2019 (as supplemented and amended, the “Trust Agreement”), each between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed a Master Facilities Lease, dated as of December 1, 2015, as amended by the First Amendment to Master Facilities Lease, dated as of December 1, 2016 and the Second Amendment to Master Facilities Lease, dated as of April 1, 2019 (as amended, the “Facilities Lease”), each between the City of Moreno Valley (the “City”), as lessor, and the Authority, as lessee; Master Facilities Sublease, dated as of December 1, 2015, as amended by the First Amendment to Master Facilities Sublease, dated as of December 1, 2016 and the Second Amendment to Master Facilities Sublease, dated as of April 1, 2019 (as amended, the “Facilities Sublease”), each between the Authority, as lessor, and the City, as lessee; the Trust Agreement; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of

all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Facilities Lease, the Facilities Sublease and the Trust Agreement. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Facilities Lease, the Facilities Sublease and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Facilities Lease, the Facilities Sublease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2019 Bonds constitute the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Series 2019 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The Facilities Lease and the Facilities Sublease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.
4. Interest on the Series 2019 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Faithfully yours,

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Series 2019 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Moreno Valley (the “City”) in connection with the issuance by the Moreno Valley Public Financing Authority (the “Authority”) of its \$15,830,000 Lease Revenue Bonds, Series 2019 (Taxable) (the “Bonds”). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2015, by and between the Authority and the Wells Fargo Bank, National Association, as trustee (the “Trustee”), as amended by that certain First Supplement to Master Trust Agreement, dated as of December 1, 2016, by and between the Authority and the Trustee, and by that Second Supplement to Master Trust Agreement, dated as of April 1, 2019, by and between the Authority and the Trustee (as amended, the “Trust Agreement”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bond Insurer, the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated March 28, 2019 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than each March 31 following the end of its Fiscal Year (commencing with the Fiscal Year ending June 30, 2019) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send in a timely manner to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

(i) revenues, expenditures, and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) assessed valuations of property in the City;

(iii) property tax levies and collections for the most recently completed Fiscal Year;

(iv) top ten property taxpayers in the City;

(v) State of California motor vehicle in-lieu payments received; and

(vi) outstanding debt of the City for the most recently completed Fiscal Year, including revenue and lease indebtedness.

The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of security holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the securities;
5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Trust Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (d) prior to the occurrence of such Listed Event.

(e) For purposes of the events identified in paragraphs (a)(10) and (b)(8) above, the term “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 MSRB consistent with the Rule.*

6. Termination of Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Bond Insurer or any Holders or Beneficial Owners of at least 50% aggregate principal amount

* The City shall interpret the events identified in paragraphs (a)(10) and (b)(8) in accordance with Release No. 34-83885 adopted by the Securities and Exchange Commission on August 20, 2018, or any future guidance or releases provided by the Securities and Exchange Commission.

of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Bond Insurer, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 11, 2019

CITY OF MORENO VALLEY

By: _____
Its: City Manager

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2019 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2019 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Series 2019 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Series 2019 Bond Owner shall give notice to elect to have its Series 2019 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2019 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2019 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2019 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2019 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2019 Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2019 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2019 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

GENERAL INFORMATION REGARDING THE CITY OF MORENO VALLEY AND THE REGION

The following information is presented as general background data. The Series 2019 Bonds are payable solely from the Base Rental Payments under the Facilities Sublease as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Base Rental Payments or the Series 2019 Bonds.

Location

The City of Moreno Valley (the “City”) is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 51 square miles of land area in western Riverside County. Geographically, the City is bordered by three low-lying mountain ranges, March Air Reserve Force Base and Lake Perris State Park. The City is situated at the junction of two major highways, California State Highway 60 (the Moreno Valley Freeway) and Interstate 215.

Population

The City is the second largest city in Riverside County with an estimated population of 207,629 as of January 1, 2018. The table below sets forth the total population of the City, the County of Riverside (the “County”) and the State of California (the “State”).

