2015

City of Norco

Comprehensive Annual Financial Report

For the year ended

June 30, 2015

HORSETOWN USA
NORCO CA

CITY OF NORCO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by the Fiscal and Support Services Department

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

Table of Contents

	PAGE
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	x
Directory of City Officials	xi
GFOA Certificate of Achievement for Excellence in Financial Reporting	xii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds	
Statement of Net Position	25
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Agency Funds	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
Notes to the Basic Financial Statements	33
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability	73
Schedule of Contributions - Defined Benefit Pension Plans	74
Schedule of Funding Progress - Other-Post-Employment Benefits	75
Budgetary Comparison Schedule - General Fund	76
Note to Required Supplementary Information	77

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

Table of Contents

	PAGE
Individual Fund Schedules and Combining Financial Statements	
Combining Nonmajor Governmental Funds	
Nonmajor Governmental Fund Descriptions	79
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	90
Nonmajor Fund Budgetary Comparison Schedules	99
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Miscellaneous Grant Fund Special Revenue Fund	100
Community Development Block Grant Special Revenue Fund	101
Gas Tax Special Revenue Fund	102
Measure A Special Revenue Fund	103
NPDES Special Revenue Fund	104
Air Quality Improvement Trust Special Revenue Fund	105
Supplemental Law Enforcement Block Grant Special Revenue Fund	106
Landscape Maintenance District #1 Special Revenue Fund	107
Landscape Maintenance District #2 Special Revenue Fund	108
Landscape Maintenance District #3 Special Revenue Fund	109
Landscape Maintenance District #4 Special Revenue Fund	110
Landscape Maintenance District #5 Special Revenue Fund	111
Storm Drain Capital Projects Fund	112
General Government Improvement Capital Projects Fund	113
Fire Improvement Capital Projects Fund	114
Trails Improvement Capital Projects Fund	115
Park Improvement Capital Projects Fund	116
Public Library Capital Projects Fund	117
Public Meeting Capital Projects Fund	118
Street Improvement Capital Projects Fund	119
Aquatics Center Capital Projects Fund	120
Animal Control Capital Projects Fund	121
Internal Service Funds	
Internal Service Funds Descriptions	123
Combining Statement of Net Position	124
Combining Statement of Revenues, Expenses, and Changes in Net Position	125
Combining Statement of Cash Flows	126
Agency Funds	
Agency Funds Descriptions	127
Combining Statement of Fiduciary Assets and Liabilities	128
Combining Statement of Changes in Fiduciary Assets and Liabilities	130

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

Table of Contents

	PAGE
STATISTICAL SECTION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT):	
Contents	133
Net Position by Component - Last Ten Fiscal Years	134
Changes in Net Position - Last Ten Fiscal Years	136
Fund Balances Governmental Funds - Last Ten Fiscal Years	141
Changes in Fund Balances Governmental Funds - Last Ten Fiscal Years	142
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	145
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	146
Principal Property Tax Payers - Current Year and Nine Years Ago	147
Property Tax Levies and Collections - Last Ten Fiscal Years	149
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	150
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	152
Direct and Overlapping Activities Debt	153
Legal Debt Margin Information - Last Ten Fiscal Years	154
Pledged - Revenue Coverage - Last Ten Fiscal Years	156
Demographic and Economic Statistics - Last Ten Fiscal Years	158
Principal Employers - Current Year and Nine Years Ago	159
Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years	160
Operating Indicators by Function / Program - Last Ten Fiscal Years	162
Capital Asset Statistics by Function / Program - Last Ten Fiscal Years	164

Introductory Section

This page left blank intentionally.

CITY of NORCO

CITY HALL ● 2870 CLARK AVENUE ● NORCO CA 92860 ● (951) 735-3900 ● www.norco.ca.us ●

December 19, 2015

To the Honorable Mayor, Members of the City Council, and
Citizens of the City of Norco, California:

In accordance with the City's Municipal Code, it is my pleasure to submit the City of Norco (City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015 (FY2015). This report provides a comprehensive view of the results of the City's financial activities for the year and financial position at the end of the fiscal year. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants.

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

Management also recognizes that the internal control environment changes over time due to changes in operation or the personnel performing various duties. As a result, the internal control environment is continuously being assessed to ensure that adequate controls still exist within the City to achieve the City's objectives.

The City's basic financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of any material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements assessing the accounting principles used and significant estimates made by management and evaluating the overall presentation of the financial statements. Based upon their audit, the independent auditors concluded

CITY COUNCIL

KEVIN BASH	GREG NEWTON	BERWIN HANNA	ROBIN GRUNDMEYER	TED HOFFMAN
Mayor	Mayor Pro Tem	Council Member	Council Member	Council Member

that there was a reasonable basis for rendering an unqualified (clean) opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' 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 under the Single Audit Act Amendments of 1996 and related OMB Circular A-133. Under the Single Audit Act, the independent auditor is required to report not only on fair presentation of financial statements, but also on the City's internal controls and compliance with legal requirements, with emphasis on internal controls and legal requirements involving the administration of federal awards. For the year, the City did not expend over $500,000 in federal grants and therefore, does not meet the threshold set by the Office of Management and Budgets (OMB) for a Single Audit. Consequently, no separate Single Audit reports have been issued by the independent auditors.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This transmittal letter 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.

Profile of the City of Norco, California

The City of Norco, California was incorporated as a general law City on December 28, 1964, and is located in southwestern Riverside County (part of the Inland Empire), approximately 45 miles east of Los Angeles. While the Inland Empire still remains one of the top growth areas in the state in regards to population, the rate of growth has slowed in recent years especially since the recent economic recession. The area's population is expected to grow at the rate of 7% every five years. In contrast, the population of the City of Norco over the last five years has remained fairly static with no noticeable change. The City limits cover an area of approximately 15 square miles, with a current permanent population of approximately 27,063. Norco is advantageously located with convenient access to the major interstate highways I-15, I-10, routes 60 and 91 freeway systems as well as Ontario International Airport (ONT).

Norco is proud of its animal-keeping and equestrian-oriented community, known as "Horsetown USA." Residents enjoy over 400 acres of parkland and 120 miles of pedestrian and equestrian trails and more than 100 miles of streets. Most residential property is zoned for animal keeping with minimum lot size of one-half acre. Within 30 miles, there are several public and private colleges and universities providing a wide range of education facilities and opportunities. These include University of California – Riverside, University of California – Irvine, California State University – San Bernardino,

California State University – Fullerton, California Polytechnic University – Pomona, Norco College, and others.

The City operates under the Council-Manager form of government. Under this form of government, policy-making and legislative authority are vested in the City Council consisting of five members elected at large. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees or commissions, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council overseeing the day-to-day operations of the City and appointing the heads of the various departments. The Council is elected on a non-partisan basis and each member serves a term of four years. The City Council selects by a majority vote a mayor who serves a one-year term.

City Services: The City provides a full range of services, including police and fire protection; construction and maintenance of streets, trails and other infrastructure; recreational activities and cultural events; sanitation and water services; street lighting; planning and zoning; animal control services. Police protection is provided through a contract between the City and Riverside County Sheriff's Department. Fire and emergency medical services are provided through a cooperative contract with Riverside County Fire Department.

The planning division is responsible for all current and advanced planning projects. Current planning projects include land use entitlement processes including site plans, variances, conditional use permits, zone changes and specific plans. Advanced planning consists of updates to the General Plan, annexations and inter-agency cooperation on transportation and habitat conservation issues. The City has over 900 acres of passive and active parkland and open space, which are maintained by the City's parks and recreation divisions. The vision of the division is to create community through people, animals, parks and programs. As an equestrian community, the animal control services division establishes standards for the care and health of animals; provides a safe haven animal shelter; sponsors adoption and placement of animals while enforcing laws to protect the well-being of all animals in the community. The animal shelter cares for more than 2,000 impounded animals annually.

Through the City Manager's office, the City provides economic development assistance to developers, real estate agents, appraisers, property owners; conducts business recruitment and outreach programs; provides business incentives; collaborates with the Norco Chamber of Commerce to meet the business needs of the community. The primary purpose is to attract economic development projects to the City. Economic development continues to be a high priority of the City.

The City's public works and engineering department provides a variety of services to the City's residents and businesses. Amongst these are production and distribution of potable water; collection and transmission of wastewater to regional treatment plants; construction and maintenance of pipe lines; installation and maintenance of equestrian trails; construction and maintenance of roadways, streets, storm drains and trails; The department also provides plan check, permitting and inspection services for public and private construction projects.

Fire prevention, suppression, emergency medical services, hazmat response, emergency preparedness and police protection make up the City's public safety departments. Protecting the lives and property of the citizens of Norco is the primary mission of the public safety departments. The City maintains a significant investment in equipment, facilities and personnel to provide comfortable and safe neighborhoods for the community.

Operating Budget Process: The development of the City's Fiscal Year Annual Operating Budget begins in January. The City's annual operating budget serves as the foundation for financial planning and control. Each City department is required to submit requests for annual appropriation to the City Manager. These budget requests are used as the starting point for developing a proposed budget. The City Manager presents a proposed budget to Council for review through staff and Council budget study sessions. At the completion of budget study sessions, the City Council is required to have a minimum of one public hearing to further review the proposed budget. At the conclusion of the public hearing(s), the budget is required to be adopted by a majority vote of the City Council no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Within each department, the budget is further detailed by expenditure type and line items (e.g., salaries and benefits).

Department heads can make transfers of appropriations within a department and fund. Transfer of appropriations between departments within the same fund, requires the approval of the City Manager. Transfers of appropriations between Funds require Council authority. Expenditures may not legally exceed appropriations at the fund level. Budget-to-actual comparisons are provided in this report for each major individual governmental fund for which appropriated annual budget was adopted by the City Council. As part of the budgetary control process, quarterly budget-to-actual reports are presented to the City Council every quarter beginning with the end of the second quarter of the fiscal year. Access to real-time financial information is also available to all departments.

Factors Affecting Financial Condition

The financial condition of the City is affected by internal and external factors including the local economy, state government actions, staffing/service levels, long term financial planning and other relevant financial policies.

Local economy: While the City is largely an animal-keeping and equestrian oriented community, it also a has balanced commercial, retail and light industrial activities. The City is included in the Riverside-San Bernardino labor market area. This area is also known as the Inland Empire region which is considered one of the most significant economies in the state. While the Inland Empire faced its most serious economic challenge since the 1930's during the recent recession, the region saw noticeable recovery during the fiscal year due to improvement in home prices and employment. The weakness in the economy during the recession caused major job losses in the area especially in the blue collar sectors of construction, logistics and manufacturing. The job losses in these sectors resulted in the unemployment rate of nearly 9% at the beginning of the fiscal year. However, during FY 2015, the economic environment improved with unemployment dropping to 6.5%. The local unemployment rate in the City is estimated at 5.3% at the end of the fiscal year. Taxable sales in the Inland Empire area grew by 6.5% and real property values improved by 5.9% in Riverside County. The City's central business district is dominated by automobile dealerships, retail shops and restaurants. Sales tax revenues continued to increase during the fiscal year. On top of the 11.8% growth in FY 2014, the City recorded additional 5.5% growth in sales tax revenues during FY 2015.

Long-term financial and strategic planning: Long-term financial and strategic planning continued to be a key tool in the City's quest to achieve financial resiliency as the economy continues to recover. The primary focus of the City's financial and strategic planning has been to find ways to enhance revenues while reducing expenditures through efficiency and or re-structuring. As a way to enhance revenues, the Council seeks to make the City a desirable destination by popularizing the City as "Horsetown USA," an attractive western community with residents who enjoy a high quality rural lifestyle. To accomplish this vision, the following strategic action plans were implemented during the fiscal year.

- Economic development and marketing efforts were undertaken to fill vacant sites throughout the City. Major retailers such as Winco Foods, Hobby Lobby, and Tractor Supply opened retail stores in the City. Additionally, Fairfield Inn and Suites by Marriot completed and opened a hotel in the City during the fiscal year.
- Significant investments were made in infrastructure improvements including street widening, park improvements, and water pipeline improvements.
- The City Council appointed a nine-member Infrastructure Ad-Hoc Committee to assess the City's future infrastructure needs and to formulate long-term recommendations to address the identified needs. During the fiscal year, the Ad-

Hoc Committee completed the work of assessing the future infrastructure needs of the City and submitted its findings and recommendations to the City Council. The Ad-Hoc Committee's report will serve as a stepping stone in future discussions regarding the funding for infrastructure needs.

Relevant Financial Policies

Budgetary Control Policies: The City has implemented strict expenditure control procedures and policies. Personnel costs represent a significant portion of the City's general government operating budget. To reduce personnel costs, the City continued to maintain a policy of negotiating short term labor agreements with employee organizations. These short term agreements provide the City with the flexibility to make further expenditure reduction in the future in order to achieve a balanced budget. The City also achieves personnel expenditure reductions through the implementation of an Attrition Management Program. As part of this program, all positions that become vacant in the City are reviewed for potential elimination or conversion to a part-time position; opportunity to contract out. The program has already resulted in significant reduction of the City's work force.

Strict expenditure control is also being achieved through constant monitoring of expenditures. Budget to actual expenditure information is available on a real time basis to all departments. Hard copy monthly reports are also presented to each department and potential over expenditure indications are discussed with each department. Additionally, summarized budget to actual reports are presented to the City Council on a quarterly basis beginning with the second quarter. An extensive mid-year budget review process is also undertaken. The mid-year budget review process offers the City an opportunity to conduct a detail review of the budget and make adjustments as necessary.

Pension, Health and OPEB Funding Policies: Pension, medical insurance and Other Post-Employment Benefits (OPEB) are significant cost items impacting the long-term financial condition of the City. Effective January 1, 2013, the City implemented the provision of the State of California Public Employees' Pension Reform Act. This reform reduced public employees' pension benefits and required employees to make a greater contribution towards funding of pension benefits. For the City, all employees hired before October 31, 2010 are required to contribute 4% of their pay towards funding their pension. These employees will contribute 6% and 8% in FY 2015-2016 and 2016-2017 respectively. Employees hired after October 31, 2010 are required to contribute the full 8% of the employee portion of pension contribution. Similarly, employees hired after December 31, 2012 are required to contribute their entire share of pension contribution. The City also continued to maintain the policy that capped the amount of City subsidy towards the cost of retiree and active employee medical insurance costs at a maximum of $1,250 per month.

As part of the implementation of GASB 45, the City established a Trust Account to accumulate funds for the payment of post-retirement healthcare costs. The City also adopted a funding policy. Under the policy the City made a significant amount of deposit into the Trust Account to prefund some of its unfunded retiree healthcare liabilities. As a result of substantial earnings accrued to the Trust Account through June 30, 2015, the City has made significant progress in funding OPEB liabilities through this Trust Account. As of June 30, 2015 the City's OPEB Trust Account had a balance of $6.4 million.

Other Relevant Financial Issues: In the past several years, the California state budget crisis has been a significant source of concern to local governments, including the City of Norco. For several years, the State struggled to eliminate the State's General Fund structural budget deficit without much success. With the recent economic recovery, the state's budget outlook has significantly improved and has eliminated the need for the state to confiscate local revenues to balance its own budget.

As part of the State budget for fiscal year 2011-2012, effective June 28, 2011, the legislature approved AB X1 26 and AB 1X 27 eliminating redevelopment agencies statewide (AB X1 26). After legal challenge, the California Supreme Court upheld the AB X1 26 on December 29, 2011 thereby dissolving all redevelopment agencies in the State of California as of January 31, 2012. Among other provisions, AB X1 26 required that upon dissolution of a redevelopment agency, either the City or another unit of local government agree to serve as the "Successor Agency" of the dissolved redevelopment agency. The role of the Successor Agency is to perform all activities necessary to wind down the activities of the former redevelopment agency including payment of debt service and completion of outstanding redevelopment activities.

On January 11, 2012, the Norco City Council voted to serve as the Successor Agency, except with respect to the former agency's housing function. Consequently, the results of operations and financial position of the Low-to-Moderate Income Housing Fund was not included in the City's financial statements. However, on August 20, 2014 the City Council voted to rescind its previous decision not to serve as the Housing Successor Entity and for the City to now serve as the Housing Successor Entity; accept the assets of the Low-to-Moderate Income Housing Fund; and to resume the activities of the former agency's housing programs. As a result of this decision, the current financial statements includes the activities and financial position the Low-to-Moderate Income Housing Special Revenue Fund. The statement of revenues and expenditures reflects a special item of $17.8 million to include the beginning fund balance of the Low-to-Moderate Income Housing Fund.

While the dissolution of the redevelopment agency has negatively limited the City's ability to aggressively pursue economic development and provide infrastructure funding,

the Successor Agency continued to meet all of the requirements of AB X1 26 and AB 1484 by successfully completing and submitting to the state's Department of Finance (DOF) the Recognized Obligation Payment Schedule (ROPS) for the dissolved agency. The amount of funding allocation necessary to pay all recognized obligations during the year were approved and funded by the DOF. Additionally, during the fiscal year, the State Controller's Office completed the review of the asset transfers of the former Norco Community Redevelopment Agency as required by Health and Safety Code 34167.5 with no outstanding findings.

Major Initiatives

The City of Norco is dedicated to maintaining its City living in a rural atmosphere by building and maintaining adequate infrastructure to serve its residents and attract compatible economic development. During the fiscal year ended June 30, 2015, the City engaged in the following major projects and initiatives:

1. As previously mentioned, the City elected to serve as the Successor Housing Agency to the former Norco Community Redevelopment Agency during the fiscal year. Affordable housing programs, which have been dormant since the dissolution of the Redevelopment Agency, were reinstated, providing opportunities for first-time home buyer loans, home improvement loans and grants, emergency grants and utility assistance
2. During the year, the City made several park, street, water, sewer and other infrastructure capital improvements totaling over $3.4 million.
3. On December 5, 2013, the City Council approved the design and construction of the George A. Ingalls Veterans Memorial Plaza to honor and recognize those who are currently serving or served in the armed forces of the United States of America. This project, which is estimated to cost over $1 million, will provide for a place where service men and women deceased or living will be recognized separately by inlayed bricks in a designated area centered by a 70-foot flag pole called "Circle of Honor." This spectacular project was completed and dedicated on November 11, 2014.
4. Silverlakes Equestrian and Sports Complex, a year-round multi-use facility for equestrian and sports activities, had a soft opening on September 5th, 2015. The 130 acre complex is expected to attract up to 25,000 visitors a week and will result in increased sales and transient occupancy tax revenues to the City.
5. An agreement was signed between the City, the California Department of Corrections and Rehabilitation (CDCR), and the City of Corona regarding the transfer of discharge rights. Over the next 20 years, the City will earn over $4 million which will be deposited in a reserve fund. As a result of this transaction, the City began to provide sewer treatment services to CDCR.

6. In June 2015, a two year agreement with employee associations resulted in increased employee contributions to retirement and a corresponding decrease in employer contributions, the implementation of the Healthy Workplaces/Healthy Families Act of 2014 which revised sick leave benefits, and a 3% salary adjustment each year.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norco for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This is the twelfth consecutive year that the City has received this prestigious award. In order to be awarded the annual certificate for excellence in financial reporting, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, which conforms to program standards. Such reports must also satisfy generally accepted accounting principles, applicable rules, regulations and legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirement and we will be submitting it to the GFOA to determine eligibility for another GFOA certificate.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the City especially Fiscal and Support Services Department and our independent auditors, White Nelson Diehl Evans LLP. Special credit must be given to the Accounting Manager, Ms. Olivia Hoyt and Accountant, Melinda Van for their dedication and contribution in preparing this CAFR and in serving the City of Norco. Special credit must also go to the Mayor and the entire City Council for their vision and unfailing support of staff in maintaining the highest level of professionalism in the management of the City and its finances.

Respectfully Submitted,

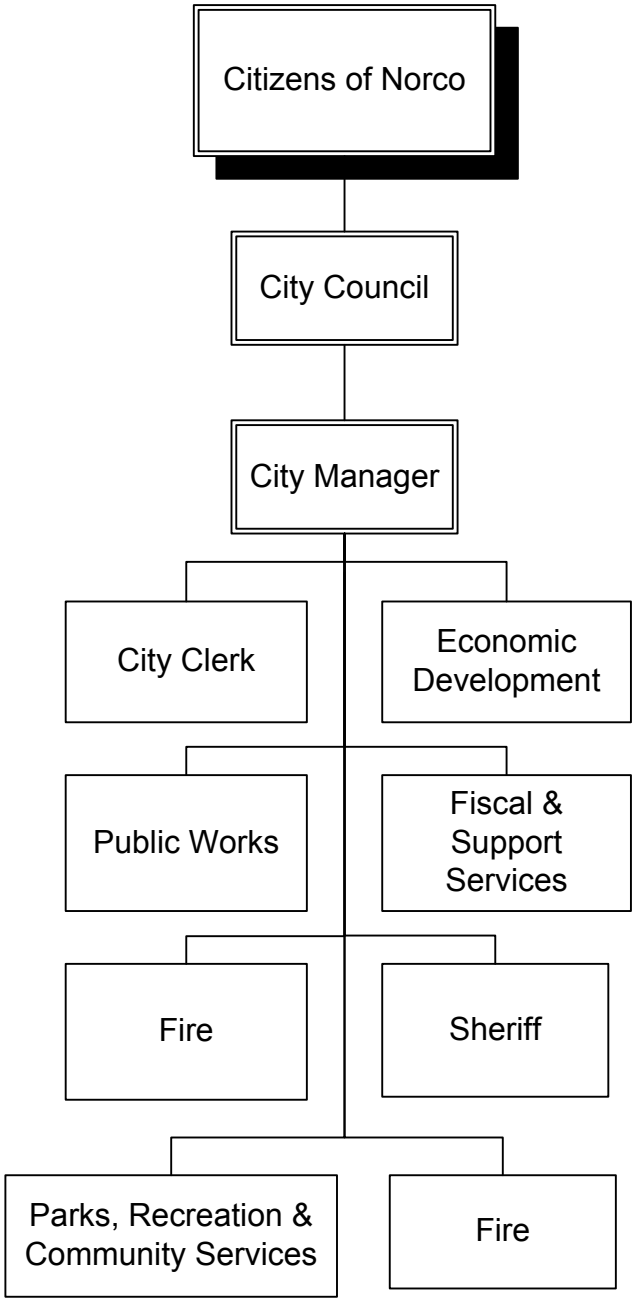
V. Andy Okoro, CPA	Gina Schuchard
City Manager	Finance Officer

This page left blank intentionally.

CITY OF NORCO

ORGANIZATIONAL CHART

June 30, 2015



CITY OF NORCO

Directory of City Officials
as of June 30, 2015

CITY COUNCIL MEMBERS

		TERM ENDING YEAR
Herb Higgins	Mayor	2015
Kevin Bash	Mayor Pro Tem	2017
Kathy Azevedo	Council Member	2015
Berwin Hanna	Council Member	2015
Gregory Newton	Council Member	2017

CITY OFFICIALS

Andy Okoro	City Manager
Brian Petree	Deputy City Manager/Director of Parks, Recreation & Community Services
Cheryl Link	City Clerk
Vacant	Finance Officer
Steve King	Planning Director
Lori Askew	Director of Public Works
Scott Lane	Fire Chief, Cal Fire
Richard Owens	Fire Chief, Cal Fire
Lt. Eric Briddick	Police Chief, Riverside County Sheriff

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Norco

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

This page left blank intentionally.

Financial Section

This page left blank intentionally.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Norco
Norco, 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 Norco (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 auditors' 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 auditors consider 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.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinions

In our opinion, the basic 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 Norco, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 1r and 17 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $11,046,734 and $2,732,727 reduction of previously reported net position of the governmental activities and business-type activities, respectively, and a $1,674,087 and $1,058,640 reduction of previously reported net position of the water utility and sewer utility enterprise funds, respectively. In addition, previously reported net position of the successor agency private purpose trust fund was increased by $17,767,484 to include the net housing assets of the former Norco Community Redevelopment Agency and decreased by $56,726 for the overstatement of previously reported interest receivable. Also, the reporting reclassification of the special asset special revenue fund from a non-major governmental fund to the general fund resulted in a $1,514,304 increase in previously reported fund balance of the general fund and a similar decrease in previously reported fund balance of the total non-major special revenue funds. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, the schedule of funding progress – other post-employment benefits and the budgetary comparison schedule - general fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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 statements and individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining statements and individual fund schedules, as listed in the table of contents, 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 statements and individual fund 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 19, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 19, 2015

This page left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the City of Norco's (City) financial condition and performance provides an introduction and overview of the of the financial activities of the City for the fiscal year ended June 30, 2015. Management's Discussion and Analysis (MD&A) is designed to be condensed, so we encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements including the accompanying notes to basic financial statements.

Financial Highlights

- The City's total assets of $313.2 million and deferred outflow of $1.2 exceeded its total liabilities of $55.7 million and deferred inflows of resources of $3.1 million at the close of fiscal year 2015 by $255.6 million (net position). Of this amount, $14.8 million (unrestricted net position) may be used to meet City's obligations to citizens and creditors.
- The City's total net position increased by $22 million during the year. The increase was as a result of revenues exceeding expenditures in the governmental funds by $1.3 million and a reduction in the business-type activities by ($.2) million; transfer of assets from Housing Successor Agency of $17.8 million and sale of donated asset of $3.1 million.
- As of June 30, 2015, the City's governmental funds reported combined fund balance of $39.3 million, a net increase of $22.4 million from prior fiscal year. A total of $2.9 is unspendable, $4.4 million of the fund balance for governmental funds is assigned, $24.5 million is committed or restricted and $7.5 million is unassigned.
- At the end of fiscal year 2015, committed fund balance for the general fund was $1.7 million; unassigned fund balance was $7.8 million. The total spendable fund balance of $9.6 million which includes $1.5 million in special revenue assets represents 64% of total fiscal year 2014-2015 general fund expenditures.
- The City's total long-term debt decreased by a net of $.9 million during fiscal year 2014-2015 due to principal debt service payments. However, the capital leases for the business-type activities increased by $.4 million. The City did not issue any bonded debt during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements, which include all of the activities of the City of Norco and its component units as well as the Successor Agency to the former Norco Community Redevelopment Agency. The City's basic financial statements comprise of the following three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to basic financial statements. The City's comprehensive financial report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner that is similar to a private-sector business. Government-wide financial statements include a statement of net position and a statement of activities.

