



**CITY OF NORCO
CITY COUNCIL REGULAR MEETING AGENDA**

**Wednesday, February 17, 2016
City Council Chambers, 2820 Clark Avenue, Norco, CA 92860**

**Kevin Bash, Mayor
Greg Newton, Mayor Pro Tem
Robin Grundmeyer, Council Member
Berwin Hanna, Council Member
Ted Hoffman, Council Member**

CALL TO ORDER: 6:00 p.m.

ROLL CALL

CLOSED SESSION:

The City Council will recess to Closed Session (Section 54954) to consider the following matters:

§54956.8 – Conference with Real Property Negotiators:

Property: APN 126-120-038

City Negotiator: City Manager Andy Okoro

Negotiating Party: Successor Agency to the Norco Community Redevelopment Agency

Under Negotiation: Price and conditions for acquisition of property

§54956.9(c) – Conference with Legal Counsel – Anticipated Litigation

One Case

RECONVENE PUBLIC SESSION: 7:00 p.m.

REPORT OF ACTION(S) TAKEN IN CLOSED SESSION - §54957.1: (City Attorney)

PLEDGE OF ALLEGIANCE: Council Member Robin Grundmeyer

INVOCATION

INTRODUCTION: Syed Raza, Caltrans Deputy District Director
Program Project Management

PRESENTATION: Rafat Abbasi, Senior Project Manager,
Department of Toxic Substances Control –
Update on the Former Wyle Labs Property

CITY COUNCIL BUSINESS ITEMS AS FOLLOWS:

1. CITY COUNCIL COMMUNICATIONS / REPORTS ON REGIONAL BOARDS AND COMMISSIONS:
2. CITY COUNCIL CONSENT ITEMS: *All items listed under the Consent Calendar are considered to be routine and may be enacted by one motion. Prior to the motion to consider any action by the Council, any public comments on any of the Consent Items will be heard. There will be no separate action unless members of the Council or the audience request specific items be removed from the Consent Calendar. Items removed from the Consent Calendar will be separately considered under Item No.3 of the Agenda.*
 - A. City Council Regular Meeting Minutes of February 3, 2016. **Recommended Action: Approve the City Council regular meeting minutes.** *(City Clerk)*
 - B. Procedural Step to Approve Ordinance after Reading of Title Only. **Recommended Action: Approval** *(City Clerk)*
 - C. Recap of Actions Taken by the Planning Commission at its Meeting Held on February 10, 2016. **Recommended Action: Receive and File.** *(Planning Director)*
 - D. Fiscal Year 2016 Second Quarter Budget Performance Report. **Recommended Action: Receive and File.** *(Finance Officer)*
 - E. Acceptance of Proposal and Award of Performance Services Contract for On-Call Street Maintenance Services. **Recommended Action: Accept the proposal submitted for performance services to provide Annual On-Call Street Maintenance, award a multi-year contract to Hardy & Harper, Inc. located in Santa Ana, California, and authorize the City Manager to execute the contract in the amount not to exceed \$100,000 annually.** *(Director of Public Works)*
 - F. Acceptance of Proposal and Award of Performance Services Contract for Traffic Signal Maintenance Services. **Recommended Action: Accept the proposal submitted for performance services to provide Annual Traffic Signal Maintenance Services, award a multi-year contract to Siemens Industry, Inc. located in Riverside, California, and authorize the City Manager to execute the contract in the amount not to exceed \$80,000 annually.** *(Director of Public Works)*
3. ITEM(S) PULLED FROM CITY COUNCIL CONSENT CALENDAR
4. PUBLIC COMMENTS: *This is the time when persons in the audience wishing to address the City Council regarding matters not on the agenda may speak. Please complete the speaker card in the back of the room and present it to the City Clerk so that you may be recognized.*

5. DISCUSSION / ACTION ITEMS:

A. Report on Fiscal Year 2015 Audited Financial Reports. (*Finance Officer*)

The City's independent auditors, White Nelson Diehl Evans, LLP, have completed the year-end annual independent audit of City funds and accounts for fiscal year 2014-2015. The City's annual financial reports were prepared in accordance with Generally Accepted Accounting Principles (GAAP) and comply with other rules and regulations applicable to government entities.

Recommended Action: Receive and File.

B. Approval of Mid-Year Amendments to the Fiscal Year 2015-2016 Annual Operating Budget. (*Finance Officer*)

The recommended mid-year budget revisions increase estimated General Fund revenues by a net amount of \$808,428 due to projected increases in various revenues categories. General Fund adopted expenditures are recommended to be increased by a net amount \$87,355 due to an increase in contracts, personnel request, El Niño related cleanup and expenditure offsets related to revenue increases. The mid-year budget amendment also includes recommended revenue and expenditure adjustments to Gas Tax, Water and Sewer Funds. The proposed mid-year adjustments also include a recommended personnel addition.

Recommended Action: Adopt Resolution No. 2016-07, approving various mid-year amendments to the Fiscal Year 2015-2016 annual Operating Budget and authorizing changes in appropriations and revenues thereto.

6. CITY COUNCIL / CITY MANAGER / STAFF COMMUNICATIONS:

ADJOURNMENT

In compliance with the Americans with Disabilities Act, any person with a disability who requires a modification or accommodation in order to participate in this meeting, please contact the City Clerk's office, (951) 270-5623, at least 48 hours prior to the meeting to make reasonable arrangements to ensure accessibility.

Staff reports are on file in the City Clerk's Office. Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be available for public inspection at the City Clerk's Counter in City Hall located at 2870 Clark Avenue during normal business hours.



**CITY OF NORCO
CITY COUNCIL REGULAR MEETING MINUTES**

**Wednesday, February 3, 2016
City Council Chambers, 2820 Clark Avenue, Norco, CA 92860**

CALL TO ORDER: 6:00 p.m.

ROLL CALL: Kevin Bash, Mayor, **Present**
Greg Newton, Mayor Pro Tem, **Present**
Robin Grundmeyer, Council Member, **Present**
Berwin Hanna, Council Member, **Present**
Ted Hoffman, Council Member, **Present**

The City Council will recess to Closed Session (Section 54954) to consider the following matter:

CLOSED SESSION:

§54956.9(c) – Conference with Legal Counsel – Anticipated Litigation
Two Cases

RECONVENE PUBLIC SESSION: 7:03 p.m.

REPORT OF ACTION(S) TAKEN IN CLOSED SESSION - §54957.1: (City Attorney)

City Attorney John Harper indicated that there was no reportable action on the first case item from Closed Session.

Carol Lew, Esq., Strandling Yocca Carlson & Rauth, reported on a resolution matter referencing a tax obligation from an IRS audit of a 2009 bond transaction. The City of Norco cooperated fully with the IRS audit, which questioned a bond proceed on an equestrian park; stating that it had nothing to do with public infrastructure, but the repayment obligation with Balboa Management. The audit has been resolved, requiring the City to make a payment of \$500,108; the bond remains tax exempt.

PLEDGE OF ALLEGIANCE: Mayor Pro Tem Greg Newton

INVOCATION: Youth Pastor Jeremy Williams, *Grace Fellowship Church*

PRESENTATION: Patricia Overstreet, *RURAL*

Mrs. Patricia Overstreet, on behalf of R.U.R.A.L., made a donation presentation to Deputy City Manager/Director of Parks and Recreation Brian Petree towards City of Norco programs, which included \$400 to the Norco Animal Shelter, \$400 for the Parade of Lights, and \$200 for Concerts in the Park.

AGENDA ITEM 2.A.

CITY COUNCIL BUSINESS ITEMS AS FOLLOWS:

1. CITY COUNCIL COMMUNICATIONS / REPORTS ON REGIONAL BOARDS AND COMMISSIONS:

Council Member Hanna:

- Council Member Hanna introduced Bill Vandyke, of Northwest Mosquito Abatement and Vector Control; Mr. Vandyke gave a presentation on the Zika Virus issue; noting how California is handling the issue, stating that it is similar to the West Nile Virus; described symptoms and potential causes in small children and newborns; cautioning pregnant women or those planning pregnancy from traveling to Central America; the Zika Virus is predominantly in Central America; currently CDC travel advisory is in place for travel to South/Central America. Mr. Vandyke referred everyone to Northwest Mosquito Abatement website for more information about Zika Virus, <http://www.northwestmvcd.org/Northwestmvcd/Zika.html>.
- Attended a CDC 2-day workshop in Palm Springs; a study will be in progress starting July 1st, to verify mileage driven on the public roads; 5,000 participants are needed state wide. www.californiaroadchargepilot.com
- Attended Riverside Transit Authority meeting, reporting that the ridership has risen in Riverside County.