POPULATION
City of Moreno Valley, County of Riverside and State of California

	<i>Calendar Year</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Moreno Valley	199,752	201,387	202,621	204,285	207,629
Riverside County	2,291,262	2,317,895	2,346,717	2,382,640	2,415,933
California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark. Sacramento, California, May 2018.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, the County, the State and the nation as a whole.

**CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2013				
City of Moreno Valley	87,700	78,500	9,200	10.5%
Riverside County	996,400	897,700	98,700	9.9
State of California	18,625,000	16,958,400	1,666,600	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Moreno Valley	89,100	81,300	7,800	7.2%
Riverside County	1,013,500	930,400	83,100	8.2
State of California	18,758,400	17,351,300	1,407,100	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Moreno Valley	91,000	84,500	6,500	7.1%
Riverside County	1,035,700	966,300	69,400	6.7
State of California	18,896,500	17,724,800	1,171,700	6.2
United States ⁽⁴⁾	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Moreno Valley	92,400	86,400	6,000	6.5%
Riverside County	1,052,600	988,200	64,500	6.1
State of California	19,093,700	18,048,800	1,044,800	5.5
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Moreno Valley	91,400	86,200	5,200	5.7%
Riverside County	1,072,500	1,016,200	56,300	5.2
California	19,312,000	18,393,100	918,900	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

⁽⁴⁾ Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2017 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The following tables show the largest employers located in the City and the County as of Fiscal Year 2018.

CITY OF MORENO VALLEY - MAJOR EMPLOYERS – 2018

<i>Employer</i>	<i>Number of Employees</i>
March Air Reserve Base	9,600
Amazon.com, Inc.	7,500
Riverside University Health Systems Medical Center	3,400
Moreno Valley Unified School District	3,100
Ross Dress for Less / D D's Discounts	2,400
Moreno Valley Mall (excludes major tenants)	1,500
Kaiser Permanente Community Hospital	1,457
Harbor Freight Tools	788
Val Verde Unified School District (MV Only)	640
United Natural Foods, Inc. (UNFI)	620

Source: City of Moreno Valley Fiscal Year Ending June 30, 2018 CAFR.

**LARGEST EMPLOYERS
County of Riverside
2018**

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,038	County Government
2.	March Air Reserve Base	9,000	Military Reserve Base
3.	University of California, Riverside	8,829	University
4.	Kaiser Permanente Riverside Medical Center	5,500	Medical Center
5.	Corona Norco Unified School District	5,478	School District
6.	Pechanga Resort & Casino	4,750	Hotel & Casino
7.	Riverside Unified School District	4,200	School District
8.	Hemet Unified School District	4,058	School District
9.	Riverside University Health Systems Medical Center	3,965	Medical Center
10.	Morongo Casino, Resort & Spa	3,800	Hotel & Casino

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Industry

Residents of the City find employment throughout the Riverside-San Bernardino-Ontario Labor Market Area. This labor market area, as defined for reporting purposes by the California Employment Development Department, has boundaries coterminous with those of Riverside and San Bernardino Counties. The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2013 through 2017. Information for 2018 is not yet available.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2013	2014	2015	2016	2017
Civilian Labor Force	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100
Civilian Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,918,600
Civilian Unemployment	186,300	155,700	128,600	118,300	103,600
Civilian Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,400	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
Total, All Industries	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,416,600</u>	<u>1,466,000</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, March 2017 Benchmark.

Assessed Valuation

The table below sets forth the City’s assessed valuation of property for Fiscal Years 2013 through 2018.