> The **Statement of Net Position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This is one way to measure the City's financial health. Over time, increases or decreases in net position may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** provides information that show how the City's net assets changed during the current fiscal year. These changes are reported using the full accrual basis of accounting. Under this method, transactions are reported when the economic event occurs, rather than when cash is received or paid. Consequently, revenues and expenses are also reported in the statement for some items that will only result in future cash inflows or outflows such as vacation earned but not paid and uncollected taxes.

In both the Statement of Net Position and Statement of Activities, financial reporting is divided into two kinds of activities:

Governmental Activities - financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, community/economic development and culture and leisure.

Business-Type Activities - The City charges a fee to customers to recover all or most of the cost of certain services it provides. The City's water and sewer operations are reported as business-type activities.

The government-wide financial statements include not only the City, known as the primary government, but also its component units that are legally separate but whose activities the City is financially accountable. For the fiscal year ended June 30, 2015, the Norco Financing Authority is the only entity included as a component unit of the City. Due to the dissolution of the former Norco Community Redevelopment Agency in FY 2012, the activities of the Successor Agency are reported in a fiduciary fund (private-purpose trust fund) and have not been included in the consolidated financial statements of the primary government, the City of Norco. On September 29, 2014, the Oversight Board of the Successor Agency to the Norco Community Redevelopment Agency elected to serve as the Housing Successor for the operations of the former Redevelopment Agency's Housing Agency. Consequently, the assets of the Housing Agency were transferred to the low and moderate income housing special revenue fund of the City of Norco in fiscal year 2014-2015.

Fund Financial Statements: Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements are prepared using the modified accrual basis of accounting which focuses on short-term receipts and disbursements of financial resources, as well as balance of financial resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains several individual governmental funds organized by their type (general, special revenue and capital project funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the low and moderate income housing fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation called non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, special revenue and capital project funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

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 enterprise funds to account for its water and sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions and departments. The City uses internal service funds to account for the acquisition and maintenance of its fleet of vehicles, risk financing activities and computer and related information systems operations. Because these funds predominantly benefit governmental activities 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 government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is also provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as a trustee. The Statement of Fiduciary Net Assets separately reports all of the City's fiduciary activities. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The resources of the Successor Agency to the former Redevelopment Agency are accounted for in Fiduciary funds as a private purpose trust fund.

The basic fiduciary fund financial statement can be found on pages 31-32 of this report.

Notes to the basic financial statements: The notes to the basic financial statements, which are an integral part of the financial statements, provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33-72 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also present certain required supplementary information regarding the City's proportionate share of net pension liability, contribution to defined benefit plans, progress in funding of the Other Post-Employment Benefits (OPEB) obligation to provide health benefits to its employees, as well as the budgetary comparison for the general fund. Required supplementary information can be found on pages 73-76 of this report.

Combining statements for non-major governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining financial statements and schedules are also presented elsewhere in this report.

Government-wide financial analysis

This analysis focuses on the City's net position and changes in net position in the governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2015, total City assets of $313.2 million, deferred loss on debt refunding of $.5 million and deferred outflow of amount related to pension plans of $.6 million, exceeded total liabilities of $55.7 million and deferred inflow of amounts related to pension plans of $3.1 by $255.6 million. For comparative purposes, management has included data from the fiscal year ended June 30, 2014 as summarized below:

City of Norco, California

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	$ 48,103,058	$ 24,922,426	$ 31,375,712	$ 24,389,825	$ 79,478,770	$ 49,312,251
Capital assets (net of depreciation)	173,699,189	175,029,572	59,991,166	60,617,818	233,690,355	235,647,390
Total assets	221,802,247	199,951,998	91,366,878	85,007,643	313,169,125	284,959,641
Deferred Outflow of Resources:						
Deferred loss on debt refunding	-	-	547,655	589,090	547,655	589,090
Amount related to pension plans	411,357	-	217,961	-	629,318	-
	411,357	-	765,616	589,090	1,176,973	589,090
Liabilities:						
Current and other liabilities	3,224,121	3,238,243	2,596,169	2,324,224	5,820,290	5,562,467
Long-term liabilities	11,689,040	2,880,674	38,144,563	36,323,547	49,833,603	39,204,221
Total liabilities	14,913,161	6,118,917	40,740,732	38,647,771	55,653,893	44,766,688
Deferred Inflow of Resources:						
Amounts related to pension plans	2,536,397	-	546,091	-	3,082,488	-
Net position:						
Invested in capital assets, net of related debt	173,699,189	175,021,256	34,845,725	32,343,900	208,544,914	207,365,156
Restricted	30,816,790	14,063,524	1,450,167	1,439,385	32,266,957	15,502,909
Unrestricted	248,067	4,748,301	14,549,779	13,165,677	14,797,846	17,913,978
Total net position	$ 204,764,046	$ 193,833,081	$ 50,845,671	$ 46,948,962	$ 255,609,717	$ 240,782,043

Net position for the fiscal year ended June 30, 2015, includes investments in capital assets such as roads, streets, lighting systems, drainage systems, bridges, park improvements, property plant and equipment.

Including the value of infrastructure assets, investments in capital assets net of related debt total $208.5 million as of June 30, 2015. The City uses capital assets to provide services to citizens and these assets are not available for future spending. An additional portion of the City's net position, $32.3 million for fiscal year 2015 and $15.5 million for fiscal year 2014, represent resources that are subject to restrictions on how they can be used. The remaining balance, unrestricted net position, is $14.8 million and $17.9 million for fiscal years 2015 and 2014 respectively.

The deferred loss on debt refunding is reported in the statement of net position for the business-type activities beginning in fiscal year 2014 as required by Statement 65 of the Governmental Accounting Standards Board (GASB). This amount had been previously reported in the long-term liability line item. It is the difference between the amount required to repay the previously issued debt at the time it was refinanced in 2009 for the business-type activities and the amount due at maturity. The City has been amortizing this amount since fiscal year ended June 30, 2009 and will continue to amortize it for the life of the bond.

The amount related to pension plans is recorded in fiscal year 2015 as required by GASB 68 of the Governmental Accounting Standards Board (GASB). The deferred inflows are to record the actuarial accruals for changes in proportionate share of net pension liability and differences between projected and actual earnings on investments. The deferred outflow represents the amounts contributed by the City to CalPERS in fiscal year 2015.

Statement of Activities: The statement of activities shows how the City's net assets changed during the year. Provided below is the summary of changes in net assets.

City of Norco, California

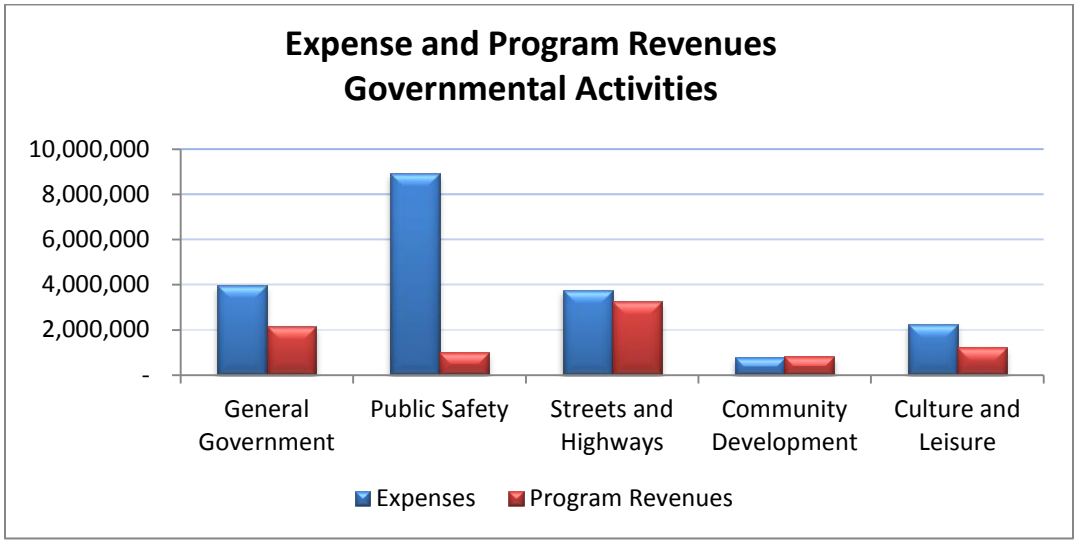
Statement of Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	$ 5,173,049	$ 5,157,829	$ 14,818,595	$ 15,355,365	$ 19,991,644	$ 20,513,194
Operating grants and contributions	1,832,271	1,866,913	-	-	1,832,271	1,866,913
Capital grants and contributions	1,402,527	5,068,039	-	825,000	1,402,527	5,893,039
General revenues	12,131,292	11,050,547	148,249	74,856	12,279,541	11,125,403
Total revenues	20,539,139	23,143,328	14,966,844	16,255,221	35,505,983	39,398,549
Expenses:						
General Government	3,970,788	3,804,606	-	-	3,970,788	3,804,606
Public safety	8,943,161	8,508,710	-	-	8,943,161	8,508,710
Streets and Highways	3,769,407	3,628,672	-	-	3,769,407	3,628,672
Community development	756,389	800,996	-	-	756,389	800,996
Culture and leisure	2,252,339	2,252,157	-	-	2,252,339	2,252,157
Interest on long-term debt	-	-	-	-	-	-
Water	-	-	9,138,304	9,592,836	9,138,304	9,592,836
Sewer	-	-	5,700,595	5,131,713	5,700,595	5,131,713
Total expenses	19,692,084	18,995,141	14,838,899	14,724,549	34,530,983	33,719,690
Change in net position before transfers	847,055	4,148,187	127,945	1,530,672	975,000	5,678,859
Transfers	276,652	271,876	(276,652)	(271,876)	-	-
Transfer of housing successor agency assets	17,767,484	-	-	-	17,767,484	-
Sale of donated assets	3,086,508	-	6,778,143	-	9,864,651	-
Change in net position	21,977,699	4,420,063	6,629,436	1,258,796	28,607,135	5,678,859
Net position - beginning	193,833,081	189,413,019	46,948,962	46,322,676	240,782,043	235,735,695
Restatement - change of accounting principle	(11,046,734)	-	(2,732,727)	(632,510)	(13,779,461)	(632,510)
Net position- ending	$ 204,764,046	$ 193,833,082	50,845,671	46,948,962	$ 255,609,717	$ 240,782,044

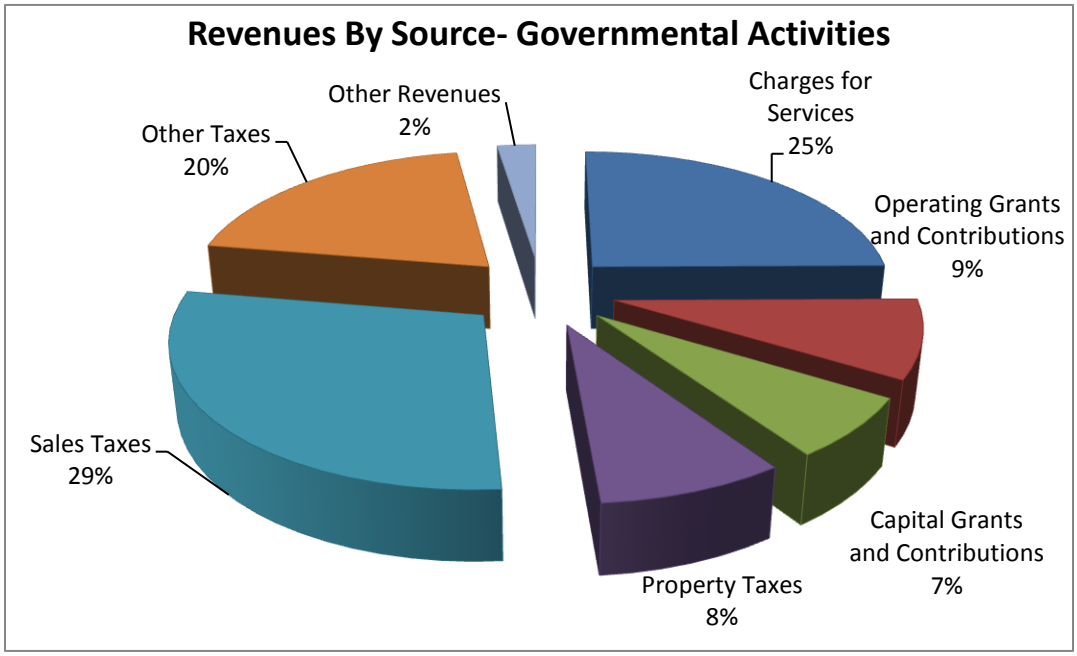
During the year, total net position increased by $28.5 million primarily due to transfer of assets from low to moderate income housing fund; sale of donated assets and revenues exceeding expenditures during the fiscal year. Further analyses are provided below.

Governmental activities: Total net position from governmental activities increased by $22 million or 11.34% during the year primarily due to the Oversight Board of the Successor Agency to the Norco Community Redevelopment Agency electing to serve as the Housing Successor. As a result of this decision, assets of the low to moderate income housing fund not previously reported as part of governmental activities recognized during the fiscal year. The transfer of Housing Successor Agency assets was $17.8 million. Additionally, during the year, general fund revenues exceeded expenditures by $1.7 million and sale of donated assets contributed $3.1 million.

The following chart provides a graphic representation of the City's expenses compared to program revenues for governmental activities. This information is by function.



The following chart provides a graphic representation of governmental activities revenues by source.

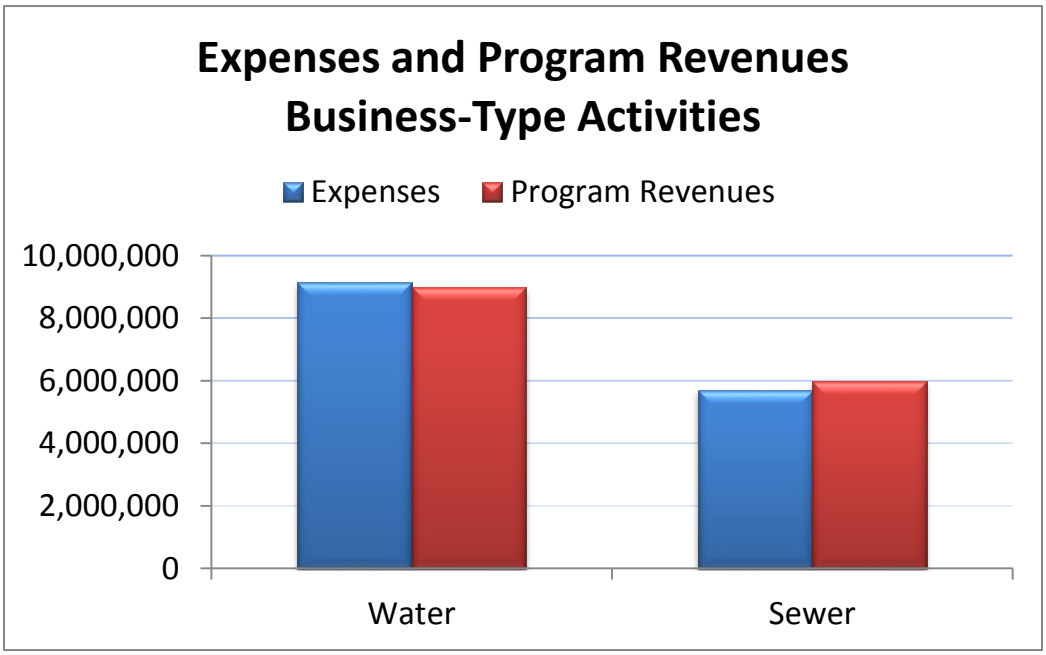


The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are used to support program activities citywide. Investment earnings are also not associated directly with any particular function.

Capital grants and contributions represent revenues and contributions of capital assets received from developers and other third party entities including local, state and federal governments. Capital grants and contributions are restricted to the acquisition and construction of capital assets. Sales taxes are derived from taxable transactions originating from the City. During the fiscal year ended June 30, 2015, sales tax revenue including public safety sales tax allocation increased by 5.7% as receipts from auto and gasoline sales increased. The other taxes categories include property taxes and taxes derived from business license, franchises, motor vehicle licenses and transient occupancy taxes.

Business-type activities: Including non-operating income, net position of the business type activities increased $6.6 million during the fiscal year as capital contributions and charges for services exceeded expenses. The chart below provides a graphic representation of the City's revenues by source for business-type activities. The positive change in net position is due largely from the sale of donated assets. The net position of the water fund decreased by $0.3 million due reduction in consumption mandated by the State Water Resources Control Board in its Emergency Regulation that became effective May 18, 2015 to address statewide drought. The net position of the sewer fund increased by $6.9 million largely due to the sale of donated asset (discharge rights) to the City of Corona. The discharge rights were donated to the City of Norco by the California Department of Corrections and Rehabilitation.

Water fund expenses make up 61 percent of total business-type activities expenses while sewer fund expenses make up the remaining 39 percent of total expenses. Total charges for services from business-type activities consist of 60 percent derived from Water Fund and 40 percent from the sewer fund.



Financial Analysis of City Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's ability to meet financial obligations in the short-term. As example, assigned and unassigned fund balance could serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2015, the City's governmental funds reported combined ending fund balances of $39.3 million, an increase of $22.4 million of which $17.8 is the ending fund balance of the Housing Successor Agency fund being reported in the financial statements of the City for the first time in the current fiscal year. Of the $39.3 million, $2.9 million is non-spendable representing the long-term amount of a note receivable from the City of Corona for the sale of donated assets; $22.8 million, or 58 percent, constitutes restricted fund balance which can only be used for specific purposes due to external restrictions or enabling legislation. Committed fund balances include balances that have been constrained by the City Council through a resolution or ordinance for specific future use. Total committed fund balance as of June 30, 2015 was $1.7 million. Assigned fund balance of $4.4 million consists of amounts that have been designated for specific use without resolution or ordinance of the City Council. Thus, the assignment can be changed at the discretion of management. Unassigned fund balance of $7.5 million represent amount that is available for future appropriation.

In the general fund, revenues and transfers exceeded expenditures by $1.7 million. This increase in fund balance was as a result of better than anticipated receipt of revenues as well as expenditure control measures. The fund balance for non-major governmental funds decreased by $.1 million mainly due to expenditures exceeding billed revenues in the storm drain capital project fund at year end. The excess expenditures are subject to recovery in future periods.

Proprietary Funds: Proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail. The City's Proprietary funds consist of two major Enterprise Funds and three Internal Service Funds. The Internal Service Funds are presented as Governmental Activities in the Proprietary Funds financial statements. Individual fund data are presented in the form of combining statements. Operating revenues for Enterprise Funds consist primarily of charges for services.

Unrestricted net position in the water fund at the end of the year was $3.0 million while the sewer fund had an unrestricted net position balance of $11.5 million. During the fiscal year, the net position of the water fund decreased by $0.3 million due to unanticipated decrease in receipts from charges for services resulting from lower consumption to meet emergency water use restrictions imposed by the state. This decrease will be made up through future rate adjustments. The net position of the sewer fund increased by $6.9 million largely due to sale of donated assets during the fiscal year.

The City also has three internal service funds used to allocate cost of the City's information systems, equipment services and risk management activities to various departments. The increase in the net position of the internal service funds was due to contributions for future equipment replacement.

Fiduciary Funds: The City uses Fiduciary funds to account for resources held for the benefit of other parties outside the City, in which the City is acting as a trustee. The resources of the various community facilities districts are accounted for in fiduciary funds. A Statement of Changes in Fiduciary Net Assets, Private Purpose Trust Fund is used to report the additions and deductions to the net assets of the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) created as a result of the dissolution of the former Norco Redevelopment Agency.

General Fund Financial and Budgetary Highlights

The general fund is the chief operating fund of the City. At June 30, 2015, total fund balance was $12.4 million which consists of $1.7 million committed by a resolution of the City Council as endowment to fund future operations; $2.9 million that is not available for spending due to the long-term nature of associated receivable; and $7.8 million unassigned. As a measure of general fund's financial condition, it may be useful to compare this fund balance to total expenditures. The total general fund balance of $7.8 million (excluding $2.9 million that is not available for spending and $1.5 million for endowment) represents 52% of total general fund recurring expenditures for the fiscal year. General fund's total fund balance increased by $4.8 during the fiscal year due total revenues exceeding total expenditures by $1.7 million and $3.1 million generated from the sale of donated assets.

In comparing the general fund actual revenues and expenditures to final budget, total revenues exceeded budget by $.9 million while total expenditures were under budget by $0.5 million. The favorable revenue variance was due to more than anticipated receipts from taxes, licenses and permits, intergovernmental revenues and charges for services. The favorable increase in taxes was due to better performance in sales, transient occupancy and property tax receipts. The favorable increase in licenses and permits was due to increase in business license collections and increased building activity which resulted in higher than anticipated building permit revenues. Intergovernmental receipts increased due to reimbursement from the state for backlogged claims for mandate costs. Receipts from charges for services increased due to increase in building activities and higher participation in recreation activities.

On the expenditure side, there was cost savings between the final budget and actual expenditures in general government, public safety, culture and leisure and community and economic development. In public safety, there were lower than anticipated expenditures for the cost of contracted fire and police services. Similarly, cost savings were realized in general government culture, leisure, community and economic development from salary, contractual and expenditure categories. Cost savings were also realized from in general government category from expenditure deferral which will be incurred in fiscal year 2015-2016.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to $233.7 million (net of accumulated depreciation). Investment in capital assets includes infrastructure assets as well as land, buildings, improvements and equipment. During the year, capital assets net of depreciation decreased by $1.3 million for governmental activities and $.6 million for business-type activities.

Major capital assets events during the current fiscal year included the following:

- Storm drain improvements on Temescal, Kingman, Reservoir, etc. - $0.6 million
- Street improvements on Valley View, Third Street, Corona, etc. - $0.3 million
- Ingalls Park improvements including construction of Veterans Memorial Plaza and land art improvements $1.1 million
- Water system improvements including waterlines/pipelines, wells, fire hydrants - $0.5 million
- Sewer system improvements including California Rehabilitation Center connection and lateral acquisition; expansion to Western Riverside County Regional Wastewater Authority (WRCRWA) treatment plant; sewer lateral on Second and River Road, etc. - $0.8 million
- Purchase of two electric shuttle carts for use at Ingalls with AQMD funds and purchase of vacuum trailer for fire engine and smart board computer - $0.1 million

Additional information on the City's capital assets can be found in the notes to the basic financial statements pages 47-48 and a summary is provided below.

City of Norco
Capital Assets (net of depreciation)
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Land	$ 101,161,035	$ 1,644,507	$ 102,805,542
Building and improvements	10,513,988	406,127	10,920,115
Equipment and machinery	3,081,637	9,257	3,090,894
Infrastructure	57,807,260	44,773,276	102,580,536
Intangible	28,749	10,918,584	10,947,333
Construction in progress	1,106,520	2,239,415	3,345,935
Total capital assets, net	$ 173,699,189	$ 59,991,166	$ 233,690,355

Long-term debt: At the end of fiscal year 2015, the City's total long debt outstanding was $38.6 million. Of this amount, $35.8 million is debt of the sewer and water enterprise funds while $2.8 million represents debt governmental activities representing claims, judgment, compensated absences and OPEB liability. Outstanding long-term debt of the City is summarized below and additional information can be found in the notes to basic financial statements on pages 54-57.

City of Norco
Outstanding Long Term Debt
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Capital leases	$ -	$ 786,555	$ 786,555
Notes/loans payable/advances	-	198,509	198,509
Revenue bonds	-	34,801,249	34,801,249
OPEB liability	1,189,610	-	1,189,610
Compensated absences	684,169	-	684,169
Claims and judgment	898,873	-	898,873
Total long-term debt	$ 2,880,674	$ 35,786,313	$ 38,558,965

Economic Factors and Next Year's Budgets and Rates

- During the most recently completed fiscal year 2014-2015, the City's sales tax revenues improved by nearly 5.5% over the previous year largely due to increased sales tax receipts from auto and gasoline sales. During the early part of FY 2015–2016 the City continued to see healthy increases in sales tax from auto and transportation related businesses. However, due to the decline in gasoline prices the City has also experienced decreases in sales tax receipt from gasoline which currently makes the second highest industry group for sales tax generation to the City. Sales tax derived from gasoline sales depends largely upon the price of gasoline. Consequently, continued decrease in the price of gasoline could negatively impact total sales tax receipt during the fiscal year. Similarly, while auto sales in the City has continued to show healthy growth, substantial slowdown in the US economy general have negative impact on auto sales which could lead to lower than anticipated overall sales tax receipt.