Council Member Grundmeyer:

- Attended joint meeting between Council Member Hoffman, City Manager Okoro and City of Eastvale Council Members and staff to discuss mutual issues such as the bridge project, traffic, and other issues.
- Attended the Peewee Basketball Awards event.
- Attended the special presentation by Assemblyman Linder at the Norco Fire Station honoring retired Firefighter Barry Rezac.

Council Member Hoffman:

- Attended a Colorado River 2-day trip by invitation from the Western Municipal Water District, visiting the river aqua duct and area.

Mayor Pro Tem Newton:

- Attending a Chino Desalter meeting in a few days, in Ontario
- Made a presentation at a recent R.U.R.A.L. meeting on miscellaneous and capital projects; he thanked Deputy City Manager Petree for his assistance in preparing for the meeting.

Mayor Bash:

- Attended an UNLOAD meeting, commended the presentation done by Lt. Eric Briddick, on teen use of drugs and alcohol.
- Attending the 18th Annual UNITY Awards Luncheon on February 25
- Attended a WRCOG meeting, reporting on an internship program, to get youth involved in government; and will attend the Mayors' Meeting on Feb. 18th
- Attended a La Sierra meeting, discussions regarding a 2012 Riverside City Council Open Space Initiative which allows them to turn down projects.

- Announced that the Navy Base will be submitted to the National Historic Register.

2. CITY COUNCIL CONSENT ITEMS:

M/S HANNA/HOFFMAN to approve the items on the Consent Calendar as recommended. The motion was carried by the following roll call vote:

AYES: GRUNDMEYER, HANNA, HOFFMAN, NEWTON, BASH

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

- A. City Council Regular Meeting Minutes of January 20, 2016. **Action: Approved the City Council regular meeting minutes.** (City Clerk)
- B. Procedural Step to Approve Ordinance after Reading of Title Only. **Action: Approved** (City Clerk)

3. ITEM(S) PULLED FROM CITY COUNCIL CONSENT CALENDAR: **None**

4. PUBLIC COMMENTS:

Vince Showalter shared Code Enforcement issues that he had reported to the Enforcement Officer approximately one month ago, stating that the issues have not been corrected to date.

5. PUBLIC HEARINGS:

- A. **Entertainment Permit 2012-01, Modification 2** (Craig/Jansen): A request to modify Entertainment Permit 2012-01 to remove the annual renewal requirement of the permit. (*Planning Director*)

Planning Director King presented the staff report on file in the City Clerk's Office. He stated that this request is to modify an existing entertainment permit, originally approved in 2012. It had been modified once before to add additional events and conditioned to renew annually. Staff supports the request, noting that the applicant has followed all previous conditions of approval.

In response to Mayor Pro Tem Newton, Lt. Briddick stated that his department has met with the applicant to make sure all requirements are understood, adding that the applicant voluntarily concurred with the requests. He further confirmed that the Sheriff's Department has no concerns in removing the annual renewal condition.

In response to Council Member Hoffman, Director King explained that although the original plan was for a two-level restaurant, it was not required; the site plan was modified to remove a designated area for donkeys and replaced with landscaping; a type 47 ABC license allows for a restaurant to serve distilled beverages.

Mayor Bash opened the public hearing indicating that proper notification had been made and asked for the appearance of those wishing to speak. With no one wishing

to speak, Mayor Bash closed the public hearing bringing the discussion back to the Council Members.

M/S HANNA/BASH to adopt Resolution No. 2016-05, to approve Entertainment Permit 2012-01, Modification 2, to allow live entertainment at the Water Wheel Saloon and Restaurant located at 980 Sixth Street. The motion was carried by the following roll call vote:

AYES: GRUNDMEYER, HANNA, BASH
NOES: NEWTON, HOFFMAN
ABSENT: NONE
ABSTAIN: NONE

- B. **Tentative Tract Map 36717** (Dallape): A request to subdivide 26.69 gross acres into 32 parcels for single-family residential development on property located on the northeast side of River Road and south of Bluff Street in the A-1-20 zone (Assessor's Parcel Number 121-110-003). (*Planning Director*)

Planning Director King presented the staff report on file in the City Clerk's Office. He reviewed lot sizes, all lots will have a PAKA, storm drainage into the City's system; noting that the original ranch home will remain. He stated that Associate Engineer Sam Nelson worked with their Engineer to make sure the sewer system works at the best it can. All streets will be new, exit onto River Road, street improvements will be required for the length of area it feeds onto River Road. The equestrian trail is planned around the cul-de-sacs, and a second cul-de-sac trail is designed to go behind lots to connect at Ted Brooks Park which will then connect to the City's trail system. The Streets, Trails and Utilities Commission and the Planning Commission recommended that the City Council approves. He gave a correction for Condition 15, it should read "prior to sale of any residential home"; and asked that a condition be added regarding street improvements. Staff concurs with the Commissions and recommends approval.

Director King answered numerous questions from the Council, which included construction activities and how the time frame is enforced, the requirement of a Landscape Maintenance District (LMD), and PAKA locations on different lots.

Council Member Hanna asked that a bus turn-out be added, as other cities are doing so with new developments and RTA is looking at adding a route in the area. Director King stated he is confident it could be accommodated and that it will be done on the final map.

In response to Council Member Grundmeyer, Deputy City Manager Petree explained how the City maintains assessment districts, similar to an HOA.

Council Member Hoffman questioned the grading at ½ percent per 100 feet, asked for a guarantee that it will not affect neighboring properties; noted concerns with the cross drainage on lots 15, 16, 17 and 18, and concerned with PAKA locations on those lots; prefers vinyl fencing; further questioned the drainage and sewer plans, doesn't like it; and asked that a trail along River Road be added.

In response to Member Hoffman, Public Works Director Blais provided an overview on lift stations and its annual cost to maintain, adding that it gets upgraded every 10 years.

Mayor Pro Tem Newton supports the bus stop suggested; asked that compliance with the construction hours be strictly enforced, without warnings; asked that the traffic signal be fully paid for by the developer.

Associate Engineer Nelson explained the details of the sewer plan, how it will work, noting the research done on the ½ percent grade, and that the California water requirements, including water retention, had been met.

Mayor Bash noted his concern with the 10-foot wall planned against the Corona neighboring property lines, the cross drainage on the previously mentioned four properties, and the future cost of infrastructure. He inquired about an open area being used as a park, in response, Deputy City Manager Petree explained that staff had been discussed it but decided against a park based on its location and public safety issues. Mayor Bash also noted a planned reservoir above ground on north side of the properties, and asked why it wasn't planned underground. Public Works Blais explained that it had been planned many years ago and that the cost would be very high based on current available funding.

Mayor Bash opened the public hearing indicating that proper notification had been made and asked for the appearance of those wishing to speak.

Bill Naylor agreed with many concerns noted; he suggested resizing the lots that back up to the empty field.

Kristy Rossi, resident on Bluff Street, stated she supports the housing project, but is concerned with additional signals on River Road. She suggested the addition of an equestrian park.

Bud Thatcher, Thatcher Engineering, complimented the City staff for their hard work and assistance in developing the map to be the best it can be; noting his frustration on the many items brought up in discussion, as all items of concern were discussed, reviewed and worked on with staff for over a year. He stated that the map being presented tonight was developed to solve any potential future issues. Mr. Thatcher offered to verify the grade of the sewer system, have safe guards put in place for proper function, and camera-verified under his professional signature that it will be functional.

In response to Council Member Grundmeyer, City Attorney Harper stated that once the individual property is purchased, the property owner becomes responsible for the sewer section on the private property should anything go wrong in the future; the City is only responsible for the section on the its property.