**ASSESSED VALUATION OF TAXABLE PROPERTY
City of Moreno Valley
Fiscal Years 2013 to 2018
(Dollars in Thousands)**

<i>Fiscal Year Ended June 30</i>	<i>Secured Value</i>	<i>Unsecured Value</i>	<i>Total Assessed and Estimated Full Value</i>
2013	\$10,646,415	\$342,094	\$10,988,509
2014	11,042,637	352,337	11,394,974
2015	12,102,252	366,400	12,468,652
2016	12,991,881	486,350	13,478,231
2017	13,703,128	609,642	14,312,770
2018	14,517,849	584,791	15,102,640

Source: City of Moreno Valley Comprehensive Annual Financial Report for the year ending June 30, 2018.

Tax Levy and Tax Collection

Below is a summary of the property tax levies and total collections for Fiscal Years 2013 through 2018.

**PROPERTY TAX LEVIES AND COLLECTIONS
City of Moreno Valley
Fiscal Years Ending June 30, 2013 to June 30, 2018**

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied</i>	<i>Collected within the Fiscal Year of Levy</i>		<i>Collections in Subsequent Years</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percent of Levy⁽¹⁾</i>		<i>Amount</i>	<i>Percent of Levy</i>
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	-	29,425,906	99.43

⁽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 Fiscal Year 2013, redevelopment tax increment was no longer included in the calculation for the levy and the collections.

Source: City of Moreno Valley Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

Largest Taxpayers

The principal property taxpayers in the City for 2018 are as follows:

<i>Taxpayer</i>	<i>2018 Assessed Valuation</i>	<i>% of Total Assessed Valuation</i>
HF Logistics SKX T1 (Skechers)	\$ 227,046,9227	1.53%
Western A West California, LLC	159,642,240	1.08
Ross Dress for Less, Inc.	136,465,055	0.92
First Industrial LP	117,297,981	0.79
FR California Indian Avenue	114,425,887	0.77
Walgreen Company	110,207,831	0.74
Golden State FC, LLC	106,921,683	0.72
Towngate on Mem Apartments, LLC	98,558,244	0.66
AI California, LLC	96,958,747	0.65
March Business Center, LLC	92,132,500	0.62
TOTAL:	\$ 1,259,657,095	8.49%

Source: City of Moreno Valley Fiscal Year Ending June 30, 2018 CAFR.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2013 through 2017 are shown in the following tables for both the County and the City. Information for 2018 is not yet available.

BUILDING PERMIT VALUATIONS County of Riverside 2013-2017 (Valuation in Thousands of Dollars)

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
Residential	\$ 1,375,593	\$ 1,621,751	\$ 1,536,742	\$ 1,759,535	\$ 1,903,417
Non-residential	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>	<u>1,433,691</u>
Total*	\$ 2,249,570	\$ 2,436,741	\$ 2,448,207	\$ 3,105,554	\$ 3,337,108
Residential Units:					
Single family	4,716	5,007	5,007	5,662	6,265
Multiple family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>
Total	6,143	6,938	6,196	6,701	7,335

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Moreno Valley
2013-2017

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
Residential	\$ 49,679	\$ 15,229	\$ 46,986	\$ 53,041	\$ 151,647
Non-residential	<u>109,568</u>	<u>160,366</u>	<u>101,190</u>	<u>40,354</u>	<u>278,495</u>
Total	\$ 159,247	\$ 175,595	\$ 148,176	\$ 93,395	\$ 430,142
Residential Units:					
Single family	133	46	133	100	451
Multiple family	<u>60</u>	<u>0</u>	<u>0</u>	<u>112</u>	<u>16</u>
Total	193	46	133	212	467

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Commercial Activity

Trade outlet and retail sales activity are summarized below based on reports of the State Board of Equalization.

TOTAL TAXABLE TRANSACTIONS AND NUMBER OF SALES PERMITS
City of Moreno Valley
2013 through 2017⁽¹⁾
(Dollars in Thousands)

<i>Calendar Year</i>	<i>Total Retail Stores</i>	<i>Total Retail Stores Permits</i>	<i>Total Taxable Transactions</i>	<i>Total Issued Permits</i>
2013	\$1,240,243	1,616	\$1,349,129	2,116
2014	1,307,780	1,688	1,475,946	2,181
2015	1,366,324	1,920	1,524,713	2,629
2016	1,393,342	2,063	1,571,730	2,823
2017 ⁽¹⁾	1,095,535	2,095	1,226,098	2,877

⁽¹⁾ Through third quarter of 2017.
Source: California State Board of Equalization.