- In September 2015, the long awaited 130 acre Silverlakes Equestrian and Sports Complex opened for operations in Norco. This complex with over 22 soccer fields and equestrian facilities is expected to operate 48 weeks each year and is estimated to attract over 25,000 visitors to the City on the average each week. These new visitors to the City will generate significant economic impact to the City including anticipated increase in sales tax and transient occupancy (bed) tax revenues.
- Property tax revenues are based on the assessed value of real property located within the City's boundary. The assessed value of real property in the City is projected to increase by 5.5% for fiscal year 2015-2016. It is expected that this will result in similar increase in property tax revenue. In future years, it is expected that the positive trend in total taxable assessed value will likely continue.
- In fiscal year 2011, the City Council approved water and sewer rate adjustments effective April 2011. The last phase of the rate adjustment was implemented at the beginning of FY 2012-2013. For the fiscal year 2014-2015, there were no rate increases. As a result of emergency water conservation mandated by the state during FY 2013-2015, water consumption decreased resulting in lower than anticipated water fund revenues in the face of static rates during the fiscal year. With the rising cost of purchased water and other items, the water fund ended fiscal year 2014-2015 with a decrease in working capital. This situation is anticipated to be remedied partially in fiscal year 2015-2016 from a planned purchased water cost rate adjustment to be implemented during the second half of the fiscal year.
- The City continues to contract out to California Department of Forestry through the County of Riverside for fire protection and emergency medical response services. This action is expected to continue to generate significant ongoing cost savings to the City's general fund budget.
- Over the last several years, the City's employer pension contribution rates have been rising due to lower payroll base and actuarial revisions by California Public Employees Retirement System (CalPERS). It is anticipated that employer pension contribution rates will continue to rise. Furthermore, when the City contracted out for fire and emergency medical services, the City's safety pension plan was placed into inactive status by CalPERS and as a result of the lag in actuarial valuation, the City did not make any pension contribution to the safety plan over the last two years. Even though the plan was fully funded when it was placed into inactive status, due to revisions to actuarial assumptions and changing demographics, the City is expected to begin contribution to this plan beginning in fiscal year 2015-2016. While the fiscal year 2015-2016 projected contribution amount is not material relative to total general fund budget, future contribution increases could have negative impact on the City's ability to balance its general fund budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors and all those with interest in the City's finances with an overview of the City's finances and to demonstrate accountability over the City's financial assets. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Officer, City of Norco, 2870 Clark Avenue, Norco, California 92860, or call (951) 735-5651.

This page left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page left blank intentionally.

City of Norco
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 26,497,309	$ 8,280,813	$ 34,778,122
Cash and investments with fiscal agents	1,568,938	9,140,442	10,709,380
Receivables:			
Accounts, net	243,857	2,124,926	2,368,783
Interest	75,411	104,450	179,861
Notes	14,700,683	11,354,027	26,054,710
Due from other governments	1,644,747	-	1,644,747
Internal balances	(4,970)	4,970	-
Inventories	-	132,619	132,619
Prepaids	7,500	233,465	240,965
Property held for resale	3,369,583	-	3,369,583
Capital assets not being depreciated/amortized:			
Land and construction in progress	102,267,555	3,883,922	106,151,477
Capital assets, net of accumulated depreciated/amortized	71,431,634	56,107,244	127,538,878
Total assets	221,802,247	91,366,878	313,169,125
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding	-	547,655	547,655
Amount related to pension plans	411,357	217,961	629,318
Total deferred outflow of resources	411,357	765,616	1,176,973
LIABILITIES			
Accounts payable	2,921,766	1,873,319	4,795,085
Accrued interest payable	-	475,844	475,844
Retentions payable	52,700	-	52,700
Unearned revenue	243,255	-	243,255
Deposits payable	6,400	247,006	253,406
Noncurrent liabilities:			
Due within one year	582,450	956,666	1,539,116
Due in more than one year	1,000,592	34,829,647	35,830,239
Net OPEB obligation	1,189,610	-	1,189,610
Net pension obligation	8,916,388	2,358,250	11,274,638
Total liabilities	14,913,161	40,740,732	55,653,893
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pension plans	2,536,397	546,091	3,082,488
NET POSITION			
Net investment in capital assets	173,699,189	34,845,725	208,544,914
Restricted for:			
Capital projects	4,585,526	17,155	4,602,681
Community development	8,432,135	-	8,432,135
Low and moderate income housing	17,799,129	-	17,799,129
Debt service	-	1,433,012	1,433,012
Unrestricted	248,067	14,549,779	14,797,846
Total net position	$ 204,764,046	$ 50,845,671	$ 255,609,717

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Contributions and Grants**	**Capital Contributions and Grants**
Governmental activities:				
General government	$ 3,970,788	$ 1,989,162	$ 150,550	$ 6,394
Public safety	8,943,161	812,963	142,286	28,676
Streets and highways	3,769,407	878,190	1,356,113	1,023,901
Community and economic development	756,389	758,593	33,820	13,255
Culture and leisure	2,252,339	734,141	149,502	330,301
Total governmental activities	19,692,084	5,173,049	1,832,271	1,402,527
Business-type activities:				
Water	9,138,304	8,960,772	-	-
Sewer	5,700,595	5,857,823	-	-
Total business-type activities	14,838,899	14,818,595	-	-
Total primary government	$ 34,530,983	$ 19,991,644	$ 1,832,271	$ 1,402,527

General revenues:
Taxes:
Property tax, levied for general purpose
Transient occupancy tax
Franchise tax
Sales tax
Sales tax in lieu of property taxes
Public service taxes
Motor vehicle in lieu tax - unrestricted
Unrestricted investment earnings
Unrestricted intergovernmental
Contributions from other agency
Gain on sale of property
Transfers

Total general revenues and transfers

Change in net position before special items

Special items:
Transfer of assets to housing successor agency (Note 14)
Sale of donated asset (Note 8)

Total special items

Change in net position

Net position, beginning of year, as restated

Net position, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (1,824,682)	$ -	$ (1,824,682)
(7,959,236)	-	(7,959,236)
(511,203)	-	(511,203)
49,279	-	49,279
(1,038,395)	-	(1,038,395)
(11,284,237)	-	(11,284,237)
-	(177,532)	(177,532)
-	157,228	157,228
-	(20,304)	(20,304)
(11,284,237)	(20,304)	(11,304,541)
1,739,484	-	1,739,484
427,260	-	427,260
1,221,453	-	1,221,453
4,603,115	-	4,603,115
1,409,297	-	1,409,297
361,320	-	361,320
2,138,532	-	2,138,532
35,902	148,249	184,151
140,930	-	140,930
53,809	-	53,809
190	-	190
276,652	(276,652)	-
12,407,944	(128,403)	12,279,541
1,123,707	(148,707)	975,000
17,767,484	-	17,767,484
3,086,508	6,778,143	9,864,651
20,853,992	6,778,143	27,632,135
21,977,699	6,629,436	28,607,135
182,786,347	44,216,235	227,002,582
$ 204,764,046	$ 50,845,671	$ 255,609,717

This page left blank intentionally.

FUND FINANCIAL STATEMENTS

This page left blank intentionally.

City of Norco
Balance Sheet
Governmental Funds
June 30, 2015

	General	Housing Successor Agency Low and Moderate Income Housing Special Revenue Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 10,552,756	$ 1,249,477	$ 9,616,736	$ 21,418,969
Cash and investments with fiscal agents	-	1,568,938	-	1,568,938
Receivables, net:				
Accounts	236,404	-	5,457	241,861
Interest	57,250	12,244	3,841	73,335
Notes	3,086,508	11,614,175	-	14,700,683
Due from other governments	831,214	-	813,533	1,644,747
Prepaids	7,500	-	-	7,500
Property held for resale	-	3,369,583	-	3,369,583
Due from other funds	245,681	-	-	245,681
Total assets	$ 15,017,313	$ 17,814,417	$ 10,439,567	$ 43,271,297
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 2,278,022	$ 6,330	$ 588,590	$ 2,872,942
Retentions payable	-	5,615	47,085	52,700
Due to other funds	-	-	250,651	250,651
Deposits payable	-	-	6,400	6,400
Unearned revenues	239,912	3,343	-	243,255
Total liabilities	2,517,934	15,288	892,726	3,425,948
Deferred inflows of resources:				
Unavailable revenues	49,215	-	522,915	572,130
Fund balances:				
Nonspendable	2,883,058	-	-	2,883,058
Restricted	-	17,799,129	4,981,589	22,780,718
Committed	1,725,254	-	-	1,725,254
Assigned	-	-	4,399,866	4,399,866
Unassigned	7,841,852	-	(357,529)	7,484,323
Total fund balances	12,450,164	17,799,129	9,023,926	39,273,219
Total liabilities, deferred inflows of resources and fund balances	$ 15,017,313	$ 17,814,417	$ 10,439,567	$ 43,271,297

The accompanying notes are an integral part of these financial statements.

City of Norco
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2015

Fund balances of governmental funds		$ 39,273,219
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		173,237,437
Internal service funds are used by management to charge the costs of equipment usage, and certain employee benefits and City-wide insurance coverage. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		5,495,340
Long-term liabilities are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:		
Long-term compensated absences payable	$ (684,169)	
Long-term claims and judgments payable	(898,873)	
Net pension liability	(8,916,388)	(10,499,430)
The City is required to report a net Other Post Employment Benefits (OPEB) obligation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. This is the amount by which the annual required contribution (ARC) exceeds the actual contribution made to the OPEB plan by the City. The City has contributed less than the ARC to the retiree medical plan and reports the OPEB obligation as a liability on the statement of net position.		(1,189,610)
Interest receivable on certain long-term loans and certain grants receivable are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. In the Statement of Net Position, these receivables are recognized as earned revenues.		572,130
Pension-related deferred outflows of resources, net of accumulated amortization have not been reported in the governmental funds.		411,357
Pension-related deferred inflows of resources, net of accumulated amortization, have not been reported in the governmental funds.		(2,536,397)
Net position of governmental activities		$ 204,764,046

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Housing Successor Agency Low and Moderate Income Housing Special Revenue Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 11,889,250	$ -	$ 646,803	$ 12,536,053
Assessments	-	-	801,315	801,315
Licenses and permits	556,985	-	-	556,985
Fines and forfeitures	439,590	-	-	439,590
Development fees	-	-	270,977	270,977
Intergovernmental	319,215	-	1,591,072	1,910,287
Charges for services	2,639,831	-	1,782	2,641,613
Investment earnings	523,353	2,891	13,204	539,448
Reimbursements	13,281	-	-	13,281
Other	40,262	59,782	96,231	196,275
Total revenues	16,421,767	62,673	3,421,384	19,905,824
EXPENDITURES				
Current:				
General government	3,780,928	-	47,394	3,828,322
Public safety	8,685,915	-	121,504	8,807,419
Streets and highways	91,436	-	2,537,414	2,628,850
Community and economic development	758,909	31,028	861	790,798
Culture and leisure	1,657,622	-	891,114	2,548,736
Total expenditures	14,974,810	31,028	3,598,287	18,604,125
Excess (deficiency) of revenues over (under) expenditures	1,446,957	31,645	(176,903)	1,301,699
OTHER FINANCING SOURCES (USES)				
Transfers in	290,946	-	64,625	355,571
Transfers out	(50,000)	-	(28,919)	(78,919)
Total other financing sources (uses)	240,946	-	35,706	276,652
SPECIAL ITEMS				
Transfer of assets to successor housing agency (Note 14)	-	17,767,484	-	17,767,484
Sale of donated asset (Note 8)	3,086,508	-	-	3,086,508
Total special items	3,086,508	17,767,484	-	20,853,992
Net change in fund balances	4,774,411	17,799,129	(141,197)	22,432,343
Fund balances, beginning of year, as restated	7,675,753	-	9,165,123	16,840,876
Fund balances, end of year	$ 12,450,164	$ 17,799,129	$ 9,023,926	$ 39,273,219

The accompanying notes are an integral part of these financial statements.

City of Norco
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, 2015

Net change in fund balance - total governmental funds		$ 22,432,343
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Asset deletions also affect the amounts reported in the statement of activities.		
Capital outlays	$ 1,803,792	
Depreciation	(3,122,364)	(1,318,572)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Adjustment to interest income on notes receivable	$ 49,215	
Grant revenue not available to pay for current-period expenditures	522,915	572,130
Some 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.		
Decrease in OPEB liability		223,538
Internal service funds are used by management to charge the costs of equipment usage, and certain employee benefits and City-wide insurance coverage to individual funds. The net revenue of the internal service funds are reported with governmental activities.		62,954
Pension expense reported in the governmental funds includes the actual contributions made in the fiscal year. Pension expense reported in the Statement of Activities includwe the changes in the net pension liability and pension related deferred outflows/inflows of resources.		
Change in net pension liability	$ 651,817	
Change in deferred outflows of resources related to pensions	106,398	
Change in deferred inflows of resources related to pensions	(752,909)	5,306
Change in net position of governmental activities		$ 21,977,699

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
ASSETS				
Current assets:				
Cash and investments	$ 2,777,348	$ 5,503,465	$ 8,280,813	$ 5,078,340
Cash and investments with fiscal agents	5,862,107	3,278,335	9,140,442	-
Receivables, net:				
Accounts	1,258,160	866,766	2,124,926	1,996
Interest	6,277	98,173	104,450	2,076
Notes	2,787,942	8,566,085	11,354,027	-
Prepaids	85,028	148,437	233,465	-
Due from other funds	4,970	-	4,970	-
Inventories	132,619	-	132,619	-
Total current assets	12,914,451	18,461,261	31,375,712	5,082,412
Noncurrent assets:				
Capital assets not being depreciated/amortized:				
Land	1,644,507	-	1,644,507	-
Construction in progress	787,285	1,452,130	2,239,415	-
Capital assets being depreciated/amortized:				
Buildings and improvements	986,376	69,175	1,055,551	-
Utility plant	9,481,288	3,603,593	13,084,881	-
Wastewater capacity rights	-	17,793,248	17,793,248	-
Pipelines	35,164,688	28,665,529	63,830,217	-
Fire hydrants	1,927,706	-	1,927,706	-
Meters	1,351,409	1,341,769	2,693,178	-
Vehicles and equipment	322,293	26,784	349,077	2,469,051
Intangible assets	-	-	-	429,245
Less accumulated depreciation/ amortization	(24,453,278)	(20,173,336)	(44,626,614)	(2,436,544)
Total noncurrent assets	27,212,274	32,778,892	59,991,166	461,752
Total assets	40,126,725	51,240,153	91,366,878	5,544,164
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	276,693	270,962	547,655	-
Amount from pension plans	132,731	85,230	217,961	-
Total deferred outflows of resources	409,424	356,192	765,616	-

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$ 1,130,840	$ 742,479	$ 1,873,319	$ 48,824
Accrued interest payable	172,219	303,625	475,844	-
Deposits payable	137,856	109,150	247,006	-
Compensated absences	-	-	-	171,042
Capital lease payable	-	135,035	135,035	-
Claims and judgements	-	-	-	411,408
Loan payable	96,631	-	96,631	-
Bonds payable	281,300	443,700	725,000	-
Total current liabilities	1,818,846	1,733,989	3,552,835	631,274
Noncurrent liabilities:				
Compensated absences	-	-	-	513,127
Capital lease payable	-	651,520	651,520	-
Claims and judgements	-	-	-	487,465
Loan payable	101,878	-	101,878	-
Bonds payable	12,346,517	21,729,732	34,076,249	-
Net pension obligation	1,444,680	913,570	2,358,250	-
Total noncurrent liabilities	13,893,075	23,294,822	37,187,897	1,000,592
Total liabilities	15,711,921	25,028,811	40,740,732	1,631,866
DEFERRED INFLOWS OF RESOURCES				
Amount from pension plans	334,539	211,552	546,091	-
NET POSITION				
Net investment in capital assets	20,915,330	13,930,395	34,845,725	461,752
Restricted for capital projects	17,155	-	17,155	-
Restricted for debt service	507,374	925,638	1,433,012	-
Unrestricted	3,049,830	11,499,949	14,549,779	3,450,546
Total net position	$ 24,489,689	$ 26,355,982	$ 50,845,671	$ 3,912,298

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
OPERATING REVENUES				
Sales and charges for services	$ 8,918,303	$ 5,846,569	$ 14,764,872	$ 1,162,888
Connection fees	7,770	3,060	10,830	-
Miscellaneous	34,699	8,194	42,893	-
Total operating revenues	8,960,772	5,857,823	14,818,595	1,162,888
OPERATING EXPENSES				
General and administrative	430,744	373,053	803,797	1,030,937
Operations	6,789,026	2,866,578	9,655,604	-
Amortization	-	404,391	404,391	28,749
Depreciation	1,183,252	785,133	1,968,385	101,433
Total operating expenses	8,403,022	4,429,155	12,832,177	1,161,119
Operating income	557,750	1,428,668	1,986,418	1,769
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	29,604	118,645	148,249	7,186
Interest and fiscal charges	(704,907)	(1,234,136)	(1,939,043)	-
Amortization of deferred charges	(30,375)	(37,304)	(67,679)	-
Gain on disposal of assets	-	-	-	190
Total nonoperating revenues (expenses)	(705,678)	(1,152,795)	(1,858,473)	7,376
Income (loss) before contributions, transfers, and special item	(147,928)	275,873	127,945	9,145
Capital contributions	-	-	-	53,809
Transfers out	(139,912)	(136,740)	(276,652)	-
Income (loss) before special item	(287,840)	139,133	(148,707)	62,954
Special item - sale of donated asset	-	6,778,143	6,778,143	-
Change in net position	(287,840)	6,917,276	6,629,436	62,954
Net position, beginning of year, as restated	24,777,529	19,438,706	44,216,235	3,849,344
Net position, end of year	$ 24,489,689	$ 26,355,982	$ 50,845,671	$ 3,912,298

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
Cash flows from operating activities:				
Cash received from customers	$ 9,434,232	$ 6,875,256	$ 16,309,488	$ -
Cash received from interfund services provided	-	-	-	1,160,892
Cash payments to suppliers	(6,737,799)	(2,237,222)	(8,975,021)	(568,880)
Cash payments to employees for services	(936,536)	(592,379)	(1,528,915)	(347,092)
Net cash provided by operating activities	1,759,897	4,045,655	5,805,552	244,920
Cash flows from noncapital financing activities:				
Cash paid to other funds	(132,647)	(136,740)	(269,387)	-
Net cash provided by (used for) noncapital financing activities	(132,647)	(136,740)	(269,387)	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(547,129)	(828,853)	(1,375,982)	(64,561)
Proceeds from disposal of capital assets	-	-	-	190
Principal payments - loans	(92,415)	-	(92,415)	-
Principal payments - capital lease	-	(131,357)	(131,357)	(8,316)
Principal payments - bonds	(269,950)	(430,050)	(700,000)	-
Interest and fiscal charges	(707,606)	(1,238,436)	(1,946,042)	-
Net cash used for capital and related financing activities	(1,617,100)	(2,628,696)	(4,245,796)	(72,687)
Cash flows from investing activities:				
Interest income	27,625	25,028	52,653	6,213
Net cash provided by investing activities	27,625	25,028	52,653	6,213
Net increase in cash and cash equivalents	37,775	1,305,247	1,343,022	178,446
Cash and cash equivalents, beginning of year	8,601,680	7,476,553	16,078,233	4,899,894
Cash and cash equivalents, end of year	$ 8,639,455	$ 8,781,800	$ 17,421,255	$ 5,078,340
Cash and cash equivalents are reported on the Statement of Net Position as follows:				
Cash and investments	$ 2,777,348	$ 5,503,465	$ 8,280,813	$ 5,078,340
Cash and investments with fiscal agents	5,862,107	3,278,335	9,140,442	-
Total cash and cash equivalents	$ 8,639,455	$ 8,781,800	$ 17,421,255	$ 5,078,340

The accompanying notes are an integral part of these financial statements.

City of Norco
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 557,750	$ 1,428,668	$ 1,986,418	$ 1,769
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization	-	404,391	404,391	28,749
Depreciation	1,183,252	785,133	1,968,385	101,433
(Increase) decrease in assets:				
Accounts receivable	155,266	(91,717)	63,549	-
Notes receivable	-	1,000,000	1,000,000	(1,996)
Due from other funds	180,338	-	180,338	-
Inventories	(30,127)	-	(30,127)	-
Deferred outflows:				
Amount from pension plans	(22,292)	(15,391)	(37,683)	-
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(288,039)	530,117	242,078	(8,867)
Deposits payable	137,856	109,150	247,006	-
Retentions payable	(108,800)	(101,340)	(210,140)	-
Compensated absences	-	-	-	18,349
Net pension obligation	(339,846)	(214,908)	(554,754)	-
Claims and judgements	-	-	-	105,483
Deferred inflows:				
Amount from pension plans	334,539	211,552	546,091	-
Net cash provided by operating activities	$ 1,759,897	$ 4,045,655	$ 5,805,552	$ 244,920
Noncash, investing, capital and financing activities:				
Capital asset contribution	$ -	$ 6,778,143	$ 6,778,143	$ 53,809
Capital asset financed with loan payable	$ -	$ 370,141	$ 370,141	$ -

The accompanying notes are an integral part of these financial statements.

This page left blank intentionally.

City of Norco
Statement of Fiduciary Net Position
June 30, 2015

	Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	$ 3,571,698	$ 5,906,515
Cash and investments with fiscal agents	6,244,928	2,265,057
Receivables, net:		
Accounts	14,205	382,022
Interest	1,115	2,451
Notes	539,574	-
Due from other governments	-	71,955
Prepaids	386,191	-
Property held for resale	1,399,292	-
Capital assets being depreciated, net	103,142	-
Total assets	12,260,145	$ 8,628,000
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	1,961,208	
LIABILITIES		
Accounts payable	-	$ 397,202
Deposits payable	-	1,496,853
Loans payable	2,500,000	-
Accrued interest on debt	1,416,452	-
Long term liabilities:		
Due within one year	2,535,000	-
Due in more than one year	80,694,247	-
Due to others	-	39,395
Due to bond holders	-	6,694,550
Total liabilities	87,145,699	$ 8,628,000
NET POSITION		
Held in trust for the Successor Agency and other purposes	$ (72,924,346)	

The accompanying notes are an integral part of these financial statements.

City of Norco, California
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
RPTTF propety tax distribution	$ 6,780,757
Investment earnings	26,609
Loan interest received	4,433
Total additions	6,811,799
DEDUCTIONS	
Administrative allowance	250,000
City services	108,258
Capital projects	550,000
Debt service:	
Interest	4,164,233
Refunding bonds issuance costs	721,225
Depreciation	33,452
Other payments of enforceable obligations	1,607
Total deductions	5,828,775
SPECIAL ITEM	
Transfer of assets to housing successor agency (Note 14)	(17,767,484)
Change in net position	(16,784,460)
Net position, beginning of the year, as restated	(56,139,886)
Net position, end of the year	$ (72,924,346)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

Note 1: Summary of Significant Accounting Policies

a. Description of the reporting entity

The City of Norco (the City) was incorporated on December 28, 1964 as a general law city and operates under a Council/City Manager form of government. It is governed by an elected five member council.

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units. A description of the component unit and the method of incorporating its financial information in the accompanying basic financial statements is summarized as follows:

Norco Public Financing Authority

The Norco Public Financing Authority (the Authority) is a Joint Exercise of Powers Authority under the Laws of the State of California. The Authority is authorized to issue bonds under the Marks-Roos Local Bond Pooling Act of 1985 (Article 1 through 4, section 6500). The City of Norco and the former Norco Community Redevelopment Agency (the former Agency) formed the Authority by execution of the Joint Exercise of Powers Agreement. The purpose of the Authority is to provide financing to the former Agency and the City for various project purposes. The Authority and its activity, if any, are presented as a blended component unit since its governing board is substantially the same as the City's. Separate financial statements were not prepared for the Norco Public Financing Authority.

Note 1: Summary of Significant Accounting Policies (continued)

b. Government-wide and fund financial statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessment, 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 revenue are reported instead as general revenues. In the statement of activities, Internal Service Fund transactions have been eliminated; however, those transactions between the governmental and business-type activities have not been eliminated.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Sometimes the government will fund outlays for a particular purpose from both restricted 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 City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1: Summary of Significant Accounting Policies (continued)

c. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenues susceptible to accrual include sales tax, state gasoline tax, utility users tax, investment income, and certain other intergovernmental revenues. Reimbursable grant revenues are considered to be available if they are collected within six months of the end of the current fiscal period. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as unearned revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. 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 City's policy to consider restricted fund balance to have been depleted before using any of the unrestricted components of fund balance. Furthermore, 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.

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 *Housing Successor Agency Low and Moderate Income Housing Special Revenue Fund (LMIHF).* This fund accounts for assets received from dissolution of the former Norco Community Redevelopment Agency dedicated to low and moderate income housing activities pursuant to the California Health and Safety Code.

The City reports the following major Proprietary Funds:

The *Water Fund* is used to account for the provision of water services to the residences and businesses of the City.

The *Sewer Fund* is used to account for the revenues and expenses in connection with the operation and improvement of the City's sewer system.

Note 1: Summary of Significant Accounting Policies (continued)

c. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Project Funds* are used to account for major capital acquisition and construction separately from their ongoing operating activities, including those financed by special assessments.

The *Internal Service Funds* are used by the City to account for data processing, fleet management and benefits and insurance services provided to other City departments or agencies on a cost reimbursement basis and to allocate costs of compensated absences and claims and judgments charges to the funds on a pro-rata basis.

The *Fiduciary Funds* are used to account for the receipt of assets, liabilities, property tax and deposits received from individuals, private organizations or other governments. These resources are held by the City in a fiduciary capacity and remittances are made to pay for services and supplies, debt service, and other administrative expenses. Fiduciary fund balances are not property of the City of Norco. The following are Fiduciary Funds of the City:

The *Private Purpose Trust Fund* is the Successor Agency to the former Norco Redevelopment Agency. The private purpose trust fund is reported using the “economic resources measurement focus” and the “accrual basis of accounting”.