In response to Council Member Hoffman's suggestion of an arena in a park setting, Deputy City Manager Petree reiterated why the City opposes a park in the back of the track, which includes no visibility from the street or access by the Sheriff Department which makes it a public safety issue.

Dan Hinson, Architect, suggested to procure the right-of-way on the trail, and offered to build the trails or provide funds for the City to do itself.

Mayor Bash closed the public hearing bringing the discussion back to the Council Members.

M/S HANNA/NEWTON to adopt Resolution No. 2016-06, to approve Tentative Tract Map 36717; adding the following conditions: a trail on the North side of lots 20 and 24 to connect to Ted Brooks Park; a turn-out for busses; a trail on both sides of "C" Street; require the Civil Engineer's signature on the sewer lines once set; and require vinyl trail fencing instead of tube steel. The motion was carried by the following roll call vote:

AYES: GRUNDMEYER, HANNA, HOFFMAN, NEWTON, BASH

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

Mayor Bash recessed the meeting at 9:47p.m. and reconvened the meeting at 9:57p.m.

6. APPEAL HEARING:

- A. **Conditional Use Permit 2015-35** (Sandoval): A request for approval to allow a detached accessory building consisting of a 1,152 square-foot Recreational Vehicle (RV) garage at 1593 Clydesdale Court located within the Norco Hills Specific Plan (NHSP) Amendment No.1(Ito Farms). (*Planning Director*)

Planning Director King presented the staff report on file in the City Clerk's Office. He explained that although an animal keeping area may be a concern, a Primary Animal Keeping Area (PAKA) is not required as per this specific plan; all design standards and all requirements are met; this project was approved by the Planning Commission on a 3-2 vote. He reviewed the three options the Council has to vote.

Council Member Hoffman stated that his appeal of this item is based on his concern of the lack of a PAKA on this property, which based on a recently approved code by Council, requires that all properties within the specific plan have an animal keeping area. He suggested that the animal keeping area issue for the specific plan be sent back to the Planning Commission for discussion and correction.

Mayor Pro Tem Newton questioned the lot coverage, noting that if the pool and coping were included it may be more than 40 percent.

Director King explained that the lots within this area of the NHSP were not designed for horse keeping, and further clarified that another ordinance was adopted which requires pools and coping to be included in lot coverage, but strictly in the A-1 Zone for lots without a PAKA, not in the NHSP or the Norco Ridge Ranch Specific Plan (NRRSP).

Council Members Grundmeyer and Hanna and Mayor Bash concurred with the Planning Commission's approval.

Mayor Bash opened the public hearing indicating that proper notification had been made and asked for the appearance of those wishing to speak.

Mike Garrison, property owner, didn't realize his project would cause issues; adding he cannot have horses, the RV garage will not restrict future residents from having horses, the lot is large enough. Mr. Garrison commended the staff for their assistance.

Mayor Bash closed the public hearing bringing the discussion back to the Council Members.

M/S HOFFMAN/BASH to uphold the Planning Commission's approval of Conditional Use Permit 2015-35, as approved. The motion was carried by the following roll call vote:

AYES: GRUNDMEYER, HANNA, HOFFMAN, NEWTON, BASH

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

7. CITY COUNCIL / CITY MANAGER / STAFF COMMUNICATIONS:

City Manager Okoro reported on a fire incident occurring earlier this evening at the 2700 block of Sierra Avenue; it was reported to him that only one minor injury was sustained by a civilian/resident; the call was received at 6:11 p.m., six engines and a Battalion Chief responded.

Council Member Hoffman:

M/S Hoffman/Bash to agendize a discussion to review lot coverage in the Norco Hills Specific Plan and other areas of the City not currently covered.

AYES: GRUNDMEYER, HANNA, HOFFMAN, NEWTON, BASH

Mayor Pro Tem Newton asked staff for a status report on the items brought up during public comments.

Mayor Bash announced that Corinne Holder was appointed to the GG Board with the Corona-Norco Unified School District; asked staff for updates on the Crestlawn issue and the Ingalls Memorial landscape area.

ADJOURNMENT: Mayor Bash adjourned the meeting at **10:18pm**

Diane Germain
Deputy City Clerk



RECAP OF ACTIONS TAKEN
CITY OF NORCO
PLANNING COMMISSION
CITY COUNCIL CHAMBERS – 2820 CLARK AVENUE
REGULAR MEETING
February 10, 2016

CALL TO ORDER: **7:00 p.m.**

ROLL CALL: **Vice-Chair Leonard, Commission Members Azevedo and Jaffarian; Chair Hedges and Commission Member Rigler absent**

STAFF PRESENT: **Planning Director King, Senior Planner Robles and Deputy City Clerk Germain**

PLEDGE OF ALLEGIANCE: **Vice Chair Leonard**

1. APPEAL NOTICE: **Read by Director King**

2. PUBLIC COMMENTS: **None**

3. APPROVAL OF MINUTES:

❖ Minutes of Special Meeting/Study Session of December 14, 2015

❖ Regular Meeting of January 13, 2016;

Recommended Action: Approval (Deputy City Clerk): **Approved 3-0-2**

4. CONTINUED PUBLIC HEARING:

A. **Conditional Use Permit 2014-10/Variance 2014-05** (Swaminarayan Gurukul-USA/Patolia): A request for approval to allow the development of a temple and cultural center on a vacant parcel (APN 130-240-031) located on the west side of Norconian Drive, between Norco Drive and Fifth Street, within the A-1-20 (Agricultural Low Density) Zone. A variance is being requested from the maximum allowed height of 35 feet to allow a building dome height of about 46 feet. Recommended Action: Continued item/ Deny Variance and Continue CUP (Senior Planner)

Action: Continued to the meeting of March 9, 2016

5. PUBLIC HEARINGS:

A. **Conditional Use Permit 2015-39** (Smith): A request for approval to allow a detached accessory building consisting of a 1,120 square-foot garage/storage building at 4157 Sundance lane located within the A-1-20 (Agricultural Low Density) Zone. Recommended Action: Approval (Senior Planner)

Action: Approved 3-0-2; this action is final unless appealed to the City Council within 10 calendar days.

Agenda Item: 2.C.

- B. **Conditional Use Permit 2015-40** (Sandoval): A request for approval to allow a detached accessory building consisting of a 1,750 square-foot barn/storage building at 219 Gulfstream Lane located within the A-1-20 (Agricultural Low Density) Zone. Recommended Action: Approval (Senior Planner)
Action: Continued 3-0-2 to the meeting of March 9, 2016

 - C. **Conditional Use Permit 2014-33** (Core/Verizon Wireless): A request for approval to allow the installation of an unmanned wireless telecommunication facility at 3659 Corona Avenue located within the A-1-20 (Agricultural Low Density) Zone. Recommended Action: Approval (Senior Planner)
Action: Continued to the meeting of March 9, 2016 due to lack of quorum because Vice Chair Leonard had to refrain from voting since he was the contractor who built the church building on the project site.
6. BUSINESS ITEMS:
- A. **Site Plan 2015-26** (Delgado): A request for approval to allow a detached accessory building consisting of a 400 square-foot BBQ pavilion at 269 Haflinger Road located within the Norco Ridge Ranch Specific Plan (NRRSP). Recommended Action: Approval (Senior Planner)
Action: Approved 3-0-2; this action is final unless appealed to the City Council within 10 calendar days.

 - B. **Site Plan 2015-27** (Carson): A request for approval to allow a detached accessory building consisting of a 847 square-foot barn at 3402 Vandermolen Drive located within the Norco Ridge Ranch Specific Plan (NRRSP). Recommended Action: Approval (Senior Planner)
Action: Approved 2-1-2; this action is final unless appealed to the City Council within 10 calendar days.