RETAIL SALES
City of Moreno Valley
2013 through 2017⁽¹⁾
(Dollars in Thousands)

<i>Type of Business</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017⁽¹⁾</i>
Auto Dealers	\$ 230,751	\$ 252,500	\$ 284,896	\$ 294,145	\$ 228,019
Home Furnishing	12,361	11,764	223,396	37,576	28,387
Building Materials	91,247	99,220	108,405	113,849	92,663
Food Stores	84,981	90,389	134,663	127,258	100,788
Service Stations	197,899	199,145	155,837	151,539	126,222
Apparel Stores	98,978	104,758	115,698	124,207	89,334
General Merchandise Stores	258,862	267,507	235,730	232,206	189,432
Eating/Drinking Places	186,885	203,353	225,406	244,550	193,145
Other Retail Stores	<u>78,280</u>	<u>79,144</u>	<u>82,294</u>	<u>68,012</u>	<u>47,544</u>
Retail Stores Totals	\$ 1,240,243	\$ 1,307,780	\$ 1,366,324	\$ 1,393,342	\$ 1,095,535
All Other Outlets	<u>108,886</u>	<u>161,167</u>	<u>158,388</u>	<u>178,388</u>	<u>130,563</u>
Total All Outlets	<u>\$ 1,349,129</u>	<u>\$ 1,475,946</u>	<u>\$ 1,527,713</u>	<u>\$ 1,571,730</u>	<u>\$ 1,226,098</u>

⁽¹⁾ Through third quarter of 2017.

Source: California State Board of Equalization.

The table below present taxable sales for the years 2011 through 2017 for the County.

TAXABLE SALES
County of Riverside
2011-2017⁽¹⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2011	46,886	\$25,641,497
2012	46,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687
2015	56,846	32,910,909
2016	57,742	34,231,143
2017 ⁽¹⁾	57,803	29,135,918

⁽¹⁾ Through third quarter of 2017.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Personal Income

The following tables show the personal income and per capita personal income for the City, County, State of California and United States from 2012 through 2018.

PERSONAL INCOME City of Moreno Valley, County of Riverside, State of California, and United States 2012-2018⁽¹⁾

<i>Year</i>	<i>City of Moreno Valley</i>	<i>County of Riverside</i>	<i>California</i>	<i>United States</i>
2012	\$3,491,186	\$74,075,529	\$1,853,467,200	\$13,998,383,000
2013	3,615,062	76,493,787	1,855,672,400	14,175,503,000
2014	3,612,548	80,637,967	2,021,640,000	14,983,140,000
2015	3,704,415	86,092,487	2,173,299,700	15,711,634,000
2016	3,671,016	90,273,976	2,259,413,900	16,115,630,000
2017	3,775,669	95,140,992	2,364,129,400	16,820,250,000
2018	3,902,595	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾

Note: Dollars in Thousands.

⁽¹⁾ 2018 figures not yet available for County of Riverside, State of California and United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Moreno Valley Fiscal Year Ending June 30, 2018 CAFR.

PER CAPITA PERSONAL INCOME⁽¹⁾ City of Moreno Valley, County of Riverside, State of California, and United States 2012-2018⁽²⁾

<i>Year</i>	<i>City of Moreno Valley</i>	<i>County of Riverside</i>	<i>California</i>	<i>United States</i>
2012	\$17,425	\$32,707	\$48,751	\$44,582
2013	18,246	33,383	49,173	44,826
2014	18,130	34,732	52,237	47,025
2015	18,186	36,603	55,679	48,940
2016	17,874	37,827	57,497	49,831
2017	18,262	39,261	59,796	51,640
2018	18,796	-- ⁽²⁾	-- ⁽²⁾	-- ⁽²⁾

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

⁽²⁾ 2018 figures not yet available for County of Riverside, State of California and United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Moreno Valley Fiscal Year Ending June 30, 2018 CAFR.