The *Agency Funds* account for assets held by the City as an agent for bonded assessment districts and collections for on behalf of an other agency. The agency funds are not reported utilizing a specific measurement focus as the assets and liabilities of the Governmental Funds but utilize the “accrual basis of accounting” for reporting their assets and liabilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Water and Sewer enterprise funds and of the government’s internal service funds are charges to customers for sales and services. Operating expenses for these same Enterprise Funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (continued)

d. Interfund receivables and payables

Activity between funds in the fund financial statements 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). All other outstanding balances between funds are reported as "advances 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".

e. Property taxes

The County of Riverside collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in March preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st, the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31st.

f. Cash and cash equivalents

For purpose of the statement of cash flows, the City considered cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that the cash and investments in the Enterprise Funds are cash and cash equivalents.

g. Investments

The City reports its investments at fair value in the financial statements. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

h. Inventories and prepaids

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method of accounting for inventories. Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent “available spendable resources”, even though they are a component of net current assets. Such amounts are designated as an unspendable component of fund balance.

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.

i. Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value.

Note 1: Summary of Significant Accounting Policies (continued)

j. Compensated absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Management and mid management and confidential employees cannot accrue more than two and one half times their regular annual entitlement. General and Safety employees can not accrue more than two times their regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Upon termination, regular employees with 10 years continuous service will be paid 50% for any unused sick leave. Managers, mid-managers, and confidential employees with 5 years continuous service are also paid 50% for any unused sick leave.

The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year.

k. Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to $5,000 ($50,000 for infrastructure assets) and an estimated useful life of at least 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	50
Building improvements	5 - 50
Public domain infrastructure	20 - 50
System infrastructure	10 - 60
Vehicles	5 - 20
Office equipment	5 - 10
Computer equipment	5 - 10

Note 1: Summary of Significant Accounting Policies (continued)

l. Deferred outflows/inflows of resources

In addition to assets, the statement of net position and the governmental funds balance sheet, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that quality for reporting in this category for the fiscal year ended June 30, 2015. The first item is the deferred loss on debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate element, *deferred inflows of resources,* represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

m. Use of estimates

The financial statements have been prepared in accordance with generally accepted accounting principles accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

n. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Note 1: Summary of Significant Accounting Policies (continued)

o. Unearned revenues

In the government-wide financial statements and the fund financial statements, unearned revenues represent cash advances by various grantors that have not been spent; therefore, no revenue has been recognized.

p. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

q. Fund equity

Beginning with the 2011 fiscal year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed - amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority. Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has established a resolution that authorized the City Manager for that purpose.

Unassigned - amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes, modifies and/or rescinds fund balance commitments by passage of an ordinance or resolution.

The City considers that both, restricted and unrestricted amounts to have been spent when an expenditure is incurred for which both types of fund balances is available; the government also considers committed, assigned, and or unassigned amounts to have been used when an expenditure is incurred and any of those classifications apply to the expenditure.

Note 1: Summary of Significant Accounting Policies (continued)

r. New accounting pronouncements

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27"* and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by $11,046,734 and $2,732,727 reduction of previously reported net position of the governmental activities and business-type activities, respectively, and a $1,674,087 and $1,058,640 reduction of previously reported net position of the water utility and sewer utility enterprise funds, respectively.

GASB Statement No. 69 - *"Government Combinations and Disposals of Government Operations"* was required to be implemented in the current fiscal year and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements which may impact the City's financial reporting requirements in the future.

- GASB 72 - *"Fair Value Measurement and Application"*, effective for periods beginning after June 15, 2015.

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015.

Note 1: Summary of Significant Accounting Policies (continued)

s. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and similar governmental funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts at year-end are completed. They do not constitute expenditures or estimated liabilities.

Encumbrances as of June 30, 2015	
General Fund	$ 1,000
Non-Major Funds in aggregate	22,067

t. Excess of expenditures over appropriations

Excess of expenditures over appropriations in individual funds are as follows:

Fund/Function	Expenditures	Appropriations	Excess
Special Revenue Funds:			
Gas Tax	$ 819,094	$ 698,271	$ 120,823
Supplemental Law Enforcement	106,230	100,000	6,230
Landscape Maintenance District #2	137,178	131,453	5,725

u. Deficit net position and fund balances

As of June 30, 2015 the following funds had deficit net position or fund balances:

Non-Major Internal Service Fund:	
Benefits and Insurance	$ (38,940)
Non-Major Special Revenue Fund:	
Landscape Maintenance District	$ (20,274)
Non-Major Capital Projects Fund:	
Storm Drain	$ (337,255)

Deficit fund balances are expected to be funded through collection of future revenues or transfer from the general fund.

Note 2: Cash and Investments

Cash and investments

Cash and investments are reported in the accompanying Statement of Net Position and Statement of Fiduciary Net Position as follows:

Statement of Net Position	
Cash and investments	$ 34,778,122
Cash and investments with fiscal agents	10,709,380
Statement of Fiduciary Net Position	
Cash and investments	9,478,213
Cash and investments with fiscal agents	8,509,985
Total cash and investments	$ 63,475,700

Note 2: Cash and Investments (continued)

Cash and investments (continued)

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	$ 2,650
Deposits with financial institutions	2,218,317
Investments	61,254,733
Total cash and investments	$ 63,475,700

Investments authorized by the California Government Code and the City's investment policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio *	Maximum investment in one issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
State of California Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Note 2: Cash and Investments (continued)

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining maturity (in months)			
Investment type	Total	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
State investment pool	$ 41,772,561	$ 41,772,561	$ -	$ -	$ -
Certificates of deposit	254,964	254,964	-	-	-
Held by trustee:			-	-	-
Money market funds	3,314,423	3,314,423	-	-	-
Commercial paper	10,704,941	10,704,941	-	-	-
Federal agency securities	5,207,844	-	2,000,640	3,207,204	-
Total investments	$ 61,254,733	$ 56,046,889	$ 2,000,640	$ 3,207,204	$

Note 2: Cash and Investments (continued)

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the City's investment policy or debt agreements, and the actual rating as of year end for each investment type. LAIF does not have a rating provided by a nationally organized statistical rating organization.

Investment type	Total	Minimum legal rating	Ratings as of year end	
State investment pool	$ 41,772,561	N/A	Not Rated	
Certificates of deposit	254,964	N/A	Not Rated	
Held by trustee:				
Money market funds	3,314,423	AAA/Aa	AAA	-
Commercial paper	10,704,941	A	Aa2,AA	-
Federal agency securities	5,207,844	N/A	AA,Aaa	-
Total investments	$ 61,254,733			

Concentration of credit risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment type	Reported amount	Percent
U.S. Bank N.A.	Commercial Paper	$ 10,704,941	17.5%

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 2: Cash and Investments (continued)

As of June 30, 2015, $2,599,696 of the City's *deposits* with financial institutions in excess of Federal Depository Insurance Corporation (FDIC) limit of $250,000 was held in collateralized accounts as required by the California Government Code.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is $50,000,000.

Note 3: Receivables

Due from other governments

Due from other governments, as of year end, for the government's individual major funds, and non-major funds in the aggregate are as follows:

	General	Nonmajor Funds	Total
Assessments	$ 71,862	$ 14,321	$ 86,183
Gas Tax	-	73,742	73,742
Sales Tax	714,916	-	714,916
Measure A	-	148,634	148,634
Grants and contributions	-	576,836	576,836
Other	44,436	-	44,436
Totals	$ 831,214	$ 813,533	$ 1,644,747

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets, not being depreciated:				
Land	$ 101,161,035	$ -	$ -	$ 101,161,035
Construction in progress	365,110	1,803,791	(1,062,381)	1,106,520
Total capital assets, not being depreciated	101,526,145	1,803,791	(1,062,381)	102,267,555
Capital assets, being depreciated:				
Buildings and improvements	16,745,406	-	-	16,745,406
Improvements other than buildings	3,810,884	42,082	-	3,852,966
Vehicles and equipment	3,322,609	125,556	(48,993)	3,399,172
Infrastructure	113,890,860	1,013,113	-	114,903,973
Intangible	429,245	-	-	429,245
Total capital assets, being depreciated	138,199,004	1,180,751	(48,993)	139,330,762
Less accumulated depreciation/amortization for				
Buildings and improvements	(5,796,663)	(434,755)	-	(6,231,418)
Improvements other than buildings	(1,191,536)	(168,158)	-	(1,359,694)
Vehicles and equipment	(2,714,112)	(145,688)	48,993	(2,810,807)
Infrastructure	(54,621,518)	(2,475,195)	-	(57,096,713)
Intangible	(371,748)	(28,748)	-	(400,496)
Total accumulated depreciation/ amortization	(64,695,577)	(3,252,544)	48,993	(67,899,128)
Total capital assets, being depreciated, net	73,503,427	(2,071,793)	-	71,431,634
Governmental activities capital assets, net	$ 175,029,572	$ (268,002)	$ (1,062,381)	$ 173,699,189
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 1,644,507	$ -	$ -	$ 1,644,507
Construction in progress	2,163,913	1,740,803	(1,665,301)	2,239,415
Total capital assets, not being depreciated	3,808,420	1,740,803	(1,665,301)	3,883,922
Capital assets, being depreciated:				
Buildings and improvements	1,055,551	-	-	1,055,551
Utility plant	12,215,982	868,899	-	13,084,881
Wastewater capacity rights	17,793,248	-	-	17,793,248
Pipelines	63,081,437	748,780	-	63,830,217
Vehicles and equipment	343,755	5,322	-	349,077
Fire hydrants	1,891,676	36,030	-	1,927,706
Meters	2,681,587	11,591	-	2,693,178
Total capital assets, being depreciated	99,063,236	1,670,622	-	100,733,858
Less accumulated depreciation for:				
Buildings and improvements	(625,692)	(23,732)	-	(649,424)
Utility plant	(4,145,751)	(288,847)	-	(4,434,598)
Wastewater capacity rights	(6,470,272)	(404,392)	-	(6,874,664)
Pipelines	(29,157,800)	(1,346,363)	-	(30,504,163)
Vehicles and equipment	(336,801)	(3,019)	-	(339,820)
Fire hydrants	(1,252,810)	(38,063)	-	(1,290,873)
Meters	(264,712)	(268,360)	-	(533,072)
Total accumulated depreciation	(42,253,838)	(2,372,776)	-	(44,626,614)
Total capital assets, being depreciated, net	56,809,398	(702,154)	-	56,107,244
Business-type activities capital assets, net	$ 60,617,818	$ 1,038,649	$ (1,665,301)	$ 59,991,166

Note 4: Capital Assets (continued)

Depreciation and amortization expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	$ 209,265
Public safety	169,278
Streets and highways	2,146,670
Community development	-
Culture and leisure	597,150
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets:	
Depreciation	101,433
Amortization	28,748
Total depreciation expense - governmental activities	$ 3,252,544
Business-type activities:	
Water - depreciation expense	$ 1,183,252
Sewer - amortization expense	785,133
Sewer - depreciation expense	404,391
Total depreciation expense - business-type activities	$ 2,372,776

Note 5: Retirement Plans

a. General information about the pension plans

Plan descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans 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 the 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 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Note 5: Retirement Plans (continued)

a. General information about the pension plans (continued)

Benefits provided (continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	25.807%	6.25%

	Safety
Hire date	Prior to January 1, 2013
Benefit formula	2%@50
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.00%
Required employee contribution rates (1)	9.00%
Required employer contribution rates (1)	0.00%

(1) The City has no active safety members and therefore they have not been required to make any contributions to the safety plan for the fiscal year ended June 30, 2015.

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.

Note 5: Retirement Plans (continued)

b. Pension liabilities, pension expenses and deferred outflows/inflows of resources related to pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 7,742,122
Safety	3,532,516
Total Net Pension Liability	$ 11,274,638

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2013	66.54%	33.46%
Proportion - June 30, 2014	68.67%	31.33%
Change - Increase (Decrease)	2.13%	-2.13%

For the year ended June 30, 2015, the City recognized pension expense of $577,664. At June 30, 2015, 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	$ 629,318	$ -
Differences between actual and expected experience		-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(115,362)
Net differences between projected and actual earnings on plan investments	-	(2,967,126)
Total	$ 629,318	$ (3,082,488)

Note 5: Retirement Plans (Continued)

b. Pension liabilities, pension expenses and deferred outflows/inflows of resources related to pensions (continued)

$629,318 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 ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	$ (782,982)
2017	(782,982)
2018	(774,740)
2019	(741,784)
2020	-
Thereafter	-

Actuarial assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. 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. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Note 5: Retirement Plans (Continued)

b. Pension liabilities, pension expenses and deferred outflows/inflows of resources related to pensions (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50% 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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 (geometric) 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.

Note 5: Retirement Plans (Continued)

b. Pension liabilities, pension expenses and deferred outflows/inflows of resources related to pensions (continued)

Discount rate (continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	$ 12,234,739	$ 6,285,447
Current Discount Rate	7.50%	7.50%
Net Pension Liability	$ 7,742,122	$ 3,532,516
1% Increase	8.50%	8.50%
Net Pension Liability	$ 4,013,675	$ 1,264,220

Pension plans fiduciary net position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

c. Payable to the pension plans

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

Note 6: Long-Term Debt

Change in long-term liabilities

The following is a schedule of changes in long-term debt of the City for the fiscal year ended June 30, 2015:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Governmental activities:					
Capital leases:					
Copiers	$ 8,316	$ -	$ (8,316)	$ -	$ -
Total capital leases	8,316	-	(8,316)	-	-
Claims and judgments	793,390	320,758	(215,275)	898,873	411,408
Compensated absences	665,820	331,364	(313,015)	684,169	171,042
Governmental activities long-term liabilities	$ 1,467,526	$ 652,122	$ (536,606)	$ 1,583,042	$ 582,450
Business-type activities:					
Capital lease:					
Wastewater facility	$ 547,771	$ -	$ (131,357)	$ 416,414	$ 135,035
WRCRWA lease	-	370,141	-	370,141	-
Total capital lease	547,771	370,141	(131,357)	786,555	135,035
Bonds:					
2009 Revenue Refunding Bonds	35,890,000	-	(700,000)	35,190,000	725,000
Less deferred amounts:					
For issuance discount	(405,148)	-	16,397	(388,751)	-
Total bonds	35,484,852	-	(683,603)	34,801,249	725,000
Loans payable:					
US Economic Development Administration	290,924	-	(92,415)	198,509	96,631
Business-type activiies long-term liabilities	$ 36,323,547	$ 370,141	$ (907,375)	$ 35,786,313	$ 956,666

For governmental activities, claims and judgments and compensated absences are generally liquidated by the Internal Service Funds.

Note 6: Long-Term Debt (continued)

Governmental activities

a. Accrued employee benefits and claims and judgments payable

The City's policy relating to compensated absences and claims and judgments are described in Note 1j. The short term portion of the compensated absences liability is reported in the statement of net position and amount to $171,042. The long-term portions are also recorded in the statement of net position and amount to $513,127.

The short term portion of the claims and judgments liability is recorded in the statement of net position and amount to $411,408. The long-term portion of $487,465 is also recorded on the statement of net position, governmental activities.

Business-type activities

b. Capital leases

Wastewater facility lease

During 1996, the Western Riverside County Regional Wastewater Authority (WRCRWA) issued $25,400,000 of variable rate revenue bonds and took out a revolving loan to finance a portion of the acquisition, construction, installation and equipment of a Wastewater Treatment Plant. The City, as a member of the Western Riverside County Regional Wastewater Authority, will lease part of the wastewater facility for 66.39% of the annual debt service requirement for a period of 30 years. During 2009, proceeds from the 2009 Refunding Revenue Bonds were used to retire $12,209,120 of the outstanding lease. The following is a schedule by years of future payments to be made by the City for the revolving loan:

Fiscal years ending June 30,	Wastewater facility lease
2016	$ 146,694
2017	146,694
2018	146,556
Total minimum lease payments	439,944
Less: amount representing interest	(23,530)
Present value of minimum lease payments	$ 416,414

The assets acquired through this lease are as follows:

Wastewater capacity rights	$ 17,793,248
Less: accumulated amortization	(6,874,664)
Total	$ 10,918,584

Note 6: Long-Term Debt (continued)

Business-type activities (continued)

b. Capital leases (continued)

Western Riverside County Regional Wastewater Authority (WRCRWA) lease

During 2014, the Western Riverside County Regional Wastewater Authority obtained a financing agreement from the State Water Resources Control Board with ultimate drawdowns on this financing of $72,039,206 accruing interest at a rate of 1.9% per annum to finance the expansion of a Wastewater Treatment Plant. The City, as a member of the Western Riverside County Regional Wastewater Authority, agreed to purchase additional wastewater capacity rights for 8.333% of the annual debt service requirement for a period of 20 years beginning in fiscal year 2018-19. As of June 30, 2015, the WRCRWA had a total outstanding balance on this obligation of $4,441,875, and the City's portion of this obligation was $370,141. Once the project is completed and the related assets are placed in service, the expected debt payments to be made by the City for the revolving loan will be as follows:

Fiscal years ending June 30,	Debt Service
2019	$ 343,543
2020	363,967
2021-2025	1,819,837
2026-2030	1,819,837
2031-2035	1,819,837
2036-2038	1,091,902
Total minimum lease payments	7,258,923
Less: amount representing interest	(1,255,658)
Present value of minimum lease payments	$ 6,003,265

The assets acquired through this lease are as follows:

Construction in process on wastewater capacity rights	$ 370,141

c. Economic Development Administration Loan

During fiscal year 1978-79, the City received a loan from the Economic Development Administration (EDA) to fund improvements to the City water system. The loan bears interest at a rate of 5% and was made in the original amount of $1,632,000. The principal due on this loan is recorded in the Water Enterprise Fund and as of June 30, 2015 the balance due was $198,509. Debt service requirements on this loan are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2016	$ 96,631	$ 9,117	$ 105,748
2017	101,878	4,689	106,567
	$ 198,509	$ 13,806	$ 212,315

Note 6: Long-Term Debt (continued)

d. Revenue bonds

During March 2009, the City issued $39,000,000 Enterprise Revenue Refunding Bonds, Issue 2009, to advance refund $7,395,000 of outstanding 1998 Refunding Certificates of Participation (Sewer and Water System Refunding Certificates) and $12,209,120 of outstanding 1996 Variable Rate Revenue Bonds (Western Riverside County Regional Wastewater Treatment System Lease). In addition, proceeds were used to finance water and sewer system improvements within the City. The bonds are dated March 18, 2009 with interest paid at a rate from 3.00% to 5.00% payable semi-annually on April 1 and October 1, commencing on October 1, 2009. As of June 30, 2015, the balance due was $35,190,000.

The bonds are shown in the Water and Sewer Funds and the debt service requirements are as follows:

Fiscal Years Ending June 30,	2009 Revenue Refunding Bonds		
	Principal	Interest	Total
2016	$ 725,000	$ 1,888,873	$ 2,613,873
2017	755,000	1,858,329	2,613,329
2018	785,000	1,822,660	2,607,660
2019	825,000	1,782,410	2,607,410
2020	870,000	1,740,035	2,610,035
2021-2025	5,035,000	7,984,830	13,019,830
2026-2030	6,495,000	6,469,020	12,964,020
2031-2035	8,510,000	4,396,781	12,906,781
2036-2040	11,190,000	1,642,219	12,832,219
	$ 35,190,000	$ 29,585,157	$ 64,775,157

Note 7: Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2015, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	$ 245,681
Water Utility Enterprise Fund	Nonmajor Funds	4,970
		$ 250,651

The amounts loaned from the General Fund and the Water Utility Enterprise Fund to the Nonmajor Funds are short-term loans to fund operations of the various funds.

Note 7: Interfund Receivables, Payables and Transfers (continued)

Interfund transfers

Transfer In	Transfer Out	Amount
General Fund	Water Utility (1 & 2)	$ 139,912
	Sewer Utility (1 & 2)	136,740
	Nonmajor Funds (1)	14,294
Nonmajor Funds	General Fund (3)	50,000
	Nonmajor Funds (4)	14,625
		$ 355,571

(1) To allocate administrative overhead fees.
(2) To allocate estimated annual costs related to future street repairs.
(3) To subsidize NPDES fund.
(4) To combine the Public Library capital project fund with the Facility Improvement capital project fund

Note 8: Notes Receivable

Wastewater Treatment Capacity

During 2014, the City entered into an Agreement for the Assignment of California Department of Corrections and Rehabilitation (CDCR) Wastewater Discharge Rights. The purpose of this agreement was to transfer the Santa Ana Regional Interceptor (SARI) right of 750,000 gallons per day of the Inland Brine Line treatment and pipeline conveyance to the City. The City then sold this excess wastewater treatment capacity to the City of Corona. The sale of this donated asset is reported as a special item in the accompanying financial statements. The sale is evidenced by a note receivable in the amount of $9,864,651 plus estimated interest accruing at 3% per annum over 20 years. The outstanding balance on this note receivable at June 30, 2015 was $8,864,651.

Silverlakes Property Construction

During 2011, the City entered into a Funding, Construction and Acquisition Agreement with Balboa Management Group, LLC for the construction and acquisition of the Silverlakes Property. Under this agreement the City agreed to finance the actual construction costs of the facilities up to a maximum of $6,000,000. The note bears interest at a rate of 5.9% per annum, or such lower rate which is equal to the actual effective rate of the Norco Financing Authority Enterprise Revenue Funding Bonds issue of 2009, until paid in full and shall be due in full no later than October 1, 2039. The outstanding balance on this note receivable at June 30, 2015 was $5,575,884.

First Time Home Buyer Loans

First time home buyer loans are available to qualifying low to moderate-income residents with a maximum loan amount of $80,000. Loans are due in 30 years or upon sale of property. Deferred loans are available to qualifying residents with a maximum loan amount of $40,000, up to $60,000 with executive approval. A 0% loan is available for seniors and the disabled and is not payable until sale or refinancing of the property. The 3% loan is available to qualified households without an age restriction and is due in 15 years or upon sale or refinancing of the property. At June 30, 2015, the outstanding balance on these loans receivable was $4,448,583.

Note 8: Notes Receivable (continued)

Developer Loan

On May 22, 2008, the former Norco Community Redevelopment Agency (the former Agency) entered into a Loan Agreement with a Developer to provide a loan of $5,100,000 to provide a portion of the funds to finance the rehabilitation and conversion of eighty-six units of low-and very-low income housing units in Heritage Park Senior Citizen Apartment Complex. The financial assistance is in the form of a residual receipts loan which is to be repaid over a fifty-seven year affordability covenant period. The Loan is secured by a Second Deed ·of Trust against the property. The loan payments are 50% of the residual receipts with simple interest at 1%. The complex will remain as a low/moderate income senior housing complex over the entire term of the loan. At June 30, 2015, the outstanding balance on this loan receivable was $4,665,592.

SERAF Loan Receivable

On May 10, 2010, the former Agency was required to make a State mandated payment to the Supplemental Education Revenue Augmentation Fund (SERAF). Due to a lack of funding at the time, the former Agency was allowed to borrow the amount needed from its Low and Moderate Income Housing Fund. At June 30, 2015, the outstanding balance on this non-interest bearing loan receivable from the Successor Agency was $2,500,000.

Sewer Connection Fee Program Loans Receivable

The former Agency administered several loan programs to its low to moderate-income residents. Balances under the Sewer Connection Fee Program are forgiven after fifteen years with the loan amount equal to the actual cost. Due to the nature of this program and the probability of forgiveness of these loans, they are not reflected on the statements as receivables.

Note 9: Fund Equity

The City has established fund balance accounts to report the amounts in the following funds which represent non-spendable and spendable resources according to GASB statement number 54:

	General Fund	Housing Successor Agency LMIH Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Long-term receivables	$ 2,875,558	$ -	$ -	$ 2,875,558
Prepaids	7,500	$ -	$ -	$ 7,500
Restricted by:				
Granting agencies	-	-	4,981,589	4,981,589
LMIH	-	17,799,129	-	17,799,129
Committed for:				
Projects	1,725,254	-	-	1,725,254
Assigned to:				
Fund purpose	-	-	4,399,866	4,399,866
Unassigned	7,841,852	-	(357,529)	697,249
Total fund balances	$ 12,450,164	$ 17,799,129	$ 9,023,926	$ 39,273,219

Note 9: Fund Equity (continued)

City Council has also established a stabilization arrangement for the general fund balance through the adoption of a resolution. This arrangement requires that the City maintain reserves for unforeseen emergencies in the amount of 25 percent of the estimated general fund expenditures included in the budget. These reserves can be utilized by the City at the discretion of the City Council. At June 30, 2015, the fund balance reserved for this stabilization arrangement totaled $3,911,516, which is included in unassigned fund balance in the accompanying basic financial statements.

Note 10: Assessment Bonds

Included within the City are certain Assessment Districts and Community Facilities Districts which were financed by bonds issued pursuant to the Improvement Bond Act of 1915 under proceedings conducted under the provisions of the Municipal Improvement Act of 1913.

As of June 30, 2015, the future assessments liability of property owners for amounts payable to bondholders for these Districts are as follows:

	Principal	Interest	Total
Community Facilities District 97-1 2013 Refinanced Norco Hills	$ 5,700,000	$ 2,469,267	$ 8,169,267
Community Facilities District 2001-1 Norco Ridge Refunding	34,195,000	19,365,922	53,560,922
Community Facilities District 2002-1 2013 Refinanced Norco 50	1,320,000	949,975	2,269,975
Community Facilities District 93-1 2004 Special Tax Refunding	930,000	157,950	1,087,950
Totals	$ 42,145,000	$ 22,943,114	$ 65,088,114

Since the City is not liable for special assessment district act or community facility district defaults, no liability has been recognized on the City's books and accordingly, none of the outstanding principal on the bonds is presented in the financial statements. For all completed projects, the City acts as an agent for those paying assessments and for the bondholders. Therefore, subsequent assessment collections and remittances are accounted for in an agency fund.