 - C. **Site Plan 2015-28** (Terry): A request for approval to allow a detached accessory building consisting of a 720 square-foot storage building at 1960 Laredo Lane located within the A-1-20 (Agricultural Low Density) Zone. Recommended Action: Approval (Senior Planner)
Action: Approved 3-0-2; this action is final unless appealed to the City Council within 10 calendar days.
7. DISCUSSION ITEM:
- A. Massing of Accessory Buildings (Planning Director)
Action: Continued 3-0-2 to the meeting of March 9, 2016 to allow all Commissioners to be present for the discussion

8. CITY COUNCIL MINUTES: **Received and Filed**

- City Council Regular Meeting of December 2, 2015
- City Council Regular Meeting of December 16, 2015
- City Council Special Meeting of January 6, 2016
- City Council Regular Meeting of January 20, 2016

9. PLANNING COMMISSION:

- A. Oral Reports from Various Committees: **Commission Member Jaffarian reported on the progress of the Norco Egg Ranch Development Subcommittee**
- B. Request for Items on Future Agenda (within the purview of the Commission):
None

10. ADJOURNMENT: **8:00 p.m.**

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Gina Schuchard, Finance Officer

DATE: February 17, 2016

SUBJECT: Fiscal Year 2016 Second Quarter Budget Performance Report

RECOMMENDATION: Staff recommends that the City Council receive and file the Fiscal Year 2016 second quarter budget performance report.

SUMMARY: One of the Department's annual goals is to timely inform the City Council on actual operating budget results relative to the annual adopted budget. This report provides information on how actual results through December 31, 2015 compare to the adopted budget. Any significant variances identified as a result of reviewing/analyzing the budget performance through December 31, 2015 have been recommended as a mid-year budget amendment. This report also provides budget to actual information on the City's five Landscape Maintenance Districts.

BACKGROUND/ANALYSIS: As part of revenue and expenditure reporting and monitoring program, staff has provided the City Council with quarterly budget performance reports since Fiscal Year 2004. This report provides information as of the second quarter ended December 31, 2015. As a result of timing differences, the first six months of actual recorded data may not serve as accurate prediction of what the year-end numbers are likely to be at June 30, 2016. For example, traditionally the majority of Property Taxes, Sales Taxes and Franchise Fees are received during the second half of the fiscal year. With this in mind, these numbers have been analyzed in conjunction with other historic and currently available data through the first week of February 2016 in order to identify material variances with the adopted budget.

Attachment 1 provides a summary of revenues and expenditures for each operating fund through December 31, 2015.

General Fund Revenues

Including the effects of timing differences, the following variances have been identified between adopted budget and actual results through December 31, 2015. These variances are being incorporated as part of the mid-year budget amendments.

- **Property Tax:** The low percentage of property tax revenue received as of December 31, 2015 is due to the uneven distribution of property tax receipts during the fiscal year. The bulk of property tax revenues are received in the months of January and May of each year. Based on the most recent assessed value and receipt information from the County, it is anticipated that actual property tax receipts will be higher by year-end but offset by a decrease in anticipated pass-through monies allocated to the City from former RDA tax increment. Appropriate budget adjustment has been recommended.
- **Sales Tax:** There is usually a time lag between when sales transactions occur and the time the state receives payment from retailers and then sends payments to local governments. Additionally, 25% of total projected sales tax revenues are received over two installments in January and June. Based on actual sales tax receipts through the first week of February 2016 and the final determination of the true-up payment from the Triple Flip, sales tax revenue for the year will exceed the adopted budget estimates. Appropriate adjustments have been included in the mid-year budget amendment.
- **Motor Vehicle In-Lieu Fees (MVLFF):** In 2004, the Legislature permanently reduced the VLF tax rate and eliminated state general fund backfill to cities and counties. Instead, cities and counties now receive additional transfers of property tax revenues in lieu of VLF. Annually, the half of the first installment of the replacement property tax is received during the first week of February 2016. Based on the amount of the first installment receipt, MVLFF actual receipts is expected to be higher than budget. Appropriate adjustment has been recommended for mid-year budget adjustment.
- **Other Taxes:** The other taxes category includes public safety sales tax, property transfer tax, bed tax and business license tax. Total revenue for this category is tracking slightly ahead of budget due to better than anticipated performance in Transient Occupancy Tax ; improvement in the collection of business license tax and higher property transfer tax. Recommended adjustments have been included in the mid-year budget amendment report.
- **Franchise Fees:** Significant amount of the revenues in this category are from electric and gas franchises fees which are received once a year. The City is yet to receive any payment for electric or gas franchise fees. Refuse franchise revenues are received monthly while cable TV franchises are received quarterly. The mid-year budget amendment report includes an adjustment in the Refuse Franchise Fees due to better than anticipated trends as compared to budget.
- **Fines and Penalties:** This revenue category includes vehicle code fines, parking citations and vehicle impound fees. Based on actual receipts through December 31, 2015, this revenue category is performing better than the anticipated budget

numbers due to continuing traffic enforcement. Appropriate adjustment is being incorporated into the mid-year budget adjustments.

- **Community Development Fees:** Planning, building and engineering revenues are tracking ahead of budget due to an increase in planning and building activities. Appropriate adjustment is being incorporated into the mid-year budget adjustments.
- **Community Services/Recreation:** Community services revenues are tracking slightly higher due to an increase in anticipated dance class revenue. This is offset by decreased participation in the Wee People Program. Consequently, a slight increase in revenue estimates is being proposed as part of the mid-year budget adjustments.

General Fund Expenditures

Overall General Fund expenditures are tracking to the adopted budget. As shown on attachment A, expenditures in the Sheriff's and Fire Departments are below budget as of December 31, 2015 because County billing for contract services usually lag behind by at least 45 days for police services and three months for fire services. Cal Fire costs are billed and paid on a quarterly basis. Through December 31, 2015, the City has only paid for Cal Fire costs incurred through September 30, 2015.

Water and Sewer Funds Revenues and Expenditures

Based on recorded data to date, Water Fund revenues are tracking below budget due to on-going conservation required by the State of California. The approved water rate increase has been implemented as of January 20th. No adjustment in estimated year-end revenue is being recommended at this time.

Water Fund and Sewer expenditures include a one-time payment regarding the closing agreement with the IRS. Appropriate adjustment is being incorporated into the mid-year budget adjustments. All other expenditures are tracking according to the approved expenditure budget. However, expenditures can be volatile due to purchased water costs which can change rapidly due to changes in consumption. Similarly, revenues can also change quickly due to changes in weather conditions which affects consumption. Appropriate adjustment is being incorporated into the mid-year budget adjustments.

Sewer Fund revenues are more predictable due the fact that most rate payers pay the fixed monthly sewer charge. Through December 31, 2015, actual Sewer Fund revenues and expenditures are tracking according to the approved budget.

Other City Funds

This second quarter report also provides summary information on CDBG, Gas Tax, NPDES and Miscellaneous Grant Funds. The lower than anticipated receipt in the Gas

Tax Fund is due to delay by the state in making payments. The City has received only four months allocation as of December 31, 2015. In late January, the City received revised gas tax revenue estimates from the state indicating that projected receipts will exceed the amount in the adopted budget. This revision is being included as part of the mid-year budget revisions. NPDES expenditures are tracking to budget. The lower than anticipated revenue received through December for the NPDES Fund is due to the timing of property tax payments from the County.

Landscape Maintenance Districts

Through meetings and other discussions with residents of Landscape Maintenance Districts (LMDs) in 2012, it was agreed between staff and residents that quarterly budget to actual reports on the LMDs would help residents to better understand how LMD assessment receipts are expended. Attachment 2 provides a budget to actual comparison of each district's revenues and expenditures through December 31, 2015. The quarterly budget to actual report is also intended to assist staff to better monitor and control costs to ensure expenditures are within amounts approved and levied to homeowners.

As of December 31, 2015, no revenues have been received for any of the districts. The first installment of the assessments was received during the first week of February 2015. Based on the amounts received for the first installment for each of the districts, staff believes that budgeted revenue numbers would be achieved by the end of the fiscal year. Actual expenditure amounts shown for each district represent costs that have been paid through December 31, 2015. These costs are typically lower than actual costs incurred due to the time lag between when services are provided by contractors and the time their invoices are submitted and paid. It is to be noted that District Number 2 is not generating enough revenues to cover its costs. Consequently, staff will continue to look for ways to balance expenditures with available revenue.

FISCAL IMPACT: This report is informational. Budget changes identified as a result of the second quarter budget to actual review are being included in the mid-year budget amendment staff report.