Agriculture

Agriculture is a significant source of income in the County. In 2017, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border. The County, and all of Southern California, has from time to time, including in recent years, experienced a severe drought. The County cannot predict the impact that a prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2013 through 2017.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Citrus Fruits	\$ 142,404,000	\$ 170,891,000	\$ 187,673,000	\$ 200,101,000	\$ 177,055,000
Trees and Vines	232,536,000	223,593,000	234,928,000	227,444,000	228,315,000
Vegetables, Melons, Misc.	340,407,000	337,404,000	327,199,000	365,157,000	331,986,000
Field and Seed Crops	154,582,000	156,575,000	122,794,000	97,184,000	96,063,000
Nursery	191,215,000	172,910,000	158,648,000	150,426,000	153,749,000
Apiculture	4,715,000	4,819,000	4,897,000	5,082,000	5,415,000
Aquaculture	2,262,000	5,078,000	5,397,000	4,624,000	4,764,000
Livestock and Poultry	<u>259,683,000</u>	<u>290,746,000</u>	<u>260,015,000</u>	<u>225,758,000</u>	<u>221,175,000</u>
Grand Total	<u>\$ 1,327,804,000</u>	<u>\$ 1,362,016,000</u>	<u>\$ 1,301,551,000</u>	<u>\$ 1,275,776,000</u>	<u>\$ 1,218,522,000</u>

Source: Riverside County Agricultural Commissioner.

Utilities

The City receives water service from the Eastern Municipal Water District and Box Springs Mutual Water Company. The City is also serviced by Frontier (formerly Verizon) and Southern California Gas Company. Electrical service for most of the City’s developed areas is provided by Southern California Edison. The City has established Moreno Valley Electric Utility (“MVU”) that is providing service for the remainder of the south and east ends of the City.

Transportation

The City is centrally located within the Inland Empire. Highways passing through the City include California State Highway 60 and Interstate 215. California State Highway 60 connects in Riverside to California State Highway 91, which connects to Orange County and Long Beach. California State Highway 60 and Interstate 215 provide access to Interstate 10 within 15 miles of the City. Rail service in the City includes the Burlington Northern Santa Fe branch line. The main line service in Riverside has stop locations at the Union Pacific, Southern Pacific and Burlington Northern Santa Fe stations. Metrolink commuter rail service is available in Perris and in Riverside to Los Angeles and Orange County.

Ontario International Airport (owned and operated by Ontario International Airport Authority), approximately 31 miles northwest of the City, is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport. Riverside Municipal Airport has general aviation facilities with 5,400 feet and 1,600 feet runways.

Education

The City is served by two public school districts: Moreno Valley Unified School District with an approximate enrollment of 33,134 students and Val Verde Unified School District with an approximate enrollment of 20,244 students. Moreno Valley Unified School District has 23 elementary schools, six middle schools, four comprehensive high schools, one charter school, one adult school, one continuation school, a community day school, one pre-school and one academic center. Val Verde Unified School District serves the communities of Perris, Mead Valley and Moreno Valley. Val Verde Unified District has one pre-school, 13 elementary schools, four middle schools, three high schools and one continuation high school.

The City is also home to Moreno Valley Community College.

Recreation and Culture

Lake Perris State Park offers boating, swimming, water-skiing, fishing and camping within its 8,300 acres. Box Springs Mountain Park provides trails for hiking and horseback riding. The City centralized location allows residents to visit nearby mountain resorts, Palm Springs and the beach cities with relative ease. The City's park system consists of 29 parks with 328 acres. The City offers a variety of recreational activities for adults and youth. The City is served by the City's library system.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

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

Form 500NY (5/90)