Note 11: Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Public Entity Risk Management Authority, a public entity risk pool currently operating as a common risk management and insurance program for 22 California Cities, six special districts and three transit agencies. The City pays an annual premium to the pool for its general liability and workers' compensation insurance coverage. For its general liability insurance, the City, through the Authority, has a self-insured retention amount of $125,000 per occurrence. Claims above the $125,000 up to $1,000,000 are shared by the pool. Claims above $1,000,000 up to $50,000,000 are covered by excess insurance purchased through the pool. For workers' compensation, the self-insurance retention is $250,000 per claim, with a maximum limit of $5,000,000.

The City retains a risk of loss due to the fact that actual losses may exceed estimated claims or overage amounts.

Note 11: Risk Management (continued)

Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2015, the amount of these liabilities was $898,873. The amount represents an estimate of $633,976 for reported claims through June 30, 2015 and $264,897 estimate of incurred but not reported claims. This liability is the City's best estimate based on available information.

Changes in the reported liability since July 1, 2012 resulted from the following:

Fiscal Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2015	$ 793,390	$ 320,758	$ 215,275	$ 898,873
2014	790,461	145,444	142,515	793,390
2013	973,285	125,780	308,604	790,461

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2014 to 2015. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2012/13, 2013/14 and 2014/15.

Note 12: Other Post-Employment Benefits

During the year ended June 30, 2009, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The new reporting requirements for these benefit programs as they pertain to the City are as follows:

Plan Description

The City provides post employment health care benefits for eligible city retirees and their beneficiaries through the California Public Employees' Retirement System (CalPERS), an agent multiple-employer postemployment healthcare plan. Retirees from the city enrolled in the Public Employees Medical Insurance program through CalPERS are eligible for these benefits. The Plan does not issue a publicly available financial report.

Funding Policy

These health insurance benefits are authorized through city resolutions/Memorandums of Understanding defining health care benefits and contribution levels and through the contractual agreement between the City and CalPERS. The City contributes up to $1,250 of the current monthly required premium costs of active and non-vested retired employees. Additional contributions are made into a prefunded trust account as funds become available. There were 70 retired eligible employees.

Note 12: Other Post-Employment Benefits (continued)

Annual OPEB Cost

For fiscal year 2015, the City's annual OPEB cost of $905,000 was below the annual required contribution (ARC) by a net amount of $35,000. The City's current year contribution was $1,128,538, which decreased the net OPEB liability from prior years by $223,538. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$ 905,000	124.7%	$ 1,189,610
6/30/14	1,338,313	80.3%	1,413,148
6/30/13	1,284,290	76.2%	1,148,827

Annual required contribution	$ 940,000
Interest on net OPEB obligation	83,000
Adjustment to annual required contribution	(118,000)
Annual OPEB cost (expense)	905,000
Contributions made	(1,128,538)
Change in net OPEB obligation	(223,538)
Net OPEB Obligation - beginning of year	1,413,148
Net OPEB Obligation - end of year	$ 1,189,610

Funded Status and Funding Progress

The funded status of the plan as of the June 30, 2013 actuarial valuation (in thousands) was as follows:

Actuarial Accrued Liability (AAL):	
Actives	$ 3,368
Retirees	11,833
Actuarial Value of Assets at June 30, 2013	(4,265)
Unfunded Actuarial Accrued Liability (UAAL)	$ 10,936
Covered Payroll (Active Plan Members)	$ 2,888
UAAL as a Percentage of Covered Payroll	378.7%
Present Value of Future benefits:	
Actives	$ 5,478
Deferred Vested	2,277
Retirees	9,556
Total	$ 17,311
Normal Cost	$ 328
Normal Cost as a Percentage of Covered Payroll	11.36%

Note 12: Other Post-Employment Benefits (continued)

In accordance with GASB 45, the City hired an actuary to calculate its annual OPEB obligation. The annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under or over contributions. The ARC is defined as the employer's required contributions for the year, calculated in accordance with certain parameters, and includes, (a) the normal cost for the year, and (b) a component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding 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 financial statements, presents information as of June 30, 2013 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumption included a 5.25 percent investment rate of return (net of administrative expenses), which is the assumed rate of expected long-term investment returns on plan assets. Calculation was based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of actual premiums, reduced by increments of 0.6% - 0.8% per year to an ultimate rate of 5.0% after the tenth year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25% per year.

Note 13: Successor Agency - Private Purpose Trust Fund

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. Most California cities had established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the city council, in many cases, also served as the governing board for those agencies).

The Bill provided 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. If the city declines to accept the role of Successor Agency, other local agencies may elect to perform this role. If no local agency accepts the role of Successor Agency, the Governor is empowered by the Bill to establish a local "designated local authority" to perform this role.

Note 13: Successor Agency - Private Purpose Trust Fund (continued)

On January 11, 2012, the City Council met and created the Successor Agency to the former Norco Community Redevelopment Agency in accordance with the Bill as part of the City of Norco resolution number 2012-01. 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. An audit was completed in fiscal year 2014-15 and there are no outstanding issues. Subject to the control of a newly established oversight board, remaining assets could 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 tax increment 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. The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other private and public bodies that occurred after January 1, 2011. If the body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity on February 1, 2012. After the date of dissolution, January 31, 2012, the assets, liabilities, and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City of Norco.

a. Successor Agency Long-Term Debt

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds payable:					
2001 Refunding TAB	$ 22,465,000	$ -	$ (22,465,000)	$ -	$ -
2001 Refunding TAB (school district)	3,605,000	-	(3,605,000)	-	-
2004 TARB (school district pass-through)	8,870,000	-	(8,870,000)	-	-
2005 Refunding TAB	16,540,000	-	(70,000)	16,470,000	70,000
2009 TARB (school district pass-through)	11,075,000	-	(235,000)	10,840,000	250,000
2010 Refunding TAB	24,135,000	-	(125,000)	24,010,000	140,000
2014 Refunding TAB	-	20,525,000	(1,425,000)	19,100,000	1,650,000
2014 TARB (school district pass-through)	-	10,970,000	(350,000)	10,620,000	425,000
Subtotal bonds payable	86,690,000	31,495,000	(37,145,000)	81,040,000	2,535,000
Plus/(less) deferred amounts:					
For issuance premium	179,584	2,616,625	(170,245)	2,625,964	-
For issuance discount	(458,882)	-	22,165	(436,717)	-
Total long-term debt	$ 86,410,702	$ 34,111,625	$ (37,293,080)	$ 83,229,247	$ 2,535,000

Note 13: Successor Agency - Private Purpose Trust Fund (continued)

The following amount was reclassified as deferred outflow of resources.

	Beginning Balance	Additions	Deletions	Ending Balance
Deferred loss on refunding	$ 1,935,688	$ 161,054	$ (135,534)	$ 1,961,208

Future debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2016	$ 2,535,000	$ 4,249,355	$ 6,784,355
2017	2,615,000	4,165,805	6,780,805
2018	2,735,000	4,057,355	6,792,355
2019	2,845,000	3,942,605	6,787,605
2020	2,965,000	3,798,485	6,763,485
2021-2025	17,180,000	16,612,295	33,792,295
2026-2030	22,015,000	11,881,049	33,896,049
2031-2035	25,845,000	5,122,763	30,967,763
2036	2,305,000	138,300	2,443,300
	$ 81,040,000	$ 53,968,012	$ 135,008,012

In December 2001, the Redevelopment Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 2001, in an aggregate principal amount of $36,000,000. The Bonds are dated December 1, 2001 with interest paid at a rate from 2.10% to 5.13% payable semi-annually on March 1 and September 1 commencing on March 1, 2002. The purpose of these bonds was to defease $18,310,000 of the Refunding Tax Allocation Bonds, Issue of 1992 and to fund projects undertaken for redevelopment purposes. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt service requirements of the old debt. On February 1, 2012 the outstanding balance of this issue was transferred to the Successor Agency. The bonds were refinanced in August 2014 with proceeds from the 2014 Refunding Tax Allocation Bonds.

In December 2001, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds (School District Pass-Through), Issue of 2001, in an aggregate principal amount of $5,100,000. The Bonds are dated December 1, 2001, with interest paid at a rate from 2.50% to 5.50% payable semi-annually on March 1 and September 1 commencing on March 1, 2002. The Bonds were issued to refund on a current basis a portion of the Norco Redevelopment Project Area No. 1, School District Capital Appreciation Tax Allocation Bonds, Issue of 1992. The Bonds were issued concurrently with and on a senior lien basis to the $3,375,000 Norco Redevelopment Project Area No. 1 Subordinated Tax Allocation Refunding Notes (School District Pass-Through), Issue of 2001 (the "Notes"). The proceeds from the sale were placed in an irrevocable trust along with the proceeds of the Notes to be used to service the future debt service requirements of the old debt. The Bonds are limited obligations of the Agency payable solely from Pledged Tax Revenues otherwise required by the Pass-Through Agreement to be passed through to the Corona-Norco Unified School District. The bonds were refinanced in August 2014 with proceeds from the 2014 Tax Allocation Refunding Bonds (School District Pass-Through).

Note 13: Successor Agency - Private Purpose Trust Fund (continued)

In November 2004, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2004, in the aggregate principal of $11,250,000. The bonds are dated November 22, 2004, with interest paid at a rate from 1.75% to 4.50% semi-annually on March 1 and September 1 each year, commencing on March 1, 2005. The bonds were issued on a parity basis with the Agency's previously issued Norco Redevelopment Project Area No. 1, Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2001, to refund on a current basis the $3,375,000 Norco Redevelopment Project Area No. 1 Subordinated Tax Allocation Refunding Notes (School District Pass-through), Issue of 2001. The bonds were also issued to fund projects undertaken for redevelopment purposes. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt. The bonds were refinanced in August 2014 with proceeds from the 2014 Tax Allocation Refunding Bonds (School District Pass-Through).

In December 2005, the Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 2005, in the aggregate principal of $17,245,000. The bonds are dated December 7, 2005, with interest paid at a rate from 3.00% to 4.35% semi-annually on March 1 and September 1 each year, commencing on March 1, 2006. The bonds were issued on a parity basis with the Agency's previously issued Norco Redevelopment Project Area No. 1, 2001 Refunding Tax Allocation Bonds and Norco Redevelopment Project Area No. 1, 2003 Tax Allocation Bonds to refund on a current basis the $16,335,000 Norco Redevelopment Project Area No. 1, 1996 Refunding Tax Allocation Bonds. The bonds were also issued to fund projects undertaken for redevelopment purposes. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

The reacquisition price exceeded the net carrying amount of the old debt by $326,515. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The advance refunding resulted in a decrease in debt service payments over the next 20 years of $1,257,574 and resulted in an economic gain of $888,220. The unamortized amount of this gain was transferred to the Successor Agency on February 1, 2012.

In April 2009, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Bonds (School District Pass-through), Issue of 2009 in an aggregate principal amount of $12,200,000. The bonds are dated April 30, 2009 with interest paid at a rate from 3.25% to 7.00% payable semiannually on March 1 and September 1, commencing on September 1, 2009. The bonds were issued on a parity basis with the Agency's previously issued Norco Redevelopment Project Area No. 1, Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2001, and with the Agency's previously issued Norco Redevelopment Area No. 1 Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2004. The bonds are limited obligations of the Agency's payable solely from Pledged Tax Revenues otherwise required by the Pass-Through Agreement to be passed through to the Corona Norco Unified School District.

Note 13: Successor Agency - Private Purpose Trust Fund (continued)

In April of 2010, the Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 2010, in the aggregate principal of $24,500,000. The bonds are dated May 11, 2010, with interest paid at a rate from 2.15% to 6.14% semi-annually on March 1 and September 1 each year, commencing on September 1, 2010. The bonds were issued on a parity basis with the Agency's previously issued Norco Redevelopment Project Area No. 1, 2000 Tax Allocation Bonds, Norco Redevelopment Project Area No. 1, 2001 Refunding Tax Allocation Bonds and Norco Redevelopment Project Area No. 1, 2003 Tax Allocation Bonds to refund on a current basis the $1,955,000 Norco Redevelopment Project Area No. 1, 2000 Tax Allocation Bonds, to advance refund the $21,500,000 Norco Redevelopment Project Area No. 1, 2005 Refunding Tax Allocation Bonds, to fund capitalized interest and the Reserve Account, and to finance the Project Area. The bonds were issued to reduce volatility in future debt service payment requirements in an effort to improve future cash flows. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

The reacquisition price exceeded the net carrying amount of the old debt by $2,196,103. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The advance refunding resulted in an increase in debt service payments over the next 25 years of $22,802,534 and resulted in an economic loss of $4,112,492. The unamortized amount of this loss was transferred to the Successor Agency on February 1, 2012.

In August of 2014, the Successor Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds, Issue of 2014, in the aggregate principal of $20,525,000. The bonds pay interest at a rate from 2.0% to 5.0% semi-annually on March 1 and September 1 each year, commencing on March 1, 2015. The bonds were issued to refinance the Prior Agency's previously issued Norco Redevelopment Project Area No. One, 2001 Tax Allocation Refunding Bonds with an outstanding principal balance of $22,465,000. The bonds were issued to reduce volatility in future debt service payment requirements in an effort to improve future cash flows. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

The reacquisition price exceeded the net carrying amount of the old debt by $103,233. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The advance refunding resulted in a decrease in debt service payments over the next 15.6 years of $3,450,994 and resulted in an economic gain of $2,849,573.

In August of 2014, the Successor Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds (School District Pass-Through), Issue of 2014, in the aggregate principal of $10,970,000. The bonds pay interest at a rate from 2.0% to 5.0% semi-annually on March 1 and September 1 each year, commencing on March 1, 2015. The bonds were issued to refinance the Prior Agency's previously issued Norco Redevelopment Project Area No. One, 2001 Tax Allocation Refunding Bonds (School District Pass-Through) with an outstanding principal balance of $3,605,000 and the Norco Redevelopment Area Project No. One, Tax Allocation Refunding Bonds (School District Pass-Through), Issue of 2004 with an outstanding principal balance of $8,870,000. The bonds were issued to reduce volatility in future debt service payment requirements in an effort to improve future cash flows. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

Note 13: Successor Agency - Private Purpose Trust Fund (continued)

The reacquisition price exceeded the net carrying amount of the old debt by $57,821. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The advance refunding resulted in a decrease in debt service payments over the next 17.6 years of $1,915,405 and resulted in an economic gain of $1,544,234.

b. Successor Agency Receivables

Automobile dealer loans

In December of 2008, the Agency entered into a Loan Agreement with a local automobile dealership to provide a Line of Credit not to exceed $500,000 from which the dealer could draw from in order to maintain its operations. The Loan is secured by Promissory Note executed by the owner. The loan is payable over seven years with interest at 5.15%. The balance outstanding at June 30, 2015, is $41,981.

Cal Homes program

Loans were available to qualifying low and very low-income residents through the Cal Homes program to assist with the cost of rehabilitating owner-occupied residences. Loans carried interest rates of either 0% (for eligible senior citizens) or 3% (for non senior citizens). Loans are due up to 30 years after origination or in the event the property is sold or refinanced. The balance outstanding at June 30, 2015 is $497,593.

Note 14: Low and Moderate Income Housing Successor

In accordance with the provisions of the AB X1 26, the California Health and Safety Code Section 34176, and the California Supreme Court's decision to uphold the Bill, the city that authorized the creation of the Norco Community Redevelopment Agency may elect to retain the housing assets and functions previously performed by the redevelopment agency as the Housing Successor. Initially, the City of Norco elected "not" to be Housing Successor of the previously performed housing functions of the Norco Community Redevelopment Agency. If a city does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the Successor Agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows: (1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development. (2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority. (3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city that authorized the creation of the redevelopment agency.

Note 14: Low and Moderate Income Housing Successor (continued)

On March 21, 2013, the Department of Finance approved the transfer of assets to the successor agency, however as of June 30, 2014, there had not been a designation for a Housing Successor and the City of Norco and the Successor Agency were acting as a holding agent of the housing assets and liabilities to be transferred to the agency that would assume the housing functions previously performed by the Norco Community Redevelopment Agency. Efforts to get other agencies to assume the successor housing agency responsibilities were unsuccessful. On September 29, 2014, the Oversight Board of the Successor Agency to the Norco Community Redevelopment Agency elected to serve as the Housing Successor. Accordingly, the assets of the Norco Successor Housing Agency were transferred to the low and moderate income housing special revenue fund. This transfer is reported as a special item in the accompanying financial statements.

Note 15: Risks and uncertainties

Grants

Amounts received or receivable from granting agencies are subject to audits and adjustments by those granting agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time, although the management of the City expects such-amounts, if any, to be immaterial to the financial statements taken as a whole.

Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2015 (and subsequent years in which the Successor Agency is in operation), are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency, could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City.

Note 16: Norco Silverlakes Ground Lease

On or about July 6, 2011, the City of Norco (Landlord) and Balboa Management Group, LLC (Tenant), entered into a Ground Lease, Development, and Shared Use Agreement with the purpose of the development, management and operation of the property known as Silverlakes into an Equestrian and Sports Park. The Ground Lease has an original term of Thirty (30) years, with options to extend the lease to maximum lease duration of Ninety-nine (99) years.

Annual Minimum Rent

The "Annual Minimum Rent" payable for the first five (5) years from and after the Term Commencement Date shall be $396,480. The Annual Minimum Rent shall be paid in twelve (12) equal monthly installments payable in advance on or before the first day of each calendar month. The Annual Minimum Rent shall be subject to adjustment as follows:

(a) On the first day of the 6th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect as of the Term Commencement Date;

(b) On the first day of the 16th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect immediately prior to the 16th year Adjustment Date;

Note 16: Norco Silverlakes Ground Lease (continued)

(c) On the first day of the 26th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect immediately prior to the 26th year Adjustment Date, and

(d) On first day of the 31st Lease Year and on each five (5) year anniversary thereof occurring throughout the Extended Tern, the Annual Minimum Rent shall be adjusted by the percentage change in the Consumer Price Index ("Index") measured from the immediately preceding Adjustment Date to the instant Adjustment Date (as measured pursuant to the procedure described on the lease agreement), but in no event shall an increase be more than 10% or less than 3% of the Annual Minimum Rent in effect immediately prior to the applicable Adjustment Date.

Future estimated revenues from the lease for the next five years are as follows:

Fiscal Years Ending June 30,	Amount
2016	$ 396,480
2017	412,339
2018	428,198
2019	428,198
2020	428,198

Note 17: Restatement of Prior Year Financial Statements

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the City's defined benefit pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The adoption of these standards required retrospective application resulting in a $11,046,734 and $2,732,727 reduction of previously reported net position of the governmental activities and business-type activities, respectively, and a $1,674,087 and $1,058,640 reduction of previously reported net position of the water utility and sewer utility enterprise funds, respectively. In addition, previously reported net position of the successor agency private purpose trust fund was increased by $17,767,484 to include the net housing assets of the former Norco Community Redevelopment Agency and decreased by $56,726 for the overstatement of previously reported interest receivable. Also, the reporting reclassification of the special asset special revenue fund from a non-major governmental fund to the general fund resulted in a $1,514,304 increase in previously reported fund balance of the general fund and a similar decrease in previously reported fund balance of the total non-major special revenue funds.

Note 18: Joint Ventures

Western Riverside County Regional Wastewater Authority

The City serves as a voting member of Western Riverside County Regional Wastewater Authority (WRCRWA). WRCRWA was formed in 1992 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for the purpose of constructing, maintaining, operating, and managing facilities for the collection, transmission, treatment and disposal of wastewater, the reclamation of wastewater, and the use of reclaimed wastewater for any beneficial purpose.

WRCRWA is composed of five member agencies: City of Norco, Jurupa Community Services District, Western Municipal Water District, Home Gardens Sanitary District, and the City of Corona. The member agencies support the operating costs and capital costs through fixed and variable rates established by WRCRWA's Board of Directors. The governing body of WRCRWA is a Board of Directors, which consists of ten individuals, two appointed by each member. Members are deemed to have an ownership interest in the WRCRWA and new members may only be admitted upon unanimous consent of the existing members. Upon withdrawal from the WRCRWA, any member is entitled to receive its proportionate share of the WRCRWA assets or the equivalent value thereof and is responsible for discharge of its proportionate share of the WRCRWA's liabilities. The City has recorded their investment in the WRCRWA as wastewater capacity rights which is further disclosed in Note 4.

WRCRWA owns and operates an 8.0 Million Gallons per Day (MGD) tertiary wastewater treatment plant and will soon be expanded to 14.0 MGD. The plant's existing and proposed capacity owned by its member agencies are shown as follows:

Member Agencies	Current MGD	Proposed MGD
City of Norco	2.20	2.70
Jurupa Community Services District	3.25	6.00
City of Corona	-	2.37
Western Municipal Water District	1.93	1.93
Home Gardens Sanitary District	0.62	1.00
Total	8.00	14.00

Audited financial information for WRCRWA can be obtained at Western Riverside County Regional Wastewater Authority, 450 Alessandro Boulevard, Riverside, CA 92517.

Note 18: Joint Ventures (continued)

Chino Basin Desalter Authority

The Chino Basin Desalter Authority (CDA) was formed in September, 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from Santa Ana Watershed Project Authority (SAWPA) Project #14. The purchase was consummated in February, 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency. In August of 2008, Western Municipal Water District was added as an additional member of CDA. The City serves as a voting member without an equity interest.

Financial data is available at the CDA's main office located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

Note 19: Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 19, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

City of Norco
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	2015
Plan's proportion of the net pension liability	0.18%
Plan's proportionate share of the net pension liability	$ 11,274,638
Plan's covered - employee payroll	$ 2,831,103
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	398.24%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	79.28%
Plan's proportionate share of aggregate employer contributions	$ 1,188,255

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

City of Norco
Schedule of Contributions - Defined Benefit Pension Plans
Last Ten Fiscal Years*

	2015
Contractually required contribution (actuarially determined)	$ 629,318
Contributions in relation to the actuarially determined contributions	(629,318)
Contribution deficiency (excess)	$ -
Covered - employee payroll	$ 2,831,103
Contributions as a percentage of covered - employee payroll	22.23%

Notes to Schedule:

Valuation date	6/30/2012
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Average remaining period	19 years as of valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

City of Norco
Schedule of Funding Progress
Other Post-Employment Benefits Plan
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
01/01/2010	$ 2,207,000	$ 14,919,000	$ 12,712,000	14.79%	$ 5,784,000	219.8%
06/30/2011	3,068,000	17,489,000	14,421,000	17.54%	5,972,000	241.5%
06/30/2013	4,265,000	15,201,000	10,936,000	28.06%	2,888,000	378.7%

City of Norco
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 11,062,229	$ 11,420,360	$ 11,889,250	$ 468,890
Licenses and permits	484,743	454,844	556,985	102,141
Fines and forfeitures	376,053	408,405	439,590	31,185
Intergovernmental	195,195	194,799	319,215	124,416
Charges for services	2,535,802	2,469,009	2,639,831	170,822
Investment earnings	514,959	514,959	523,353	8,394
Reimbursements	15,000	15,000	13,281	(1,719)
Other	25,000	25,000	40,262	15,262
Total revenues	15,208,981	15,502,376	16,421,767	919,391
EXPENDITURES				
Current:				
General government	3,915,400	4,047,942	3,780,928	267,014
Public safety	8,769,669	8,844,669	8,685,915	158,754
Streets and highways	93,489	93,489	91,436	2,053
Community and economic development	819,964	819,964	758,909	61,055
Culture and leisure	1,744,054	1,690,002	1,657,622	32,380
Total expenditures	15,342,576	15,496,066	14,974,810	521,256
Excess (deficiency) of revenues over (under) expenditures	(133,595)	6,310	1,446,957	1,440,647
OTHER FINANCING SOURCES (USES)				
Transfers in	303,015	303,015	290,946	(12,069)
Transfers out	(150,000)	(150,000)	(50,000)	100,000
Total other financing sources (uses)	153,015	153,015	240,946	87,931
SPECIAL ITEMS				
Sale of donated assets	-	-	3,086,508	3,086,508
Net change in fund balance	19,420	159,325	4,774,411	4,615,086
Fund balance, beginning of year	7,675,753	7,675,753	7,675,753	-
Fund balance, end of year	$ 7,695,173	$ 7,835,078	$ 12,450,164	$ 4,615,086

See accompanying note to required supplementary information

City of Norco
Note to Required Supplementary Information
For the Year Ended June 30, 2015

Note 1: General budget policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Major Housing Successor Agency Low and Moderate Income Housing Special Revenue Fund, the Nonmajor Facility Improvement Capital Projects Fund, and the Nonmajor Community Facilities District 93-1 Capital Projects Fund. The legal level of budgetary control is the fund level.

Each City department is required to submit requests for annual appropriation to the City manager that are used as the starting point for developing a proposed budget. The City manager presents a proposed budget to Council for review through staff and council budget workshops. At the completion of the budget workshops, the City council is required to have one public hearing to further review the proposed budget. At the conclusion of the public hearings, the budget is required to be adopted by a majority vote of the City council no later than June 30, which is the close of the City's fiscal year. The Council made several supplemental budgetary appropriations throughout the year, these supplemental appropriations were immaterial. The appropriated budget is prepared by fund and department. Within each department, the budget is further detailed by expenditure type (e.g., salaries and benefits). At fiscal year-end, all operating budget appropriations lapsed.

This page left blank intentionally.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

This page left blank intentionally.

COMBINING NONMAJOR GOVERNMENTAL FUNDS

This page left blank intentionally.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Miscellaneous Grant Fund – to account for the receipt and expenditure of miscellaneous Grants not accounted for in a separate fund.

Community Development Block Grant – to account for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program.

Gas Tax – to account for the repair and maintenance of streets and traffic signals of the City. Financing is through the State Highway Users Tax Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highways Code.

Measure A – to account for the construction, reconstruction, alteration, and maintenance of the streets of the City. Financing is through the Riverside County Transportation Commission half-cent sales tax.