Attachment: Attachment 1 - Budget and Actual Comparative Analysis
Attachment 2 - Budget to Actual LMDs

City of Norco
Budget to Actual Report
Second Quarter Budget Performance Ending December 31, 2015

General Fund	Adopted Budget	Amended Budget	Year to Date Actual	Remaining Budget	%
					Achieved
REVENUES					
Property Taxes	\$ 1,665,491	\$ 1,665,491	\$ 418,120	\$ 1,247,371	25%
Sales Taxes	5,948,846	5,948,846	1,604,956	4,343,890	27%
Motor Vehicle License Fees	2,138,532	2,138,532	-	2,138,532	0%
Other Taxes	1,061,055	1,061,055	553,739	507,316	52%
Franchise Fees	1,295,445	1,295,445	353,628	941,817	27%
Intergovernmental	33,000	33,000	39,309	(6,309)	N/A
Fines and Penalties	121,150	121,150	85,103	36,047	70%
Interest/Lease Income	484,346	484,346	293,013	191,333	60%
Community Development Fees	508,332	508,332	446,045	62,287	88%
Community Services/Recreation	679,581	679,581	323,851	355,730	48%
Other Revenues	1,127,882	1,127,882	702,454	425,428	62%
Administrative Overhead/Operating Transfer	1,395,149	1,394,651	692,326	702,325	50%
Total Revenues	\$ 16,458,809	\$ 16,458,311	\$ 5,512,543	\$ 10,945,768	33%
EXPENDITURES					
City Council	\$ 104,930	\$ 104,930	\$ 50,028	\$ 54,902	48%
City Attorney	230,000	230,000	107,245	122,755	47%
City Clerk	309,259	309,259	123,896	185,363	40%
City Manager	257,489	257,489	125,592	131,897	49%
Economic Development	157,536	287,382	182,131	105,251	63%
Code Enforcement	89,204	89,204	30,420	58,784	34%
Recreation	637,995	637,995	319,665	318,330	50%
Special Events	64,203	64,203	21,034	43,169	33%
Youth & Teen	318,418	318,418	81,405	237,013	26%
Park Maintenance	528,336	528,336	186,666	341,670	35%
Senior Citizens	167,865	168,229	90,318	77,911	54%
Public Buildings	754,682	754,682	382,498	372,184	51%
Animal Control	595,963	595,963	280,624	315,339	47%
Community Development	342,629	342,629	168,236	174,393	49%
Building & Safety	257,900	257,900	113,640	144,260	44%
Engineering	176,968	278,969	124,926	154,043	45%
Inspection	36,536	36,536	16,339	20,197	45%
Parkway Maintenance	70,161	70,161	27,795	42,366	40%
CAL Fire	3,752,477	3,752,477	832,369	2,920,108	22%
Norco Animal Rescue Team	1,500	1,500	-	1,500	0%
Sheriff	5,007,415	5,007,415	1,728,693	3,278,722	35%
Citizens on Patrol	14,651	14,651	11,901	2,750	81%
Crossing Guards	39,344	39,344	10,398	28,946	26%
Fiscal & Support Services	657,161	657,161	291,941	365,220	44%
Non-Departmental	1,884,504	1,904,504	837,946	1,066,558	44%
Total Expenditures	\$ 16,457,126	\$ 16,709,337	\$ 6,145,706	\$ 10,563,631	37%
Revenues Over (Under) Expenditures	1,683	(251,026)	(633,163)		

City of Norco
Other Funds Budget to Actual Report
Second Quarter Budget Performance Ending December 31, 2015

Fund Description	Adopted Budget	Amended Budget	Year to Date Actual	Remaining Budget	%
					Achieved
<u>CDBG</u>					
Revenues	149,497	82,159	-	82,159	0%
Expenditures	149,497	82,159	-	82,159	0%
Revenues Over (Under) Expenditures	-	-	-		
<u>WATER FUND</u>					
Revenues	9,664,902	9,664,902	3,697,362	5,967,540	38%
Expenses	10,083,154	10,163,004	3,907,333	6,255,671	38%
Net profit (loss)	(418,252)	(498,102)	(209,971)		
<u>SEWER FUND</u>					
Revenues	6,515,761	6,515,761	3,027,979	3,487,782	46%
Expenses	6,039,530	6,119,380	2,517,695	3,601,685	41%
Net profit (loss)	476,231	396,381	510,284		
<u>GAS TAX</u>					
Revenues	586,552	586,552	278,080	308,472	47%
Expenditures	733,712	760,412	274,358	486,054	36%
Revenues Over (Under) Expenditures	(147,160)	(173,860)	3,722		
<u>NPDES FUND</u>					
Revenues	140,000	140,000	24,998	115,002	18%
Expenditures	158,689	158,689	54,668	104,021	34%
Revenues Over (Under) Expenditures	(18,689)	(18,689)	(29,670)		
<u>MISCELLANEOUS GRANTS</u>					
Revenues	160,365	164,877	68,175	96,702	41%
Expenditures	160,364	164,512	69,967	94,545	43%
Revenues Over (Under) Expenditures	1	365	(1,792)		

City of Norco, California
Landscape Maintenance District Revenues & Expenses
Second Quarter Budget Performance Ending December 31, 2015

<u>Landscape Maintenance District #1</u>	<u>FY 2016 Amended Budget</u>	<u>Actuals at December 31, 2015</u>
Revenues:		
LMD #1 Assessments	\$ 11,670	\$ -
Interest	-	8
Miscellaneous	-	29
Total Revenues	<u>\$ 11,670</u>	<u>\$ 37</u>
Operating Expenses:		
Observation	\$ 2,086	\$ 915
Water Charges	3,570	1,086
Electricity Charges	180	-
Telephone Charges	189	99
Landscape Maintenance	2,640	708
Contractual	1,400	415
Administrative Overhead	586	292
Admin Fees-Property Taxes	170	-
Operating Contingency	658	-
Total Operating Expenditures	<u>\$ 11,479</u>	<u>\$ 3,515</u>
Revenues Over (Under) Expenses	<u>\$ 191</u>	<u>\$ (3,478)</u>

City of Norco, California
Landscape Maintenance District Revenues & Expenses
Second Quarter Budget Performance Ending December 31, 2015

<u>Landscape Maintenance District #2</u>	<u>FY 2016 Amended Budget</u>	<u>Actuals at December 31, 2015</u>
Revenues:		
LMD # 2 Assessments	\$ 132,091	\$ -
Interest	-	(14)
Miscellaneous	-	2,593
 Total Revenues	 <u>\$ 132,091</u>	 <u>\$ 2,579</u>
Operating Expenses:		
Observation	\$ 10,428	\$ 4,577
Trail Maintenance	5,000	13,703
Water Charges	48,930	25,273
Electricity Charges	5,985	2,997
Telephone Charges	227	91
Landscape Maintenance	44,342	10,089
Wet Lands Area	500	-
Park Maintenance	5,995	-
Contractual	2,500	1,366
Administrative Overhead	7,942	3,970
Admin Fees-Property Taxes	242	-
 Total Operating Expenditures	 <u>\$ 132,091</u>	 <u>\$ 62,066</u>
 Revenues Over (Under) Expenses	 <u><u>\$ -</u></u>	 <u><u>\$ (59,487)</u></u>

City of Norco, California
Landscape Maintenance District Revenues & Expenses
Second Quarter Budget Performance Ending December 31, 2015

<u>Landscape Maintenance District #3</u>	<u>FY 2016 Amended Budget</u>	<u>Actuals at December 31, 2015</u>
Revenues:		
LMD # 3 Assessments	\$ 86,306	\$ -
Interest	-	29
Miscellaneous	-	156
Total Revenues	<u>\$ 86,306</u>	<u>\$ 185</u>
Expenditures:		
Observation	\$ 8,345	\$ 3,661
Trail Maintenance	5,802	3,443
Water Charges	31,500	16,024
Electricity Charges	1,890	659
Telephone Charges	63	25
Landscape Maintenance	28,174	7,239
Contractual	2,500	373
Administrative Overhead	5,068	2,536
Admin Fees-Property Taxes	266	-
Operating Contingency	1,349	-
Total Operating Expenditures	<u>\$ 84,957</u>	<u>\$ 33,960</u>
Revenues Over (Under) Expenses	<u>\$ 1,349</u>	<u>\$ (33,775)</u>

City of Norco, California
Landscape Maintenance District Revenues & Expenses
Second Quarter Budget Performance Ending December 31, 2015

<u>Landscape Maintenance District #4</u>	<u>FY 2016 Amended Budget</u>	<u>Actuals at December 31, 2015</u>
Revenues:		
LMD # 4 Assessments	\$ 492,422	\$ -
Interest Income	-	251
Miscellaneous	-	2,814
Total Revenues	<u>\$ 492,422</u>	<u>\$ 3,065</u>
Expenditures:		
Observation	\$ 14,602	\$ 6,408
Trail Maintenance	72,828	27,773
Tree Replacement	5,000	-
Water Charges	78,750	41,197
Electricity Charges	55,000	3,884
Telephone Charges	717	301
Landscape Maintenance	119,800	41,056
Natural Open Space	11,000	-
Wet Lands Area	5,000	-
Contractual	3,600	1,584
Administrative Overhead	30,724	15,364
Admin Fees-Property Taxes	401	-
Operating Contingency		
Trail Fence Replacement	240,008	4,681
Storm Sewer Lines	20,000	-
Total Operating Expenditures	<u>\$ 657,430</u>	<u>\$ 142,248</u>
Revenues Over (Under) Expenses	<u>\$ (165,008)</u>	<u>\$ (139,183)</u>

City of Norco, California
Landscape Maintenance District Revenues & Expenses
Second Quarter Budget Performance Ending December 31, 2015

<u>Landscape Maintenance District #5</u>	<u>FY 2016 Amended Budget</u>	<u>Actuals at December 31, 2015</u>
Revenues:		
LMD # 5 Assessments	\$ 59,931	\$ -
Interest	-	44
Miscellaneous	-	114
Total Revenues	<u>\$ 59,931</u>	<u>\$ 158</u>
Expenditures:		
Observation	6,257	2,715
Trail Maintenance	7,368	2,440
Water Charges	8,000	2,984
Electricity Charges	390	-
Telephone Charges	66	28
Landscape Maintenance	29,168	3,813
Contractual	2,500	394
Administrative Overhead	2,956	1,511
Admin Fees-Property Taxes	243	-
Operating Contingency	2,362	-
Total Operating Expenditures	<u>\$ 59,310</u>	<u>\$ 13,885</u>
Revenues Over (Under) Expenses	<u><u>\$ 621</u></u>	<u><u>\$ (13,727)</u></u>

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Chad Blais, Director of Public Works

DATE: February 17, 2016

SUBJECT: Acceptance of Proposal and Award of Performance Services Contract for On-Call Street Maintenance Services

RECOMMENDATION: Accept the proposal submitted for performance services to provide Annual On-Call Street Maintenance, award a multi-year contract to Hardy & Harper, Inc. located in Santa Ana, California, and authorize the City Manager to execute the contract in the amount not to exceed \$100,000 annually.

SUMMARY: A Request for Proposal (RFP) was opened on January 5, 2016 with three bidders submitting proposals - Hardy & Harper, Inc., Caliber Paving Company, Inc., and DM Contracting Inc. Each of the bidders were interviewed, evaluated, and rated to determine the best qualified contractor to meet the City's needs. Hardy & Harper, Inc. was rated as the most qualified contractor and staff is recommending a multi-year, on-call street maintenance services contract (ending June 30, 2019) be awarded to Hardy & Harper, Inc. in the amount not-to-exceed \$100,000 annually.

BACKGROUND/ANALYSIS: Staff completed a Request for Proposal (RFP) for bidding purposes and on January 5, 2016, three (3) proposals were received. The contract calls for furnishing, on an "as needed" basis, all labor, materials, tools, equipment, appurtenances and incidentals for saw cutting, grinding, removal & replacement of various Portland cement concrete including: sidewalk, curb, gutter, cross gutter, driveways, handicapped ramps, etc. Work shall also include removal and replacement of asphalt concrete, aggregate base, minor asphalt repairs, reconstruction, overlaying, slurry and sealing of A.C. streets and raising manholes and valve cans to grade.

Hardy & Harper, Inc. is located at 1312 E. Warner Avenue in Santa Ana, California and has been providing city street maintenance services for 32 years. Hardy & Harper, Inc. has previously been awarded the annual on-call street maintenance contract in the City of Norco.

The draft contract included in the RFP proposed a two-year contract with an optional one-year extension. However, staff was able to negotiate a better unit cost than proposed by the contractor in exchange for a longer fixed-term contract, which fiscally benefits the City. Therefore, the proposed contract has been amended accordingly. Staff is requesting that the City Council accept the proposal, award a multi-year contract to Hardy & Harper, Inc., and authorize the City Manager to execute the multi-year contract ending June 30, 2019.

AGENDA ITEM: 2.E.

On-Call Street Maintenance Contract

Page 2

February 17, 2016

FINANCIAL IMPACT: The proposed service maintenance agreement will be funded from Gas Tax Street Operations Fund 133; Measure A Capital Improvement Fund 137; and Water Fund 124 depending the type of services provided.

Attachment: Agreement

CITY OF NORCO
ANNUAL ON-CALL STREET MAINTENANCE PROGRAM
AGREEMENT

1. Parties and Date.

This Agreement is made and entered into this **17th day of February, 2016** by and between the **City of Norco**, a municipal corporation of the State of California, located at 2870 Clark Avenue, Norco, California 92860, County of Riverside, State of California, (hereinafter referred to as "City") and **Hardy & Harper, Inc.**, a corporation with its principal place of business at 1312 East Warner Ave., Santa Ana, CA 92705 (hereinafter referred to as "Contractor"). City and Contractor are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

2. Recitals.

2.1 Contractor.

Contractor desires to perform and assume responsibility for the provision of certain maintenance services required by the City on the terms and conditions set forth in this Agreement. Contractor represents that it is experienced in providing street and alley maintenance services to public clients, that it and its employees or subcontractors have all necessary licenses and permits to perform the Services in the State of California, and that is familiar with the plans of the City.

2.2 Project.

Contractor desires to engage Contractor to render such services for the Annual Street Maintenance Project ("Project") as set forth in this Agreement.

3. Terms.

3.1 Scope of Services and Term.

3.1.1 General Scope of Services. Contractor promises and agrees to furnish to the City all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the street and alley maintenance services on an as-needed basis necessary for the Project ("Services"). The Services are more particularly described in Exhibit A attached hereto and incorporated herein by reference. All Services shall be subject to, and performed in accordance with this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

3.1.2 Term. The terms of this Agreement shall be from February 17, 2016 to June 30, 2019, unless earlier terminated as provided herein. Contractor shall complete the Services within the term of this Agreement, and shall meet any other established schedules and deadlines.

3.2 Responsibilities of Contractor.

3.2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Contractor or under its supervision. Contractor will determine

the means, methods and details of performing the Services subject to the requirements of this Agreement. City retains Contractor on an independent contractor basis and not as an employee. Contractor retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Contractor shall also not be employees of City and shall at all times be under Contractor's exclusive direction and control. Contractor shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Contractor shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.2.2 Schedule of Services. Contractor shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the Schedule of Services set forth in Exhibit B attached hereto and incorporated herein by reference. Contractor represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Contractor's conformance with the Schedule, City shall respond to Contractor's submittals in a timely manner. Upon request of City, Contractor shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

3.2.3 Conformance to Applicable Requirements. All work prepared by Contractor shall be subject to the approval of City.

3.2.4 City's Representative. The City hereby designates the Director of Public Works, or his designee, to act as its representative for the performance of this Agreement ("City's Representative"). City's Representative shall have the power to act on behalf of the City for all purposes under this Agreement. Contractor shall not accept direction or orders from any person other than the City's Representative or his or her designee.