National Pollutant Discharge Elimination System (NPDES) – to account for the proceeds of the charge used to maintain and operate the City's storm drains and flood control channels into the Santa Ana River. This service area assessment is exempt from the requirements of Prop. 218.

Air Quality Improvement Trust – to account for the receipt of AB 2766 funds to implement programs that reduce air pollution from motor vehicles. Local Governments receive forty percent of the motor vehicle registration fee surcharge of $4 per vehicle collected by the Department of Motor Vehicles.

Supplemental Law Enforcement Block Grant – to account for grant funds used for front line law enforcement services.

Landscape Maintenance District #1 – to account for the cost of operation, maintenance, and servicing of the improvements for the Beazer Homes in Norco. Funding is provided by assessments charged to the homeowners/developers in the area.

Landscape Maintenance District #2 – to account for the cost of operation, maintenance, and servicing of the improvements for the Norco Estates/Western Pacific Homes in Norco. Funding is provided by assessments charged to the homeowners/developers in the area.

Landscape Maintenance District #3 – to account for the cost of operation, maintenance, and servicing of the improvements for the Centex Homes in Norco. Funding is provided by assessments charged to the homeowners/developers in the area.

Landscape Maintenance District #4 – to account for the cost of operation, maintenance, and servicing of the improvements for the Norco Ridge Ranch Homes in Norco. Funding is provided by assessments charged to the homeowners/developers in the area.

Landscape Maintenance District #5 – to account for the cost of operation, maintenance, and servicing of the improvements for the K. B. Homes in Norco. Funding is provided by assessments charged to the homeowners/developers in the area.

This page left blank intentionally.

Capital Projects Funds

Capital Project Funds are used to account for major capital acquisition and construction separately from their ongoing operating activities, including those financed by special assessments.

Storm Drain – to account for the construction of channels and storm drains to mitigate the storm water run-off impacts caused by new development. Financing is through an impact fee imposed on all new development in the City.

General Government Improvement – to account for the construction of general government facilities such as a new government center, additional library facilities, and other general capital needs. Financing is through an impact fee imposed on all new development in the City.

Fire Improvement – to account for the construction of fire stations and the purchase of fire equipment. Financing is through an impact fee imposed on all new development in the City.

Trails Improvement – to account for the acquisition, improvement, and development of equestrian-pedestrian trails. Financing is through an impact fee imposed on all new development in the City.

Community Facilities District 93-1 – to account for the construction of drainage, street, and sanitary improvements to assist in the development of the Gateway Town Center section of the Gateway Target Area. Financing is through special assessments.

Park Improvement Fund – to account for the acquisition, improvement, and development of park and open space land and recreational facilities. Financing is through an impact fee imposed on all new development in the City.

Public Library – to construct additional square feet to the library facility and to purchase additional volumes when necessary to ensure that the City's citizens have access to and enjoyment of the library space and collection.

Public Meeting – to account for the construction of additional community center space.

Street Improvement – to account for the cost of street improvements including widening and reconstruction, traffic signals, street landscaping, intersection improvements, and freeway interchange improvements. Financing is through an impact fee imposed on all new development in the City.

Aquatics Center – to account for the cost of expanding the aquatics center to meet the added demands created by the construction of additional residential dwelling units.

Animal Control – to account for the expansion of the animal control facilities and will increase the number of response and investigator vehicles.

Facility Improvement – to account for resources that are to be used for the replacement or major capital improvements of City facilities such as libraries and community centers.

City of Norco
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
ASSETS			
Cash and investments	$ -	$ -	$ 981,282
Receivables, net:			
Accounts	-	-	3,951
Interest	-	-	361
Due from other governments	25,175	3,426	73,742
Total assets	$ 25,175	$ 3,426	$ 1,059,336
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 1,526	$ -	$ 235,331
Retentions payable	-	-	-
Due to other funds	23,649	3,426	-
Deposits payable	-	-	-
Total liabilities	25,175	3,426	235,331
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Fund balances (deficits):			
Restricted	-	-	824,005
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	-	-	824,005
Total liabilities, deferred inflows of resources and fund balances	$ 25,175	$ 3,426	$ 1,059,336

Special Revenue Funds			
Measure A	NPDES	Air Quality Improvement Trust	Supplemental Law Enforcement Block Grant
$ 3,329,148	$ 33,470	$ 86,752	$ -
-	-	-	-
1,385	-	35	-
148,634	-	8,654	16,667
$ 3,479,167	$ 33,470	$ 95,441	$ 16,667
$ 94,338	$ 6,858	$ -	$ 16,667
-	-	-	-
-	-	-	-
-	-	-	-
94,338	6,858	-	16,667
-	-	-	-
3,384,829	26,612	95,441	-
-	-	-	-
-	-	-	-
3,384,829	26,612	95,441	-
$ 3,479,167	$ 33,470	$ 95,441	$ 16,667

City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds		
	Landscape Maintenance District #1	Landscape Maintenance District #2	Landscape Maintenance District #3
ASSETS			
Cash and investments	$ 16,987	$ -	$ 68,999
Receivables, net:			
Accounts	-	-	-
Interest	7	(7)	26
Due from other governments	67	1,848	-
Total assets	$ 17,061	$ 1,841	$ 69,025
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 1,367	$ 18,762	$ 6,684
Retentions payable	-	-	-
Due to other funds	10	3,353	47
Deposits payable	-	-	-
Total liabilities	1,377	22,115	6,731
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Fund balances (deficits):			
Restricted	15,684	-	62,294
Assigned	-	-	-
Unassigned	-	(20,274)	-
Total fund balances (deficits)	15,684	(20,274)	62,294
Total liabilities, deferred inflows of resources and fund balances	$ 17,061	$ 1,841	$ 69,025

continued

Special Revenue Funds		
Landscape Maintenance District #4	Landscape Maintenance District #5	Total Special Revenue Funds
$ 524,539	$ 87,190	$ 5,128,367
750	-	4,701
190	34	2,031
8,871	3,534	290,618
$ 534,350	$ 90,758	$ 5,425,717
$ 36,458	$ 4,625	$ 422,616
-	-	-
4,636	265	35,386
6,400	-	6,400
47,494	4,890	464,402
-	-	-
486,856	85,868	4,981,589
-	-	-
-	-	(20,274)
486,856	85,868	4,961,315
$ 534,350	$ 90,758	$ 5,425,717

City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
ASSETS			
Cash and investments	$ -	$ 527,439	$ 590,852
Receivables, net:			
Accounts	-	-	-
Interest	-	218	244
Due from other governments	522,915	-	-
Total assets	$ 522,915	$ 527,657	$ 591,096
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 88,771	$ -	$ -
Retentions payable	33,219	-	-
Due to other funds	215,265	-	-
Deposits payable	-	-	-
Total liabilities	337,255	-	-
Deferred inflows of resources:			
Unavailable revenues	522,915	-	-
Fund balances (deficits):			
Restricted	-	-	-
Assigned	-	527,657	591,096
Unassigned	(337,255)	-	-
Total fund balances (deficits)	(337,255)	527,657	591,096
Total liabilities, deferred inflows of resources and fund balances	$ 522,915	$ 527,657	$ 591,096

Capital Projects Funds				
Trails Improvement	Community Facilities District 93-1	Park Improvement	Public Library	Public Meeting
$ 272,860	$ 58,459	$ 567,893	$ -	$ 42,025
-	-	756	-	-
113	24	239	-	17
-	-	-	-	-
$ 272,973	$ 58,483	$ 568,888	$ -	$ 42,042
$ 2,564	$ -	$ 38,413	$ -	$ -
-	-	13,408	-	-
-	-	-	-	-
-	-	-	-	-
2,564	-	51,821	-	-
-	-	-	-	-
-	-	-	-	-
270,409	58,483	517,067	-	42,042
-	-	-	-	-
270,409	58,483	517,067	-	42,042
$ 272,973	$ 58,483	$ 568,888	$ -	$ 42,042

City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Capital Projects Funds		
	Street Improvement	Aquatics Center	Animal Control
ASSETS			
Cash and investments	$ 2,220,326	$ 9,492	$ 34,300
Receivables, net:			
Accounts	-	-	-
Interest	937	4	14
Due from other governments	-	-	-
Total assets	$ 2,221,263	$ 9,496	$ 34,314
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 36,226	$ -	$ -
Retentions payable	-	-	458
Due to other funds	-	-	-
Deposits payable	-	-	-
Total liabilities	36,226	-	458
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Fund balances (deficits):			
Restricted	-	-	-
Assigned	2,185,037	9,496	33,856
Unassigned	-	-	-
Total fund balances (deficits)	2,185,037	9,496	33,856
Total liabilities, deferred inflows of resources and fund balances	$ 2,221,263	$ 9,496	$ 34,314

continued

Capital Projects Funds		Total Nonmajor Governmental Funds
Facility Improvement	Total Capital Projects Funds	
$ 164,723	$ 4,488,369	$ 9,616,736
-	756	5,457
-	1,810	3,841
-	522,915	813,533
$ 164,723	$ 5,013,850	$ 10,439,567
$ -	$ 165,974	$ 588,590
-	47,085	47,085
-	215,265	250,651
-	-	6,400
-	428,324	892,726
-	522,915	522,915
-	-	4,981,589
164,723	4,399,866	4,399,866
-	(337,255)	(357,529)
164,723	4,062,611	9,023,926
$ 164,723	$ 5,013,850	$ 10,439,567

City of Norco
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
REVENUES			
Taxes	$ -	$ -	$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	76,135	13,255	767,108
Charges for services	-	-	-
Investment earnings (loss)	-	-	1,276
Other	-	-	6,337
Total revenues	76,135	13,255	774,721
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	15,274	-	-
Streets and highways	-	-	819,094
Community and economic development	861	-	-
Culture and leisure	60,000	13,255	-
Total expenditures	76,135	13,255	819,094
Excess (deficiency) of revenues over (under) expenditures	-	-	(44,373)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	-	(44,373)
Fund balances (deficits), beginning of year,as restated	-	-	868,378
Fund balances (deficits), end of year	$ -	$ -	$ 824,005

Special Revenue Funds			
Measure A	NPDES	Air Quality Improvement Trust	Supplemental Law Enforcement Block Grant
$ 582,668	$ 64,135	$ -	$ -
-	-	-	-
-	-	-	-
-	-	32,959	106,230
-	-	-	-
4,781	-	129	-
-	-	-	-
587,449	64,135	33,088	106,230
-	-	47,394	-
-	-	-	106,230
219,899	104,373	-	-
-	-	-	-
-	-	-	-
219,899	104,373	47,394	106,230
367,550	(40,238)	(14,306)	-
-	50,000	-	-
-	-	(1,500)	-
-	50,000	(1,500)	-
367,550	9,762	(15,806)	-
3,017,279	16,850	111,247	-
$ 3,384,829	$ 26,612	$ 95,441	$ -

City of Norco
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds		
	Landscape Maintenance District #1	Landscape Maintenance District #2	Landscape Maintenance District #3
REVENUES			
Taxes	$ -	$ -	$ -
Assessments	8,796	131,953	79,278
Development fees	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings (loss)	22	(45)	77
Other	-	-	-
Total revenues	8,818	131,908	79,355
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	9,247	137,178	82,330
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	9,247	137,178	82,330
Excess (deficiency) of revenues over (under) expenditures	(429)	(5,270)	(2,975)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(429)	(5,270)	(2,975)
Fund balances (deficits), beginning of year,as restated	16,113	(15,004)	65,269
Fund balances (deficits), end of year	$ 15,684	$ (20,274)	$ 62,294

continued

Special Revenue Funds		
Landscape Maintenance District #4	Landscape Maintenance District #5	Total Special Revenue Funds
$ -	$ -	$ 646,803
529,180	52,108	801,315
-	-	-
-	-	995,687
-	-	-
552	110	6,902
392	-	6,729
530,124	52,218	2,457,436
-	-	47,394
-	-	121,504
385,974	40,493	1,798,588
-	-	861
-	-	73,255
385,974	40,493	2,041,602
144,150	11,725	415,834
-	-	50,000
-	-	(1,500)
-	-	48,500
144,150	11,725	464,334
342,706	74,143	4,496,981
$ 486,856	$ 85,868	$ 4,961,315

City of Norco
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2015

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
REVENUES			
Taxes	$ -	$ -	$ -
Assessments	-	-	-
Development fees	15,534	6,394	28,124
Intergovernmental	-	-	-
Charges for services	1,782	-	-
Investment earnings (loss)	239	761	837
Other	-	-	-
Total revenues	17,555	7,155	28,961
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	578,477	-	-
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	578,477	-	-
Excess (deficiency) of revenues over (under) expenditures	(560,922)	7,155	28,961
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(6,283)	-	-
Total other financing sources (uses)	(6,283)	-	-
Net change in fund balances	(567,205)	7,155	28,961
Fund balances (deficits), beginning of year,as restated	229,950	520,502	562,135
Fund balances (deficits), end of year	$ (337,255)	$ 527,657	$ 591,096

continued

Capital Projects Funds				
Trails Improvement	Community Facilities District 93-1	Park Improvement	Public Library	Public Meeting
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	30,301	-	-
-	-	300,000	-	-
-	-	-	-	-
393	83	792	-	60
-	-	89,502	-	-
393	83	420,595	-	60
-	-	-	-	-
-	-	-	-	-
3,014	-	-	-	-
-	-	-	-	-
-	-	817,859	-	-
3,014	-	817,859	-	-
(2,621)	83	(397,264)	-	60
-	-	-	-	-
(455)	-	(3,014)	(14,625)	-
(455)	-	(3,014)	(14,625)	-
(3,076)	83	(400,278)	(14,625)	60
273,485	58,400	917,345	14,625	41,982
$ 270,409	$ 58,483	$ 517,067	$ -	$ 42,042

City of Norco
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2015

	Capital Projects Funds		
	Street Improvement	Aquatics Center	Animal Control
REVENUES			
Taxes	$ -	$ -	$ -
Assessments	-	-	-
Development fees	190,067	-	552
Intergovernmental	295,385	-	-
Charges for services	-	-	-
Investment earnings (loss)	3,078	14	50
Other	-	-	-
Total revenues	488,530	14	602
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	157,335	-	-
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	157,335	-	-
Excess (deficiency) of revenues over (under) expenditures	331,195	14	602
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(3,042)	-	-
Total other financing sources (uses)	(3,042)	-	-
Net change in fund balances	328,153	14	602
Fund balances (deficits), beginning of year,as restated	1,856,884	9,482	33,254
Fund balances (deficits), end of year	$ 2,185,037	$ 9,496	$ 33,856

continued

Capital Projects Funds		Total Non-major Governmental Funds
Facility Improvement	Total Capital Projects Funds	
$ -	$ -	$ 646,803
-	-	801,315
5	270,977	270,977
-	595,385	1,591,072
-	1,782	1,782
(5)	6,302	13,204
-	89,502	96,231
-	963,948	3,421,384
-	-	47,394
-	-	121,504
-	738,826	2,537,414
-	-	861
-	817,859	891,114
-	1,556,685	3,598,287
-	(592,737)	(176,903)
14,625	14,625	64,625
-	(27,419)	(28,919)
14,625	(12,794)	35,706
14,625	(605,531)	(141,197)
150,098	4,668,142	9,165,123
$ 164,723	$ 4,062,611	$ 9,023,926

This page left blank intentionally.

City of Norco
For the Year Ended June 30, 2015
Nonmajor Schedules of Revenue Expenditures and
Changes in Fund Balance - Budget and Actual

The budgetary comparison statement is presented as required supplementary information for the General Fund as provided for by GASB Statement No. 34.

The schedules for the remaining funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Miscellaneous Grant Fund Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 60,618	$ 76,652	$ 76,135	$ (517)
Total revenues	60,618	76,652	76,135	(517)
EXPENDITURES				
Current:				
Public safety	-	16,034	15,274	760
Community and economic development	-	-	861	(861)
Culture and leisure	60,618	60,618	60,000	618
Total expenditures	60,618	76,652	76,135	517
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 149,566	$ 149,566	$ 13,255	$ (136,311)
Total revenues	149,566	149,566	13,255	(136,311)
EXPENDITURES				
Current:				
Community and economic development	137,497	137,497	-	137,497
Culture and leisure	-	-	13,255	(13,255)
Total expenditures	137,497	137,497	13,255	124,242
Excess (deficiency) of revenues over (under) expenditures	12,069	12,069	-	(12,069)
OTHER FINANCING USES				
Transfers out	(12,069)	(12,069)	-	12,069
Total other financing uses	(12,069)	(12,069)	-	12,069
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gax Tax Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 692,300	$ 862,455	$ 767,108	$ (95,347)
Investment earnings	600	600	1,276	676
Other	-	-	6,337	6,337
Total revenues	692,900	863,055	774,721	(88,334)
EXPENDITURES				
Current:				
Streets and highways	648,271	698,271	819,094	(120,823)
Total expenditures	648,271	698,271	819,094	(120,823)
Excess (deficiency) of revenues over (under) expenditures	44,629	164,784	(44,373)	(209,157)
Fund balance, beginning of year	868,378	868,378	868,378	-
Fund balance, end of year	$ 913,007	$ 1,033,162	$ 824,005	$ (209,157)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Measure A Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 480,000	$ 480,000	$ 582,668	$ 102,668
Investment earnings	8,466	8,466	4,781	(3,685)
Total revenues	488,466	488,466	587,449	98,983
EXPENDITURES				
Current:				
Streets and highways	1,167,000	2,354,083	219,899	2,134,184
Total expenditures	1,167,000	2,354,083	219,899	2,134,184
Excess (deficiency) of revenues over (under) expenditures	(678,534)	(1,865,617)	367,550	2,233,167
Fund balance, beginning of year	3,017,279	3,017,279	3,017,279	-
Fund balance, end of year	$ 2,338,745	$ 1,151,662	$ 3,384,829	$ 2,233,167

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
NPDES Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 63,500	$ 63,500	$ 64,135	$ 635
Total revenues	63,500	63,500	64,135	635
EXPENDITURES				
Current:				
Streets and highways	119,745	119,745	104,373	15,372
Total expenditures	119,745	119,745	104,373	15,372
Excess (deficiency) of revenues over (under) expenditures	(56,245)	(56,245)	(40,238)	16,007
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	50,000	-
Total other financing sources	50,000	50,000	50,000	-
Net change in fund balance	(6,245)	(6,245)	9,762	16,007
Fund balance, beginning of year	16,850	16,850	16,850	-
Fund balance, end of year	$ 10,605	$ 10,605	$ 26,612	$ 16,007

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Trust Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 32,000	$ 32,000	$ 32,959	$ 959
Investment earnings	-	-	129	129
Total revenues	32,000	32,000	33,088	1,088
EXPENDITURES				
Current:				
General government	-	47,394	47,394	-
Total expenditures	-	47,394	47,394	-
Excess (deficiency) of revenues over (under) expenditures	32,000	(15,394)	(14,306)	1,088
OTHER FINANCING USES				
Transfers out	(1,500)	(1,500)	(1,500)	-
Total other financing uses	(1,500)	(1,500)	(1,500)	-
Net change in fund balance	30,500	(16,894)	(15,806)	1,088
Fund balance, beginning of year	111,247	111,247	111,247	-
Fund balance, end of year	$ 141,747	$ 94,353	$ 95,441	$ 1,088

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Supplemental Law Enforcement Block Grant Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 100,000	$ 100,000	$ 106,230	$ 6,230
Total revenues	100,000	100,000	106,230	6,230
EXPENDITURES				
Current:				
Public safety	100,000	100,000	106,230	(6,230)
Total expenditures	100,000	100,000	106,230	(6,230)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District #1 Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Assessments	$ 11,342	$ 11,342	$ 8,796	$ (2,546)
Investment earnings	-	-	22	22
Total revenues	11,342	11,342	8,818	(2,524)
EXPENDITURES				
Current:				
Streets and highways	11,143	11,143	9,247	1,896
Total expenditures	11,143	11,143	9,247	1,896
Excess (deficiency) of revenues over (under) expenditures	199	199	(429)	(628)
Fund balance, beginning of year	16,113	16,113	16,113	-
Fund balance, end of year	$ 16,312	$ 16,312	$ 15,684	$ (628)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District #2 Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Assessments	$ 131,453	$ 131,453	$ 131,953	$ 500
Investment earnings (loss)	-	-	(45)	(45)
Total revenues	131,453	131,453	131,908	455
EXPENDITURES				
Current:				
Streets and highways	131,453	131,453	137,178	(5,725)
Total expenditures	131,453	131,453	137,178	(5,725)
Excess (deficiency) of revenues over (under) expenditures	-	-	(5,270)	(5,270)
Fund balance (deficit), beginning of year	(15,004)	(15,004)	(15,004)	-
Fund balance (deficit), end of year	$ (15,004)	$ (15,004)	$ (20,274)	$ (5,270)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District #3 Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Assessments	$ 83,537	$ 83,537	$ 79,278	$ (4,259)
Investment earnings	-	-	77	77
Total revenues	83,537	83,537	79,355	(4,182)
EXPENDITURES				
Current:				
Streets and highways	83,537	83,537	82,330	1,207
Total expenditures	83,537	83,537	82,330	1,207
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,975)	(2,975)
Fund balance, beginning of year	65,269	65,269	65,269	-
Fund balance, end of year	$ 65,269	$ 65,269	$ 62,294	$ (2,975)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District #4 Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Assessments	$ 529,952	$ 529,952	$ 529,180	$ (772)
Investment earnings	-	-	552	552
Other	-	-	392	392
Total revenues	529,952	529,952	530,124	172
EXPENDITURES				
Current:				
Streets and highways	510,952	510,952	385,974	124,978
Total expenditures	510,952	510,952	385,974	124,978
Excess (deficiency) of revenues over (under) expenditures	19,000	19,000	144,150	125,150
Fund balance, beginning of year	342,706	342,706	342,706	-
Fund balance, end of year	$ 361,706	$ 361,706	$ 486,856	$ 125,150

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District #5 Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Assessments	$ 47,927	$ 47,927	$ 52,108	$ 4,181
Investment earnings	-	-	110	110
Total revenues	47,927	47,927	52,218	4,291
EXPENDITURES				
Current:				
Streets and highways	45,052	45,052	40,493	4,559
Total expenditures	45,052	45,052	40,493	4,559
Excess (deficiency) of revenues over (under) expenditures	2,875	2,875	11,725	8,850
Fund balance, beginning of year	74,143	74,143	74,143	-
Fund balance, end of year	$ 77,018	$ 77,018	$ 85,868	$ 8,850

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Drain Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 62,400	$ 62,400	$ 15,534	$ (46,866)
Intergovernmental	1,524,580	1,524,580	-	(1,524,580)
Charges for services	-	-	1,782	1,782
Investment earnings	4,130	4,130	239	(3,891)
Total revenues	1,591,110	1,591,110	17,555	(1,573,555)
EXPENDITURES				
Current:				
Streets and highways	2,228,580	2,228,580	578,477	1,650,103
Total expenditures	2,228,580	2,228,580	578,477	1,650,103
Excess (deficiency) of revenues over (under) expenditures	(637,470)	(637,470)	(560,922)	76,548
OTHER FINANCING USES				
Transfers out	(6,283)	(6,283)	(6,283)	-
Total other financing uses	(6,283)	(6,283)	(6,283)	-
Net change in fund balance	(643,753)	(643,753)	(567,205)	76,548
Fund balance, beginning of year	229,950	229,950	229,950	-
Fund balance (deficit), end of year	$ (413,803)	$ (413,803)	$ (337,255)	$ 76,548

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Government Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 20,600	$ 20,600	$ 6,394	$ (14,206)
Investment earnings	1,448	1,448	761	(687)
Total revenues	22,048	22,048	7,155	(14,893)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	22,048	22,048	7,155	(14,893)
Fund balance, beginning of year	520,502	520,502	520,502	-
Fund balance, end of year	$ 542,550	$ 542,550	$ 527,657	$ (14,893)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fire Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 41,440	$ 41,440	$ 28,124	$ (13,316)
Investment earnings	1,688	1,688	837	(851)
Total revenues	43,128	43,128	28,961	(14,167)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	43,128	43,128	28,961	(14,167)
Fund balance, beginning of year	562,135	562,135	562,135	-
Fund balance, end of year	$ 605,263	$ 605,263	$ 591,096	$ (14,167)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Trails Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 29,160	$ 29,160	$ -	$ (29,160)
Investment earnings	1,336	1,336	393	(943)
Total revenues	30,496	30,496	393	(30,103)
EXPENDITURES				
Current:			.	
Streets and highways	165,500	165,500	3,014	162,486
Total expenditures	165,500	165,500	3,014	162,486
Excess (deficiency) of revenues over (under) expenditures	(135,004)	(135,004)	(2,621)	132,383
OTHER FINANCING USES				
Transfers out	(455)	(455)	(455)	-
Total other financing uses	(455)	(455)	(455)	-
Net change in fund balance	(135,459)	(135,459)	(3,076)	132,383
Fund balance, beginning of year	273,485	273,485	273,485	-
Fund balance, end of year	$ 138,026	$ 138,026	$ 270,409	$ 132,383

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Park Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 469,680	$ 469,680	$ 30,301	$ (439,379)
Intergovernmental	-	-	300,000	300,000
Investment earnings	5,260	5,260	792	(4,468)
Other	-	-	89,502	89,502
Total revenues	474,940	474,940	420,595	(54,345)
EXPENDITURES				
Current:				
Culture and leisure	1,068,950	1,193,859	817,859	376,000
Total expenditures	1,068,950	1,193,859	817,859	376,000
Excess (deficiency) of revenues over (under) expenditures	(594,010)	(718,919)	(397,264)	321,655
OTHER FINANCING USES				
Transfers out	(3,014)	(3,014)	(3,014)	-
Total other financing uses	(3,014)	(3,014)	(3,014)	-
Net change in fund balance	(597,024)	(721,933)	(400,278)	321,655
Fund balance, beginning of year	917,345	917,345	917,345	-
Fund balance, end of year	$ 320,321	$ 195,412	$ 517,067	$ 321,655

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Library Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 18,840	$ 18,840	$ -	$ (18,840)
Investment earnings	45	45	-	(45)
Total revenues	18,885	18,885	-	(18,885)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	18,885	18,885	-	(18,885)
OTHER FINANCING USES				
Transfers out	-	-	(14,625)	(14,625)
Total other financing uses	-	-	(14,625)	(14,625)
Net change in fund balance	18,885	18,885	(14,625)	(33,510)
Fund balance, beginning of year	14,625	14,625	14,625	-
Fund balance, end of year	$ 33,510	$ 33,510	$ -	$ (33,510)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Meeting Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 52,480	$ 52,480	$ -	$ (52,480)
Investment earnings	130	130	60	(70)
Total revenues	52,610	52,610	60	(52,550)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	52,610	52,610	60	(52,550)
Fund balance, beginning of year	41,982	41,982	41,982	-
Fund balance, end of year	$ 94,592	$ 94,592	$ 42,042	$ (52,550)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Street Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 83,360	$ 83,360	$ 190,067	$ 106,707
Intergovernmental	406,054	406,054	295,385	(110,669)
Investment earnings	6,468	6,468	3,078	(3,390)
Total revenues	495,882	495,882	488,530	(7,352)
EXPENDITURES				
Current:				
Streets and highways	1,171,026	1,421,026	157,335	1,263,691
Total expenditures	1,171,026	1,421,026	157,335	1,263,691
Excess (deficiency) of revenues over (under) expenditures	(675,144)	(925,144)	331,195	1,256,339
OTHER FINANCING USES				
Transfers out	(3,042)	(3,042)	(3,042)	-
Total other financing uses	(3,042)	(3,042)	(3,042)	-
Net change in fund balance	(678,186)	(928,186)	328,153	1,256,339
Fund balance, beginning of year	1,856,884	1,856,884	1,856,884	-
Fund balance, end of year	$ 1,178,698	$ 928,698	$ 2,185,037	$ 1,256,339

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Aquatics Center Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 10,040	$ 10,040	$ -	$ (10,040)
Investment earnings	29	29	14	(15)
Total revenues	10,069	10,069	14	(10,055)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	10,069	10,069	14	(10,055)
Fund balance, beginning of year	9,482	9,482	9,482	-
Fund balance, end of year	$ 19,551	$ 19,551	$ 9,496	$ (10,055)

City of Norco
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Animal Control Capital Projects Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Development fees	$ 5,840	$ 5,840	$ 552	$ (5,288)
Investment earnings	100	100	50	(50)
Total revenues	5,940	5,940	602	(5,338)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	5,940	5,940	602	(5,338)
Fund balance, beginning of year	33,254	33,254	33,254	-
Fund balance, end of year	$ 39,194	$ 39,194	$ 33,856	$ (5,338)

This page left blank intentionally.

INTERNAL SERVICE FUNDS

This page left blank intentionally.

Internal Service Funds Descriptions

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Fleet Management Fund – This fund is used to account for the acquisition, rental, maintenance and operation of the City's fleet of vehicles and the rolling stock.

Benefits & Insurance Fund - This fund is used to account for the accumulation and allocation of costs associated with providing certain employee benefits and City-wide insurance coverage.

Information Management Fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing.

City of Norco
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Fleet Management	Benefits & Insurance	Information Management	Total
ASSETS				
Current assets:				
Cash and investments	$ 2,761,031	$ 1,547,049	$ 770,260	$ 5,078,340
Receivables, net:				
Accounts	1,996	-	-	1,996
Interest	1,137	637	302	2,076
Total current assets	2,764,164	1,547,686	770,562	5,082,412
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	2,276,598	-	192,453	2,469,051
Less accumulated depreciation	(1,888,744)	-	(147,304)	(2,036,048)
Intangibles	-	-	429,245	429,245
Less accumulated amortization	-	-	(400,496)	(400,496)
Total noncurrent assets	387,854	-	73,898	461,752
Total assets	3,152,018	1,547,686	844,460	5,544,164
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	27,960	3,584	17,280	48,824
Compensated absences	-	171,042	-	171,042
Claims and judgements	-	411,408	-	411,408
Total current liabilities	27,960	586,034	17,280	631,274
Noncurrent liabilities:				
Compensated absences	-	513,127	-	513,127
Claims and judgements	-	487,465	-	487,465
Total noncurrent liabilities	-	1,000,592	-	1,000,592
Total liabilities	27,960	1,586,626	17,280	1,631,866
NET POSITION				
Net investment in capital assets	387,854	-	73,898	461,752
Unrestricted	2,736,204	(38,940)	753,282	3,450,546
Total net position	$ 3,124,058	$ (38,940)	$ 827,180	$ 3,912,298

City of Norco
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	Fleet Management	Benefits & Insurance	Information Management	Total
OPERATING REVENUES				
Sales and charges for services	$ 334,712	$ 324,276	$ 503,900	$ 1,162,888
Total operating revenues	334,712	324,276	503,900	1,162,888
OPERATING EXPENSES				
General and administrative	238,717	432,491	359,729	1,030,937
Amortization	-	-	28,749	28,749
Depreciation	83,376	-	18,057	101,433
Total operating expenses	322,093	432,491	406,535	1,161,119
Operating income (loss)	12,619	(108,215)	97,365	1,769
NONOPERATING REVENUES				
Investment earnings	3,946	2,223	1,017	7,186
Gain on disposal of assets	-	-	190	190
Total nonoperating revenues	3,946	2,223	1,207	7,376
Income (loss) before contributions	16,565	(105,992)	98,572	9,145
Capital contributions	47,393	-	6,416	53,809
Change in net position	63,958	(105,992)	104,988	62,954
Net position, beginning of year	3,060,100	67,052	722,192	3,849,344
Net position, end of year	$ 3,124,058	$ (38,940)	$ 827,180	$ 3,912,298

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Fleet Management	Benefits & Insurance	Information Management	Total
Cash flows from operating activities:				
Cash received from interfund services provided	$ 332,716	$ 324,276	$ 503,900	$ 1,160,892
Cash payments to suppliers	(239,597)	(105,582)	(223,701)	(568,880)
Cash payments to employees for services	-	(208,935)	(138,157)	(347,092)
Net cash provided by operating activities	93,119	9,759	142,042	244,920
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(58,145)	-	(6,416)	(64,561)
Proceeds from disposal of capital assets	-	-	190	190
Principal payments - capital lease	-	-	(8,316)	(8,316)
Net cash used for capital and related financing activities	(58,145)	-	(14,542)	(72,687)
Cash flows from investing activities:				
Interest income	3,425	1,934	854	6,213
Net cash provided by investing activities	3,425	1,934	854	6,213
Net increase in cash and investments	38,399	11,693	128,354	178,446
Cash and investments, beginning of year	2,722,632	1,535,356	641,906	4,899,894
Cash and investments, end of year	$ 2,761,031	$ 1,547,049	$ 770,260	$ 5,078,340
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 12,619	$ (108,215)	$ 97,365	$ 1,769
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Amortization	-	-	28,749	28,749
Depreciation	83,376	-	18,057	101,433
(Increase) decrease in assets:				
Accounts receivable	(1,996)	-	-	(1,996)
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(880)	(5,858)	(2,129)	(8,867)
Compensated absences	-	18,349	-	18,349
Claims and judgements	-	105,483	-	105,483
Net cash provided by operating activities	$ 93,119	$ 9,759	$ 142,042	$ 244,920
Noncash, investing, capital and financing activities:				
Capital asset contribution	$ 47,393	$ -	$ 6,416	$ 53,809

AGENCY FUNDS

This page left blank intentionally.

Agency Funds Descriptions

General Trust – To account for various deposits, etc. with the City from different groups.

Western Waste – To account for collections from citizens for solid waste by the City on behalf of Western Waste and payments made by the City to Western Waste.

Community Facilities District 93-1 – To account for receipts of assessments from the Gateway Target Area and for the payment of debt service and administrative costs for the community facilities district. The bonds were issued in 1995 for the construction of certain public capital facilities necessary for development of the property in the District.

Community Facilities District 97-1 – To account for receipts of assessments from Norco Hills residences and for the payment of debt service and administrative costs for the community facilities district. The bonds were issued in 2000 for the construction of various infrastructure assets.

Community Facilities District 2001-1 – To account for receipts of assessments from Norco Ridge Ranch homes and for the payment of debt service and administrative costs for the community facilities district. The bonds were issued in 2002 for the acquisition of certain public facilities and the payment of certain environmental fees.

Community Facilities District 2002-1 – To account for receipts of assessments from KB Homes residences and for the payment of debt service and administrative costs for the community facilities district. The bonds were issued in 2003 for the construction of trail improvements and a traffic signal at 6th Street and California.

City of Norco
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	General Trust	Western Waste	Community Facilities District 93-1	Community Facilities District 97-1
ASSETS				
Cash and investments	$ 1,471,244	$ 80,184	$ 280,636	$ 713,039
Cash and investments with fiscal agents	-	-	-	524,641
Receivables, net:				
Accounts	108	381,914	-	-
Interest	-	-	104	261
Due from other governments	-	-	1,215	20,484
Total assets	$ 1,471,352	$ 462,098	$ 281,955	$ 1,258,425
LIABILITIES				
Accounts payable	$ 2,114	$ 395,088	$ -	$ -
Deposits payable	1,469,238	27,615	-	-
Due to others	-	39,395	-	-
Due to bond holders	-	-	281,955	1,258,425
Total liabilities	$ 1,471,352	$ 462,098	$ 281,955	$ 1,258,425

Community Facilities District 2001-1	Community Facilities District 2002-1	Total
$ 3,193,063	$ 168,349	$ 5,906,515
1,740,416	-	2,265,057
-	-	382,022
2,024	62	2,451
47,936	2,320	71,955
$ 4,983,439	$ 170,731	$ 8,628,000
$ -	$ -	$ 397,202
-	-	1,496,853
-	-	39,395
4,983,439	170,731	6,694,550
$ 4,983,439	$ 170,731	$ 8,628,000

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
GENERAL TRUST				
Assets				
Cash and investments	$ 1,389,759	$ 647,395	$ 565,910	$ 1,471,244
Accounts receivable	106	102,044	102,042	108
Total assets	$ 1,389,865	$ 749,439	$ 667,952	$ 1,471,352
Liabilities				
Accounts payable	$ 388	$ 282,878	$ 281,152	$ 2,114
Deposits payable	1,389,477	732,992	653,231	1,469,238
Total liabilities	$ 1,389,865	$ 1,015,870	$ 934,383	$ 1,471,352
WESTERN WASTE				
Assets				
Cash and investments	$ 102,392	$ 4,683,184	$ 4,705,392	$ 80,184
Accounts receivable	348,617	4,612,609	4,579,312	381,914
Total assets	$ 451,009	$ 9,295,793	$ 9,284,704	$ 462,098
Liabilities				
Accounts payable	$ 384,502	$ 2,368,167	$ 2,357,581	$ 395,088
Deposits payable	28,789	19,178	20,352	27,615
Due to others	37,718	4,701,260	4,699,583	39,395
Total liabilities	$ 451,009	$ 7,088,605	$ 7,077,516	$ 462,098

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

continued

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
CFD 93-1				
Assets				
Cash and investments	$ 274,211	$ 193,508	$ 187,083	$ 280,636
Interest receivable	55	104	55	104
Due from other governments	4,537	1,215	4,537	1,215
Total assets	$ 278,803	$ 194,827	$ 191,675	$ 281,955
Liabilities				
Accounts payable	$ 750	$ 8,004	$ 8,754	$ -
Due to bond holders	278,053	189,215	185,313	281,955
Total liabilities	$ 278,803	$ 197,219	$ 194,067	$ 281,955
CFD 97-1				
Assets				
Cash and investments	$ 695,865	$ 572,346	$ 555,172	$ 713,039
Cash and investments with fiscal agents	524,987	514,975	515,321	524,641
Interest receivable	182	2,007	1,928	261
Due from other governments	13,513	20,484	13,513	20,484
Total assets	$ 1,234,547	$ 1,109,812	$ 1,085,934	$ 1,258,425
Liabilities				
Due to bond holders	$ 1,234,547	$ 580,763	$ 556,885	$ 1,258,425
Total liabilities	$ 1,234,547	$ 580,763	$ 556,885	$ 1,258,425
CFD 2001-1				
Assets				
Cash and investments	$ 3,145,662	$ 2,509,039	$ 2,461,638	$ 3,193,063
Cash and investments with fiscal agents	1,736,066	2,326,840	2,322,490	1,740,416
Interest receivable	640	2,024	640	2,024
Due from other governments	75,211	47,936	75,211	47,936
Total assets	$ 4,957,579	$ 4,885,839	$ 4,859,979	$ 4,983,439
Liabilities				
Accounts payable	$ 2,150	$ 8,116	$ 10,266	$ -
Due to bond holders	4,955,429	2,433,605	2,405,595	4,983,439
Total liabilities	$ 4,957,579	$ 2,441,721	$ 2,415,861	$ 4,983,439

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2015

continued

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
CFD 2002-1				
Assets				
Cash and investments	$ 157,591	$ 136,615	$ 125,857	$ 168,349
Interest receivable	31	62	31	62
Due from other governments	3,131	2,320	3,131	2,320
Total assets	$ 160,753	$ 138,997	$ 129,019	$ 170,731
Liabilities				
Due to bond holders	$ 160,753	$ 134,545	$ 124,567	$ 170,731
Total liabilities	$ 160,753	$ 134,545	$ 124,567	$ 170,731
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and investments	$ 5,765,480	$ 8,742,087	$ 8,601,052	$ 5,906,515
Cash and investments with fiscal agents	2,261,053	2,841,815	2,837,811	2,265,057
Accounts receivable	348,723	4,714,653	4,681,354	382,022
Interest receivable	908	4,197	2,654	2,451
Due from other governments	96,392	71,955	96,392	71,955
Total assets	$ 8,472,556	$ 16,374,707	$ 16,219,263	$ 8,628,000
Liabilities				
Accounts payable	$ 387,790	$ 2,667,165	$ 2,657,753	$ 397,202
Deposits payable	1,418,266	752,170	673,583	1,496,853
Due to others	37,718	4,701,260	4,699,583	39,395
Due to bond holders	6,628,782	3,338,128	3,272,360	6,694,550
Total liabilities	$ 8,472,556	$ 11,458,723	$ 11,303,279	$ 8,628,000

Statistical Section

This page left blank intentionally.

STATISTICAL SECTION

This part of the City of Norco 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 government's overall financial health.

Contents **Page**

Financial Trends 134

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 145

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 150

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information 158

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 160

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.

City of Norco
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	$ 144,879,068	$ 151,388,100	$ 153,848,153	$ 156,655,554
Restricted	57,107,710	55,995,625	56,203,749	43,502,275
Unrestricted	(59,117,764)	(56,171,654)	(53,696,655)	(53,368,409)
Total governmental activites net position	$ 142,869,014	$ 151,212,071	$ 156,355,247	$ 146,789,420
Business-type activities				
Net investment in capital assets	$ 35,602,853	$ 36,930,507	$ 41,150,408	$ 39,797,357
Restricted	12,935,528	8,718,561	7,261,078	5,772,311
Unrestricted	(3,559,843)	(78,386)	(2,557,443)	521,868
Total business-type activities net position	$ 44,978,538	$ 45,570,682	$ 45,854,043	$ 46,091,536
Primary government				
Net investment in capital assets	$ 180,481,921	$ 188,318,607	$ 194,998,561	$ 196,452,911
Restricted	70,043,238	64,714,186	63,464,827	49,274,586
Unrestricted	(62,677,607)	(56,250,040)	(56,254,098)	(52,846,541)
Total primary government net position	$ 187,847,552	$ 196,782,753	$ 202,209,290	$ 192,880,956

Source: City's financial statements

continued

Fiscal Year					
2010	**2011**	**2012**	**2013**	**2014**	**2015**
$ 163,648,731	$ 172,727,910	$ 172,040,285	$ 173,830,963	$ 175,021,256	$ 173,699,189
49,857,462	39,782,430	15,783,060	11,708,483	14,063,524	30,816,790
(71,206,996)	(74,774,758)	(145,491)	3,873,573	4,748,301	248,067
$ 142,299,197	$ 137,735,582	$ 187,677,854	$ 189,413,019	$ 193,833,081	$ 204,764,046
$ 41,658,817	$ 39,526,833	$ 46,718,775	$ 46,023,517	$ 32,343,900	$ 34,845,725
4,722,120	4,362,237	1,493,069	1,505,296	1,439,385	1,450,167
(1,200,945)	283,205	(4,191,150)	(1,206,137)	13,165,677	14,549,779
$ 45,179,992	$ 44,172,275	$ 44,020,694	$ 46,322,676	$ 46,948,962	$ 50,845,671
$ 205,307,548	$ 212,254,743	$ 218,759,060	$ 219,854,480	$ 207,365,156	$ 208,544,914
54,579,582	44,144,667	17,276,129	13,213,779	15,502,909	32,266,957
(72,407,941)	(74,491,553)	(4,336,641)	2,667,436	17,913,978	14,797,846
$ 187,479,189	$ 181,907,857	$ 231,698,548	$ 235,735,695	$ 240,782,043	$ 255,609,717

City of Norco
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	$ 2,444,678	$ 2,369,307	$ 2,567,880	$ 4,663,233
Public safety	10,030,419	10,984,557	11,752,711	11,363,732
Public works	2,667,196	2,931,992	2,680,961	6,838,398
Community development	9,661,594	9,682,225	12,773,725	18,645,627
Culture & leisure	2,575,970	2,915,016	2,757,815	2,317,752
Interest in long-term debt	4,498,959	4,210,091	4,135,345	4,260,255
Total governmental activities expenses	31,878,816	33,093,188	36,668,437	48,088,997
Business-type activities:				
Water	7,000,699	6,644,244	6,794,503	7,718,048
Sewer	3,969,304	4,263,280	3,353,177	4,396,358
Total business-type activities expenses	10,970,003	10,907,524	10,147,680	12,114,406
Total primary government expenses	$ 42,848,819	$ 44,000,712	$ 46,816,117	$ 60,203,403
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 1,206,368	$ 1,195,495	$ 1,202,890	$ 2,297,395
Public safety	938,458	1,184,179	1,331,730	1,562,425
Public works	1,119,874	502,427	489,548	541,643
Community development	919,325	739,852	583,708	501,456
Culture & leisure	839,701	1,038,228	985,340	776,678
Operating grants and contributions	2,448,984	3,099,986	2,716,291	2,687,615
Capital grants and contributions	2,001,841	2,356,978	3,216,001	867,513
Total governmental activities program revenues	9,474,551	10,117,145	10,525,508	9,234,725
Business-type activities:				
Charges for services:				
Water	6,617,886	6,804,540	6,945,575	7,061,989
Sewer	2,855,330	2,917,946	2,921,138	3,799,801
Operating grants and contributions	-	-	-	-
Capital grants and contributions	5,071,845	2,017,403	757,360	1,483,544
Total business-type activities program revenues	14,545,061	11,739,889	10,624,073	12,345,334
Total program government program revenues	$ 24,019,612	$ 21,857,034	$ 21,149,581	$ 21,580,059
Net(Expense)/Revenue				
Governmental activities	$ (22,404,265)	$ (22,976,043)	$ (26,142,929)	$ (38,854,272)
Business-type activities	3,575,058	832,365	476,393	230,928
	$ (18,829,207)	$ (22,143,678)	$ (25,666,536)	$ (38,623,344)

Source: City's financial statements

continued

Fiscal Year					
2010	**2011**	**2012**	**2013**	**2014**	**2015**
2,608,199	3,589,601	2,047,480	3,186,491	3,804,607	3,970,788
11,347,403	10,532,263	9,482,494	8,523,623	8,508,710	8,943,161
2,091,368	6,745,445	4,389,492	3,954,013	3,628,672	3,769,407
20,675,524	10,467,473	5,893,093	615,851	800,996	756,389
1,920,577	2,177,366	2,421,643	2,390,293	2,252,157	2,252,339
4,606,449	5,171,018	842,156	-	-	-
43,249,520	38,683,166	25,076,358	18,670,271	18,995,142	19,692,084
8,354,123	7,970,925	9,917,049	9,259,377	9,592,836	9,138,304
5,042,480	5,227,807	5,309,232	4,858,832	5,131,713	5,700,595
13,396,603	13,198,732	15,226,281	14,118,209	14,724,549	14,838,899
$ 56,646,123	51,881,898	40,302,639	32,788,480	33,719,691	34,530,983
1,258,834	1,086,315	1,256,248	2,244,812	2,121,089	1,989,162
960,461	841,083	695,153	766,447	766,645	812,963
808,465	827,845	832,620	806,158	855,941	878,190
346,741	466,734	511,400	597,494	641,982	758,593
723,311	721,737	634,717	725,272	772,172	734,141
5,677,361	4,118,810	3,062,424	1,657,693	1,866,913	1,832,271
4,166,378	1,527,406	83,834	2,504,159	5,068,039	1,402,527
13,941,551	9,589,930	7,076,396	9,302,035	12,092,781	8,407,847
6,641,183	7,418,217	9,408,360	9,915,098	9,808,472	8,960,772
4,210,274	4,141,300	4,951,539	5,466,709	5,546,893	5,857,823
-	113,444	-	28,481	-	-
1,824,809	732,519	902,597	1,264,389	825,000	-
12,676,266	12,405,480	15,262,496	16,674,677	16,180,365	14,818,595
$ 26,617,817	21,995,410	22,338,892	25,976,712	28,273,146	23,226,442
(29,307,969)	(29,093,236)	(17,999,962)	(9,368,236)	(6,902,361)	(11,284,237)
(720,337)	(793,252)	36,215	2,556,468	1,455,816	(20,304)
$ (30,028,306)	(29,886,488)	(17,963,747)	(6,811,768)	(5,446,545)	(11,304,541)

City of Norco
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

General Revenues and Other Changes in Net Position	Fiscal Year			
Governmental activities:	2006	2007	2008	2009
Taxes:				
Property tax, levied for general purpose	$ 1,239,755	$ 3,760,792	$ 3,891,236	$ 3,773,245
Property tax, Redevelopment Agency tax increment	12,748,278	14,852,364	16,154,389	15,888,548
Transient occupancy tax	87,306	82,074	84,812	145,043
Franchise tax	903,919	1,021,058	1,081,221	1,128,130
Sales tax	4,915,052	4,458,665	4,062,531	3,079,645
Sales tax in lieu	1,159,702	1,753,052	1,333,569	1,206,201
Motor vehicle in lieu tax	2,053,194	147,265	121,269	97,794
Public service taxes	492,305	392,975	194,507	324,347
Gain/(Loss) on sale of capital assets	-	-	476,537	-
Other taxes	41,735	-	-	-
Unrestricted investment earnings	2,209,818	3,458,518	2,361,965	1,563,647
Contributions from other agency	-	-	-	-
Other	1,272,881	1,102,572	1,258,696	1,816,340
Intergovernmental	-	-	-	-
Extraordinary Item - Gain on Redevelopment Agency Dissolution	-	-	-	-
Special Item - Transfer of Assets to Housing Successor Agency	-	-	-	-
Special Item - Sale of Donated Item	-	-	-	-
Transfers	290,792	289,765	265,373	265,505
Total governmental activities	27,414,737	31,319,100	31,286,105	29,288,445
Business-type activities:				
Gain/(Loss) on sale of capital assets	491,369	-	-	-
Unrestricted investment earnings	36,910	43,886	44,914	251,589
Other	-	5,658	27,427	20,481
Special Item - Sale of Donated Item	-	-	-	-
Transfers	(290,792)	(289,765)	(265,373)	(265,505)
Total business-type activities	237,487	(240,221)	(193,032)	6,565
Total primary government	$ 27,652,224	$ 31,078,879	$ 31,093,073	$ 29,295,010
Change in Net Position				
Governmental activities	$ 5,010,472	$ 8,343,057	$ 5,143,176	$ (9,565,827)
Business-type activities	3,812,545	592,144	283,361	237,493
Total primary government	$ 8,823,017	$ 8,935,201	$ 5,426,537	$ (9,328,334)

Source: City's financial statements

continued

Fiscal Year					
2010	**2011**	**2012**	**2013**	**2014**	**2015**
3,261,322	1,206,532	1,384,241	1,898,467	1,588,228	1,739,484
14,921,558	14,424,830	7,235,391	-	-	-
173,293	190,226	223,674	257,277	295,641	427,260
1,037,604	1,017,267	1,034,701	1,021,833	1,056,967	1,221,453
2,601,697	3,105,215	3,515,779	3,942,554	4,308,901	4,603,115
721,616	909,634	1,068,683	1,157,793	1,381,708	1,409,297
76,802	1,960,284	1,970,332	1,974,292	2,040,184	2,138,532
302,379	274,355	281,232	320,569	331,386	361,320
-	-	-	-	-	190
-	2,457	3,172	-	-	
609,154	372,886	186,767	22,418	30,844	35,902
-	-	-	-	-	53,809
846,820	808,732	263,996	-	-	
-	-	35,555	219,175	16,688	140,930
-	-	50,466,374	-	-	-
-	-	-	-	-	17,767,484
-	-	-	-	-	3,086,508
444,457	257,203	272,337	289,023	271,876	276,652
24,996,702	24,529,621	67,942,234	11,103,401	11,322,423	33,261,936
-	-				
74,294	42,738	84,540	34,537	74,856	148,249
-	-	-	-	-	-
-	-	-	-	-	6,778,143
(444,457)	(257,203)	(272,337)	(289,023)	(271,876)	(276,652)
(370,163)	(214,465)	(187,797)	(254,486)	(197,020)	6,649,740
$ 24,626,539	24,315,156	67,754,437	10,848,915	11,125,403	39,911,676
(4,311,267)	(4,563,615)	49,942,272	1,735,165	4,420,062	21,977,699
(1,090,500)	(1,007,717)	(151,582)	2,301,982	1,258,796	6,629,436
$ (5,401,767)	(5,571,332)	49,790,690	4,037,147	5,678,858	28,607,135

This page left blank intentionally.