3.2.5 Contractor's Representative. Contractor hereby designates Steve Kirchner – Vice President, or his designee, to act as its representative for the performance of this Agreement ("Contractor's Representative"). Contractor's Representative shall have full authority to represent and act on behalf of the Contractor for all purposes under this Agreement. The Contractor's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

3.2.6 Coordination of Services. Contractor agrees to work closely with City staff in the performance of Services and shall be available to City's staff, consultants and other staff at all reasonable times.

3.2.7 Standard of Care; Performance of Employees. Contractor shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Contractor represents and maintains that it is skilled in the professional calling necessary to perform the Services. Contractor warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Contractor represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including a City Business License, and that such licenses and approvals shall be

maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Contractor shall perform, at its own cost and expense and without reimbursement from the City, any services necessary to correct errors or omissions which are caused by the Contractor's failure to comply with the standard of care provided for herein. Any employee of the Contractor or its sub-contractors who is determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the City, shall be promptly removed from the Project by the Contractor and shall not be re-employed to perform any of the Services or to work on the Project.

3.2.7.1 Period of Performance and Liquidated Damages. Contractor shall perform and complete all services under this Agreement within the term set forth in Section 3.1.2 above ("Performance Time"). Contractor shall perform the Services in strict accordance with any completion schedule or Project milestones described in Exhibits A or B attached hereto, or which may be provided separately in writing to the Contractor. Contractor agrees that if the Services are not completed within the aforementioned Performance Time and/or pursuant to any such completion schedule or Project milestones developed pursuant to provisions of this Agreement, it is understood, acknowledged and agreed that the City will suffer damage. Pursuant to Government Code Section 53069.85, Contractor shall pay to the City as fixed and liquidated damages, and not as a penalty, the sum of:

- 1) Non-emergency work (see Exhibit B): Two Hundred Fifty Dollars (\$250.00) per day for each and every day of delay beyond the specified start time or beyond any completion schedule or Project milestones established pursuant to this Agreement.
- 2) Emergency Work: (see Exhibit B) Liquidated damages will be assessed at the rate of \$100 per hour for each hour after the maximum response time for emergency response.

3.2.8 Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the City, Contractor shall be solely responsible for all costs arising therefrom. Contractor shall defend, indemnify and hold City, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

3.2.9 Insurance.

3.2.9.1 Time for Compliance. Contractor shall not commence work under this Agreement until it has provided evidence satisfactory to the City that it has secured all insurance required under this section. In addition, Contractor shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to the City that the subcontractor has secured all insurance required under this section.

3.2.9.2 Minimum Requirements. Contractor shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or

damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees or subcontractors. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Contractor shall maintain limits no less than: (1) *General Liability*: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used including, but not limited to, form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.2.9.3 Insurance Endorsements. The insurance policies shall contain the following provisions, or Contractor shall provide endorsements on forms supplied or approved by the City to add the following provisions to the insurance policies:

(A) General Liability. The general liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the work or operations performed by or on behalf of the Contractor, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Contractor or for which the Contractor is responsible; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(C) Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the City, its directors, officials,

officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.

(D) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City; and (B) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the City, its directors, officials, officers, employees, agents, and volunteers.

3.2.9.4 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the City, its directors, officials, officers, employees, agents, and volunteers.

3.2.9.5 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. Contractor shall guarantee that, at the option of the City, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its directors, officials, officers, employees, agents, and volunteers; or (2) the Contractor shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

3.2.9.6 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A: VIII, licensed to do business in California, and satisfactory to the City.

3.2.9.7 Verification of Coverage. Contractor shall furnish City with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to the City. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the City if requested. All certificates and endorsements must be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.2.9.8 Reporting of Claims. Consultant shall report to the City, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

3.2.10 Safety. Contractor shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Contractor shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and lifesaving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3.2.11 Bonds.

3.2.11.1 Performance Bond. Contractor shall execute and provide to City concurrently with this Agreement a Performance Bond in the amount of the total, not-to-exceed compensation indicated in this Agreement, and in a form provided or approved by the City. If such bond is required, no payment will be made to Contractor until it has been received and approved by the City.

3.2.11.2 Payment Bond. Contractor shall execute and provide to City concurrently with this Agreement a Payment Bond in the amount of the total, not-to-exceed compensation indicated in this Agreement, and in a form provided or approved by the City. If such bond is required, no payment will be made to Contractor until it has been received and approved by City.

3.2.11.3 Bond Provisions. Should, in City's sole opinion, any bond become insufficient or any surety be found to be unsatisfactory, Contractor shall renew or replace the affected bond within 10 days of receiving notice from City. In the event the surety or Contractor intends to reduce or cancel any required bond, at least thirty (30) days prior written notice shall be given to the City, and Contractor shall post acceptable replacement bonds at least ten (10) days prior to expiration of the original bonds. No further payments shall be deemed due or will be made under this Agreement until any replacement bonds required by this section are accepted by the City. To the extent, if any, that the total compensation is increased in accordance with the Agreement, the Contractor shall, upon request of the City, cause the amount of the bonds to be increased accordingly and shall promptly deliver satisfactory evidence of such increase to the City. To the extent available, the bonds shall further provide that no change or alteration of the Agreement (including, without limitation, an increase in the total compensation, as referred to above), extensions of time, or modifications of the time, terms, or conditions of payment to the Contractor, will release the surety. If the Contractor fails to furnish any required bond, the City may terminate this Agreement for cause.

3.2.11.4 Surety Qualifications. Only bonds executed by an admitted surety insurer, as defined in Code of Civil Procedure Section 995.120, shall be accepted. The surety must be a California admitted surety with a current A.M. Best's rating no less than A:VIII and satisfactory to the City. If a California admitted surety insurer issuing bonds does not meet these requirements, the insurer will be considered qualified if it is in conformance with Section 995.660 of the California Code of Civil Procedure, and proof of such is provided to the City.

3.3 Fees and Payments.

3.3.1 Compensation. Contractor shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit C attached hereto and incorporated herein by reference. The Services shall be performed on an "as needed" basis, and the City shall issue a purchase order for said "as needed" services. Extra work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement. The total contract shall be in the "not to exceed" amount of \$100,000 annually for the term of the contract.

3.3.2 Payment of Compensation. Contractor shall submit to City a monthly itemized statement which indicates work completed and hours of Services rendered by Contractor. The statement shall describe the amount of Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as

appropriate, through the date of the statement. City shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3.3 Reimbursement for Expenses. Contractor shall not be reimbursed for any expenses unless authorized in writing by City.

3.3.4 Extra Work. At any time during the term of this Agreement, City may request that Contractor perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Contractor shall not perform, nor be compensated for, Extra Work without written authorization from City's Representative.

3.3.5 Prevailing Wages. Contractor is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 1600, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Contractor agrees to fully comply with such Prevailing Wage Laws. City shall provide Contractor with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Contractor shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Contractor's principal place of business and at the project site. Contractor shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

3.4 Accounting Records.

3.4.1 Maintenance and Inspection. Contractor shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Contractor shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

3.5 General Provisions.

3.5.1 Termination of Agreement.

3.5.1.1 Grounds for Termination. City may, by written notice to Contractor, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Contractor of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Contractor shall be compensated only for those services which have been adequately rendered to City, and Contractor shall be entitled to no further compensation. Contractor may not terminate this Agreement except for cause.

3.5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, City may require Contractor to provide all finished or unfinished Documents and

Data and other information of any kind prepared by Contractor in connection with the performance of Services under this Agreement. Contractor shall be required to provide such document and other information within fifteen (15) days of the request.

3.5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, City may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

3.5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the follow address, or at such other address as the respective parties may provide in writing for this purpose:

Contractor:

**Hardy & Harper, Inc
1312 East Warner Ave
Santa Ana, CA 92705
Attention: Steve Kirschner – Vice President**

City:

**City of Norco
2870 Clark Avenue
Norco, CA 92860
Attention: Director of Public Works**

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the US Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.5.3 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

3.5.4 Attorney's Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

3.5.5 Indemnification. Contractor shall defend, indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage, or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any alleged acts, omissions or willful misconduct of Contractor, its officials, officers, employees, agents, consultants, and contractors arising out of or in connection with the performance of the Services, the Project or this Agreement, including without limitation the payment of all consequential damages and attorney's fees and other related costs and expenses. Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents, or volunteers. Contractor shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials, officers, employees, agents, or volunteers, in any such suit, action or other legal proceeding. Contractor shall reimburse City and its directors, officials, officers, employees, agents, and/or

volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, official's officers, employees, agents, or volunteers.