City of Norco
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved	$ -	$ -	$ -	$ -	$ -
Unreserved	7,791,835	8,431,607	7,960,962	6,586,317	3,382,363
Total general fund	$ 7,791,835	$ 8,431,607	$ 7,960,962	$ 6,586,317	$ 3,382,363
All Other Governmental Funds					
Reserved	$ 14,836,751	$ 21,050,335	$ 25,982,755	$ 28,891,668	$ 31,524,570
Unreserved, reported in:					
Special revenue funds	17,873,478	12,617,135	9,366,361	11,222,427	10,138,707
Capital projects funds	43,403,902	41,297,924	40,526,118	33,074,129	1,599,559
Debt service funds	1,175,963	803,414	1,148,975	817,903	21,335,624
Total all other governmental funds	$ 77,290,094	$ 75,768,808	$ 77,024,209	$ 74,006,127	$ 64,598,460

Post GASB 54	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	50,375	-	5,444	-	2,883,058
Committed	2,031,765	2,723,125	3,560,200	3,923,015	1,725,254
Assigned	-	-	685,279	-	-
Unassigned	-	-	771,477	2,238,434	7,841,852
Total general fund	2,082,140	2,723,125	5,022,400	6,161,449	12,450,164
Housing Successor Agency					
Restricted	-	-	-	-	17,799,129
All Other Governmental Funds					
Nonspendable:	3,750	3,750	3,750	3,750	-
Restricted:					
Streets and Highways	3,228,623	3,564,388	3,315,085	3,902,507	4,886,148
Community and Economic Development	31,741,417	48,600	79,788	111,247	95,441
Debt service	7,876,763	-	-	-	-
Committed:					
Emergencies	678,872	487,585	378,013	498,231	-
Assigned:					
General Government	1,266,470	1,510,807	1,009,477	1,510,554	-
Public Safety	573,797	538,650	618,057	562,135	591,096
Streets and Highways	4,867,622	3,805,888	1,949,488	2,939,221	3,041,586
Culture and Leisure	1,096,918	937,095	663,896	1,166,786	767,184
Unassigned:					
Streets and Highways	(25,056)	(45,807)	(33,968)	(15,004)	(357,529)
Total all other governmental funds	51,309,176	10,850,956	7,983,586	10,679,427	9,023,926
Total all governmental funds	53,391,316	13,574,081	13,005,986	16,840,876	39,273,219

Source: City's financial statements

Note: During Fiscal Year 2011, the City of Norco adopted GASB Statement No. 54. This Statement changed the presentation of governmental fund type Fund Equity. The City complied with the requirements of the Statement, but chose not to retroactively apply the Statement in the Statisitical Section.

City of Norco
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Taxes	$ 22,896,670	$ 27,620,892	$ 27,970,964	$ 26,508,928	$ 23,745,417
Assessments	648,033	428,045	412,101	472,580	715,343
Licenses and permits	754,346	533,440	452,002	366,686	305,400
Fines and forfeitures	502,036	709,921	753,353	771,840	752,125
Development fees	905,912	1,166,958	527,656	315,694	76,448
Intergovernmental	4,451,260	2,923,419	4,772,323	3,018,500	6,924,847
Charges for services	2,326,672	2,252,724	2,317,287	2,451,917	1,718,494
Use of money and property	2,886,973	4,348,986	2,976,772	1,903,673	761,464
Reimbursements	6,574	-	-	-	2,438
Contributions from property owners	461,503	-	-	-	-
Gain on sale of land held for resale	-	106,723	-	-	-
Other	686,584	619,413	870,910	889,349	1,100,424
Total revenues	36,526,563	40,710,521	41,053,368	36,699,167	36,102,400
Expenditures					
Current:					
General government	2,406,997	2,327,377	2,394,908	3,907,426	3,722,351
Public Safety	9,869,667	10,825,459	11,544,491	11,701,361	11,161,258
Public Works	1,079,977	1,464,876	1,230,672	5,237,689	3,275,869
Community development	3,447,292	5,096,755	5,617,017	14,770,016	7,077,701
Culture and leisure	2,190,517	2,195,327	2,386,547	2,062,853	4,418,987
Pass through payments	5,405,502	5,965,252	7,000,593	7,147,710	8,132,776
ERAF payment	665,577	-	-	-	4,904,827
Capital outlay	5,343,724	7,694,237	5,322,329	1,283,183	-
Debt service:					
Principal	2,382,999	2,286,811	2,355,246	2,376,569	2,555,000
Interest	4,202,649	4,227,387	4,146,410	4,048,679	4,599,700
Advance refunding escrow	1,448,228	-	-	-	1,583,999
Bond issuance costs	627,555	-	-	425,240	509,660
Total expenditures	39,070,684	42,083,481	41,998,213	52,960,726	51,942,128
Excess(deficiency) of revenues over(under) expenditures	(2,544,121)	(1,372,960)	(944,845)	(16,261,559)	(15,839,728)
Other Financing Sources (Uses)					
Proceeds from the sale of property	-	300,659	978,948	-	-
Transfers in	5,881,144	7,363,720	6,441,043	10,307,179	9,964,964
Transfes out	(5,742,106)	(7,172,933)	(6,150,670)	(10,466,674)	(10,691,561)
Bond/Loan Proceeds	2,117,651	-	-	12,200,000	24,500,000
Capital leases	6,868	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	(20,156,216)
Other	-	-	-	(171,672)	(389,080)
Total other financing sources (uses)	2,263,557	491,446	1,269,321	11,868,833	3,228,107
Special Item					
Transter of assets to successor housing agency	-	-	-	-	-
Sale of donated assets	-	-	-	-	-
	-	-	-	-	-
Extraordinary Item					
Gain (Loss) on Redevelopment Agency Dissolution	-	-	-	-	-
Net change in fund balances	$ (280,564)	$ (881,514)	$ 324,476	$ (4,392,726)	$ (12,611,621)
Debt service as a percentage of noncapital expenditures	19.53%	18.94%	17.70%	13.53%	16.92%

Source: City's financial statements

continued

Fiscal Year				
2011	**2012**	**2013**	**2014**	**2015**
$ 23,956,185	$ 17,200,037	$ 11,174,643	$ 11,606,683	$ 12,536,053
735,159	752,370	738,771	769,133	801,315
347,242	505,630	528,236	518,126	556,985
331,897	410,926	363,652	408,066	439,590
20,675	20,500	158,983	23,571	270,977
5,395,191	2,651,672	3,590,364	6,185,123	1,910,287
1,777,039	1,520,149	1,620,822	2,889,825	2,641,613
448,674	469,871	554,081	526,069	539,448
58,115	101,061	79,114	115,286	13,281
-	5,122	-	-	-
-	-	-	-	-
754,977	632,339	1,300,567	51,368	196,275
33,825,154	24,269,677	20,109,233	23,093,250	19,905,824
2,962,270	3,258,192	3,442,691	3,719,499	3,828,322
9,937,526	9,225,606	8,389,746	8,314,657	8,807,419
6,730,303	3,475,972	6,244,862	4,305,486	2,628,850
9,456,808	1,754,664	582,154	830,309	790,798
2,776,861	1,987,381	2,107,965	2,217,201	2,548,736
8,413,267	3,929,764	-	-	-
1,009,817	-	-	-	-
-	-	-	-	-
1,945,000	-	-	-	-
4,857,722	2,526,471	-	-	-
-	-	-	-	-
-	-	-	-	-
48,089,574	26,158,050	20,767,418	19,387,152	18,604,125
(14,264,420)	(1,888,373)	(658,185)	3,706,098	1,301,699
-	-	-	-	-
7,869,352	4,085,718	854,830	871,061	355,571
(8,194,440)	(3,626,669)	(764,740)	(742,269)	(78,919)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(325,088)	459,049	90,090	128,792	276,652
-	-	-	-	17,767,484
-	-	-	-	3,086,508
-	-	-	-	20,853,992
-	(38,387,912)	-	-	-
$ (14,589,508)	$ (39,817,236)	$ (568,095)	$ 3,834,890	$ 22,432,343
18.44%	11.07%	0.00%	0.00%	0.00%

This page left blank intentionally.

City of Norco
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Year
(in thousands)

Fiscal Year Ended June 30,	Secured Property	Unsecured Property	Total Taxable Assessed Value	Total Direct Tax Rate
2006	2,177,618	95,436	2,273,054	1.00000%
2007	2,552,281	89,619	2,641,900	1.00000%
2008	2,797,733	112,741	2,910,474	1.00000%
2009	2,828,056	82,418	2,910,474	1.00000%
2010	2,504,075	79,381	2,583,456	1.00000%
2011	2,454,215	75,188	2,529,403	1.00000%
2012	2,450,112	94,059	2,544,171	1.00000%
2013	2,461,226	69,942	2,531,168	1.00000%
2014	2,552,367	67,135	2,619,502	1.00000%
2015	2,683,938	63,072	2,747,010	1.00000%

Source: California Municipal Statistics

City of Norco
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)

	City Direct Rates		Overlapping Rates	
Fiscal Year	Basic Rate	Total Direct	Corona/Norco Unified School District	Metro Water District
2006	1.00000%	1.00000%	0.01457%	0.00520%
2007	1.00000%	1.00000%	0.01072%	0.00470%
2008	1.00000%	1.00000%	0.03794%	0.00450%
2009	1.00000%	1.00000%	0.04105%	0.00430%
2010	1.00000%	1.00000%	0.04032%	0.00430%
2011	1.00000%	1.00000%	0.04524%	0.00370%
2012	1.00000%	1.00000%	0.06614%	0.00370%
2013	1.00000%	1.00000%	0.06543%	0.00350%
2014	1.00000%	1.00000%	0.06844%	0.00350%
2015	1.00000%	1.00000%	0.06473%	0.00350%

Source: Riverside County Office of Auditor-Controller

City of Norco
Principal Property Tax Payers
Current Year and Nine Years Ago

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Norco Corona Association	17,847,941	1	0.65%	16,801,974	1	0.74%
Yihua International Investment	14,916,544	2	0.54%			
H & H Properties	14,437,653	3	0.53%	10,349,414	5	0.46%
Target Corporation	13,080,142	4				
Winco Foods LLC	10,629,442	5	0.39%			
Rbe Norco Hidden Valley LLC	9,965,148	6	0.36%			
1900 Prop	9,812,421	7	0.36%			
Rexco Norco	8,779,418	8	0.32%			
Grayburn Prop Inc	8,711,000	9	0.32%	12,389,063	2	0.55%
140 Hidden Valley Parkway	7,805,000	10	0.28%			
Dayton Hudson Corporation				10,801,137	3	0.48%
Stewart Larry & Tammy				10,498,808	4	0.46%
East Hills Plaza LLC				10,000,000	6	0.44%
American Stores LLC				8,331,424	7	0.37%
Marketplace On Hamner				6,734,160	8	0.30%
Hemborg Robert Eugene & Linda				6,529,034	9	0.29%
Ducoing Brent & Ami				6,207,160	10	0.27%
	115,984,709		3.75%	98,642,174		4.34%

Source: Riverside County Assessor's Office and Hinderliter, De Llamas & Assoc.

This page left blank intentionally.

City of Norco
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 the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	1,148,464	1,142,877	99.5%	35,789	1,178,666	102.6%
2007	1,349,303	1,586,866	117.6%	53,828	1,640,694	121.6%
2008	1,409,820	1,470,638	104.3%	105,708	1,576,346	111.8%
2009	1,419,800	1,269,820	89.4%	170,270	1,440,090	101.4%
2010	1,153,651	1,123,852	97.4%	137,694	1,261,546	109.4%
2011	1,133,435	1,041,181	91.9%	99,532	1,140,713	100.6%
2012	1,124,323	1,038,464	92.4%	84,256	1,122,720	99.9%
2013	1,138,081	1,084,155	95.3%	73,428	1,157,583	101.7%
2014	1,178,361	1,156,997	98.2%	64,429	1,221,426	103.7%
2015	1,237,395	1,230,815	99.5%	57,555	1,288,370	104.1%

Source: Riverside County Office of Auditor-Controller

City of Norco
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

	Governmental Activities			Business-Type Activities		
Fiscal Year	**Capital Leases**	**Special Assessment Bonds**	**Term Loan Payable**	**Bonds**	**Capital Leases**	**Term Loan Payable**
2006	80	51,875	600	-	14,389	901
2007	62	50,550	389	-	13,965	835
2008	41	49,540	170	-	13,535	767
2009	17	48,320	-	39,000	1,153	696
2010	42	47,140	-	38,430	1,039	622
2011	39	46,045	-	37,825	921	545
2012	30	45,190	-	37,825	803	545
2013	20	44,260	-	36,560	676	379
2014	8	43,185	-	35,890	548	291
2015	-	42,050	-	35,190	416	569

Note: Details regarding the City's outstanding debt can be found in the notes to the City's financial statements.
1 U.S. Department of Commerce, Bureau of Economic Analysis for Riverside County
****** Personal income data not available. Unable to calculate the percentage

continued

Total Primary Government	Percentage of Personal Capita	Percentage of Assessed Valuation	Per Capita[1]
67,845	14%	2.98%	2,489
65,801	10%	2.49%	2,414
64,053	10%	2.20%	2,350
89,186	13%	3.06%	3,284
87,273	14%	3.38%	3,189
85,375	13%	3.38%	3,155
84,393	13%	3.32%	3,120
81,895	12%	3.24%	3,026
79,922	**	3.05%	3,007
78,225	**	2.85%	2,890

City of Norco
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

	General Bonded Debt Outstanding[1]						
Fiscal Year	General Obligation Bonds	RDA Bonds	Total	Debt Service Reserve	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita[2]
2006	-	-	-	-	-	0.00%	-
2007	-	-	-	-	-	0.00%	-
2008	-	-	-	-	-	0.00%	-
2009	-	-	-	-	-	0.00%	-
2010	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	0.00%	-

Note: Details regarding the City's outstanding debt can be found in the notes to the City's financial statements.
(1) The City has no general obligation bonded debt for last ten fiscal years.
(2) See population data in schedule of "Demographic and Economics Statistics".

City of Norco
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

2013-14 Assessed Valuation: $ 2,619,501,990

Direct and Overlapping Tax and Assessment Debt:	% Applicable (1)	Debt
Metropolitan Water District	0.120 %	$ 158,730
Riverside City Community College District	3.371	7,676,764
Alvord Unified School District	0.003	6,827
Corona-Norco Unified School District	9.577	24,907,141
City of Norco	100.000	0
City of Norco Community Facilities District No. 93-1	100.000	978,100
City of Norco Community Facilities District No. 97-1	100.000	5,940,000
City of Norco Community Facilities District No. 2001-1	100.000	34,890,000
City of Norco Community Facilities District No. 2002-1	100.000	1,376,484
Corona-Norco Unified School District Community Facilities District No. 88-1	9.706	51,927
Total Direct and Overlapping Tax and Assessment Debt		$ 75,985,973
Overlapping General Fund Obligation Debt:		
Riverside County General Fund Obligations	1.250 %	$ 8,822,498
Riverside County Pension Obligations	1.250	$ 4,181,438
Riverside County Board of Education Certificates of Participation	1.250	33,750
Alvord Unified School District Certificates of Participation	0.003	61
Corona-Norco Unified School District Certificates of Participation	9.577	2,670,068
Total Gross Overlapping General Fund Obligation Debt		$ 15,707,815
Less: Riverside County self-supporting obligations		126,278
Total Net Overlapping General Fund Obligation Debt		$ 15,581,537
Gross Combined Total Debt		$ 178,366,385 (2)
Net Combined Total Debt		$ 178,240,107

Ratios to Adjusted Assessed Valuation:	
Gross Combined Total Debt	6.81%
Net Combined Total Debt	6.80%

State School Building Aid Repayable as of 6/30/13: $ -

(1) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc.

City of Norco
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year			
	2006	**2007**	**2008**	**2009**
Debt limit	$ 396,285	$ 436,571	$ 436,571	$ 387,518
Total net debt applicable to limit (1)	-	-	-	-
Legal debt margin	$ 396,285	$ 436,571	$ 436,571	$ 387,518
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Source: City Finance Department
(1) The City has no general obligation bonded debt for last ten fiscal years.

continued

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 379,410	$ 381,626	$ 379,675	$ 392,925	$ 412,052	$ 412,052
-	-	-	-	-	-
$ 379,410	$ 381,626	$ 379,675	$ 392,925	$ 412,052	$ 412,052
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Assessed value	$ 2,747,010
Debt limit (15% of assessed value)	412,052
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 412,052

City of Norco
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

	Utility Revenue Bonds					
Fiscal Year	Utility Service Charges	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2006	9,532	8,402	1,130	185	410	1.90
2007	9,764	8,310	1,454	195	402	2.44
2008	9,929	8,094	1,835	200	393	3.09
2009	10,768	9,372	1,396	210	194	3.46
2010	10,878	9,430	1,448	570	2,064	0.55
2011	11,567	9,204	2,363	605	2,018	0.90
2012	14,360	11,239	3,121	620	1,996	1.19
2013	15,444	10,093	5,351	645	1,971	2.05
2014	15,355	10,492	4,863	670	1,945	1.86
2015	14,819	10,459	4,360	700	1,917	1.67

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Operating expenses do not include depreciation, or amortization expenses.
(2) The City is not liable for Special Assessment District or Community Facility District defaults; collections and remittances are accounted in an agency fund.
(3) The Bonds are limited obligation of the Successor Agency. The Dept of Finance approves the Recognized Obligation Payment Schedule, and the city receives payments from County of Orange.

(4) The Dept of Finance approves the Recognized Obligation Payment Schedule, and the city receives payments from County of Riverside beginning fiscal year 2012.

continued

Special Assessment Bonds[2]				Successor Agency Bonds [3]				
Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Redevelopment Property Tax		Debt Service Principal	Debt Service Interest	Coverage
3,702	600	2,924	1.05	12,587		2,185	4,088	2.01
3,429	1,325	1,968	1.04	14,605		2,075	4,178	2.34
3,691	1,010	2,362	1.09	15,838		2,135	4,112	2.54
4,201	1,220	2,314	1.19	15,497		2,205	4,032	2.48
3,858	1,180	2,261	1.12	14,624		2,555	4,600	2.04
3,422	1,095	2,209	1.04	14,128		1,945	4,858	2.08
3,314	855	2,166	1.10	7,084		2,150	2,526	1.51
3,217	930	2,131	1.05	7,592	(4)	2,240	4,927	1.06
3,161	1,386	2,011	0.93	7,001		2,335	4,823	0.98
3,307	1,134	1,977	1.06	6,781		2,205	3,537	1.18

City of Norco
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Estimated Population[1]	Personal Income (in thousands)[2]	Per Capita Personal Income[3]	School Enrollment[4]	Unemployment Rate[5]
2006	27,263	500,000	62,652	50,209	4.0
2007	27,263	672,000	81,182	51,885	4.6
2008	27,255	646,000	78,141	51,514	6.8
2009	27,160	677,000	86,777	52,396	12.3
2010	27,370	629,000	80,358	53,445	12.5
2011	27,060	648,000	79,279	53,101	12.0
2012	27,053	668,000	79,807	53,424	10.3
2013	27,063	685,794	81,359	53,522	8.8
2014	26,582	**	**	53,816	7.4
2015	27,063	**	**	53,618	5.6

Sources:
(1) State Department of Finance, Demographic Research Unit
(2) Estimated based on "Per Capita Personal Income".
(3) U.S. Department of Commerce, Bureau of Economic Analysisfor Riverside County
(4) Enrollment data for Corona Norco Unified School District obtained from the California State Department of Education.
(5) State Employment Development Department, Labor Market Information Division.

****** data not available

City of Norco
Principal Employers
Current Year and Nine Years Ago

	2015			2006		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment[1]**	**Employees**	**Rank**	**Percentage of Total City Employment[1]**
Corona-Norco Unified School District	4,932	1	41.10%	3,792	1	29.40%
Naval Surface Warfare Center	1,300	2	10.83%	850	3	6.59%
California Rehabilitation Center	1,128	3	9.40%	1,200	2	9.30%
Riverside Community College	420	4	3.50%	131	9	1.02%
Target Stores	183	5	1.53%	233	7	1.81%
Quick Crete Products Corp	155	6	1.29%	230	8	1.78%
International E-Z Up, Inc.	122	7	1.02%			
Hemborg Ford, Inc.	100	8	0.83%	131	10	1.02%
Keller Williams Realty	98	9	0.82%			
Avid Identification Sys, Inc.	97	10	0.81%			
HCI, Inc.				600	4	4.65%
Computer Science Corp (formerly DynCorp)				325	5	2.52%
Norco Ranch				289	6	2.24%
Total:	8,535		71.13%	7,781		60.32%

Source: Employment information obtained from State Employment Development Department, Labor Market Information Division.
Hinderliter, De Llamas & Assoc.

City of Norco
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30				
	2006	2007	2008	2009	2010
Function/Program					
General government					
Administration	3	2	2	1	1
City Clerk	3	3	3	3	3
Fiscal & Support Svcs.	15	15	15	13	13
Other	0	0	0	0	0
Public Safety					
Police (Civilian)	1	1	1	1	1
Fire	30	30	30	28	23
Code Enforcement	1	1	1	0	0
Animal Control	5	6	6	6	6
Public Works					
Maintenance	17	18	18	17	15
Culture and leisure					
Parks & Recreation	13	13	11	9	9
Community development					
Planning	4	5	5	3	3
Engineering	2	1	1	1	1
Building	9	8	8	5	3
Economic development	1	1	1	3	3
Total	104	104	102	90	81

Source: City's annual adopted budgets

continued

Full-time Equivalent Employees as of June 30				
2011	**2012**	**2013**	**2014**	**2015**
1	1	1	1	1
2	2	2	2	2
13	13	12	11	11
0	0	0	0	
1	1	1	1	1
20	0	0	0	0
0	1	0	1	1
4	4	4	3	3
16	14	15	15	14
7	7	7	8	8
2	2	2	2	2
1	1	1	1	2
2	2	2	2	2
1	0	0	0	0
70	48	47	47	47

City of Norco
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2006	2007	2008
Police			
UCR Crime index total	1,171	1,014	1,040
Traffic collisions	553	588	405
Traffic violations	3,591	7,046	9,278
Fire			
Total number of responses	1,958	1,987	2,002
Fires extinguished	95	115	96
Water			
Number of service connections	7,500	7,590	7,628
Average daily consumption (in mil. of gallons)	8.3	8.9	8.9
Max. daily (groundwater wells) capacity (in mil. of gallons)	8.6	8.8	8.8
Max. daily import capacity (in mil. of gallons)	11.5	11.6	11.6
Storage capacity (in mil. of gallons)	10.2	10.2	10.2
Sewer			
Number of sewer connections	6,526	6,576	6,626
Average daily treatment (in mil. of gallons)	1.8	1.9	1.9
Max.daily capacity of treatment plans (in mil. of gallons)	2.2	2.2	2.2

Source: Various City's departments

(1) 997 calls responded by Norco Fire Department (July to December 2011), and 999 responded by Cal-Fire (January to June 2012).

(2) 16 fires extinguished by Norco Fire Department (July to December 2011), and 44 extinguished by Cal-Fire (January to June 2012).

(3) 64 fires extinguished and 211 false fire alarms.

continued

2009	2010	2011	2012	2013	2014	2015
824	743	714	684	659	628	709
327	269	337	230	480	528	556
7,339	7,246	4,585	1,092	729	1,388	2,436
1,846	2,134	2,105	1,996 (1)	2,562	1,996	2,287
105	89	82	60 (2)	212	64 (3)	53
7,645	7,653	7,669	7,566	7,471	7,451	7,471
8.9	8.8	7.5	7.7	7.8	7.5	7.6
8.8	8.8	7.5	8.2	8.2	8.2	8.2
11.6	11.6	12.2	12.2	12.2	12.2	12.2
12.4	12.4	12.4	11.4	11.4	11.4	11.4
6,676	6,726	6,776	6,826	6,876	6,866	6,897
1.9	1.9	1.9	1.9	1.9	1.9	1.8
2.2	2.2	2.2	2.2	2.2	2.2	2.2

City of Norco
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2006	2007	2008	2009
Public safety				
Fire stations	2	2	2	2
Culture and leisure				
Parks	15	15	15	15
Park Acreage	167.5	167.5	167.5	167.5
Open Space Acreage	835.3	835.3	835.3	835.3
Tennis court	1	1	1	1
Skate court	1	0	0	0
Public swimming pool	1	1	1	1
Community center	1	1	1	1
Public playgrounds/Tot lots	8	9	9	9
Water				
Water mains (miles)	93.7	100.8	100.8	100.8
Fire hydrants	890	1,282	1,282	1,282
Sewer				
Sanitary sewers (miles)	85.3	91.3	91.3	91.3
Treatment plant	1	1	1	1

Source: Various City's departments

continued

Fiscal Year					
2010	2011	2012	2013	2014	2015
2	2	2	2	2	2
15	15	15	15	15	15
167.5	167.5	167.5	167.5	167.5	167.5
835.3	835.3	835.3	835.3	835.3	835.3
1	1	1	1	1	1
0	0	0	0	0	0
1	1	1	0	0	0
1	1	1	1	1	1
9	9	9	9	9	9
101.5	102.1	102.1	102.1	102.1	103.1
1,282	1,282	1282	1282	1282	1297
91.3	91.7	91.7	91.7	91.7	91.7
1	1	1	1	1	1