3.5.6 Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties.

3.5.7 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Riverside County.

3.5.8 Time of Essence. Time is of the essence for each and every provision of this Agreement.

3.5.9 City's Right to Employ Other Contractors. City reserves right to employ other contractors in connection with this Project.

3.5.10 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

3.5.11 Assignment or Transfer. Contractor shall not assign, hypothecate or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the City. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

3.5.12 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Contractor include all personnel, employees, agents, and subcontractors of Contractor, except as otherwise specified in this Agreement. All references to City include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

3.5.13 Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

3.5.14 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel or otherwise.

3.5.15 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.5.16 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.5.17 Prohibited Interests. Contractor maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Contractor, to solicit or secure this Agreement. Further, Contractor warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Contractor, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Contractor further agrees to file, or shall cause its employees or subcontractors to file, a Statement of Economic Interest with the City's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

3.5.18 Equal Opportunity Employment. Contractor represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Contractor shall also comply with all relevant provisions of City's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

3.5.19 Labor Certification. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

3.5.20 Authority to Enter Agreement. Contractor has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.5.21 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.6 Subcontracting.

3.6.1 Prior Approval Required. Contractor shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of City. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

Name of Contractor:

*By:

Signature

Name and Title

OWNER: CITY OF NORCO, a municipal corporation

*By:

Andy Okoro - City Manager

ATTEST:

Cheryl L. Link, City Clerk

APPROVED AS TO FORM:

John R. Harper, City Attorney

EXHIBIT A
Scope of Street Maintenance Services

The Services may include, but not be limited to, all labor, materials, tools, equipment, appurtenances and incidentals for sawcutting, removal and replacement of various PCC including: sidewalk, curb, gutter, cross-gutter, driveways, handicapped ramps, etc. Removal and replacement of AC, AB, vegetation, native materials, traffic loops, striping (temporary and permanent), legends and markings, AC berm, adjustment of existing manholes and valves, under sidewalk drains, grinding of 6-foot wide and 0.10-foot depth, grinding of 12-foot wide and 0.10-foot lateral or water service and all appurtenant work where directed by the Director of Public Works, or his designee, pursuant to the rates set forth in Exhibit C of this Agreement.

The services shall be performed in accordance with the Standard Specifications for Public Works Construction (Green Book), latest edition, including all current supplements, addenda, and revisions thereof (hereinafter referred to as "Standard Specifications") incorporated herein by this reference. Any provisions which supplement or modify the Standard Specifications are attached hereto as Special Provisions and incorporated herein by this reference.

Exhibit B
Schedule of Street Maintenance Services

The Contractor shall perform the Services on an as-needed basis. Upon notification by the City of required maintenance work, the Contractor will respond to commence and proceed diligently to completion of work on weekdays, Saturdays, Sundays, and holidays as specified below:

Non-Emergency Work - The Contractor will be required to begin non-emergency work within 10 working days of notification and proceed without discontinuity in the progression of work over the intervening working days until completion. A penalty of \$250 per day will be assessed for each day of delay of start beyond the start time as specified.

Prior to issuing a Notice to Proceed on a large work order in excess of 5% of the original total proposal price, the Engineer will schedule a preconstruction meeting to clarify the scope and order of work, required submittals and utilities.

The Contractor shall submit periodic progress reports to the Engineer by the tenth day of each month. The report shall include an updated construction schedule. Any deviations from the original schedule shall be explained. Progress payments will be withheld pending receipt of any outstanding reports. A detailed invoice shall be submitted with each request for progress payment.

Emergency Work - The Contractor will be required to begin work per set schedule of:

Time of Notification	Repair Must Commence By
Prior to 12 Noon	5:00 PM the same day
After 12 Noon	9:00 AM the following day

Contractor shall proceed without discontinuity in the progression of work over the intervening days until completion. A penalty of \$100 per hour for each hour after maximum response time will be assessed.

Liquidated damages will be assessed for late start or uncompleted work as specified in Section 3.2.7.1 of the Agreement. Failure of the Contractor to adhere to the above response requirement will be cause for the City to deduct any monies due or to become due to the Contractor under this Agreement.

Exhibit C
Compensation for Street Maintenance Services
(see attachments)

CITY OF NORCO
ANNUAL ON-CALL STREET MAINTENANCE PROGRAM
PROJECT NO. 03-PW2015
PROPOSER'S PROPOSAL

Proposal of Hardy & Harper, Inc, hereinafter called "Proposer" organized and existing under the laws of the State of California, doing business as . (Insert "a corporation," "a partnership," "a joint venture," or "an individual," as applicable)

To the City of Norco, hereinafter called "Owner":

In compliance with the Notice Inviting Proposals and Instructions to Proposers, the undersigned as Proposer hereby proposes to furnish all materials, equipment and all other labor and methods and do all things necessary for the proper construction and completion of the work, in strict and complete accord with the Drawings, Specifications and other Contract Documents now on file in the offices of the Owner at the prices set forth in the Proposal Schedule for the work generally described as follows:

Annual On-Call Street Maintenance Program
Project Agreement RFP No. 03-PW2015

Independent Proposal

By submission of this Proposal, each Proposer certifies, and in the case of a joint Proposal, each party thereto certifies as to his own organization that this proposal has been arrived at independently, without consultation, communication, or agreement as to any matter relating to this Proposal with any other Proposer or with any competitor. The Proposer shall be required to submit a non-collusion affidavit of the form enclosed with this Proposer.

Contract Period

This is an annual contract for Fiscal Year 2015/2016. It is the intent of the City of Norco to maintain this contract for an initial period of two (2) years, with the option of one (1) year renewal for a total possible contract period of three (3) years. The contract by mutual consent of both parties may be extended for additional years.

Information Required of Proposer

Number of years as a Contractor in projects of this type: 32

Five projects of this type recently completed:

	<u>Title of Project</u>	<u>Date Completed</u>	<u>Final Contract Amount</u>
(1)	<u>Annual Maintenance Contract</u>	<u>on going</u>	<u>\$ 22, 408.00</u>
	Annual Asphalt Concrete		
(2)	<u>Pavement Maintenance</u>	<u>on going</u>	<u>\$1,450,000.00</u>
(3)	<u>Paving & Asphalt Maintenance</u>	<u>on going</u>	<u>\$125,000.00</u>
(4)	<u>Annual Routine Maintenance Program</u>	<u>6/15</u>	<u>\$751,044.00</u>
	Masonry/Earthmoving/Grading		
(5)	<u>Various School</u>	<u>on going</u>	<u>\$1,150,000.00</u>

Name, address and telephone number of Agency who awarded above contracts.

- (1) City of Laguna Beach; 505 Forest Ave, Laguna Beach, CA 92651 ; (949) 497-0340
- (2) City of Orange; 1750 S. Douglass Rd, Anaheim, CA 92806; 714-955-0241
- (3) City of Corona; 400 S. Vicente Ave Corona, CA 92882; 951-739-4820
- (4) City of Mission Viejo; 27204 E. La Paz Rd, Mission Viejo, CA 92692; 949-7951-8483
- (5) Placentia-Yorba Linda USD; 1301 E. Orangethorpe Ave, Placentia, CA 92870; 714-958-8440

Bid Bond

Not required with this project.

If awarded this Contract, the Proposer agrees to execute the Agreement and submit the Labor and Materials Payment Bond, Contract Performance Bond, and Certificates of Insurance and Endorsements on the required forms within ten (10) calendar days from the date when Notice of Award is delivered to the Proposer. The Notice of Award shall be accompanied by the necessary Agreement, Bond, and Certificates of Insurance and Endorsements forms.

Withdrawal of Proposal

Prior to the proposal opening date, a proposal may be withdrawn by the Proposer by means of a written request signed by the Proposer or its properly authorized representative.

Designation of Subcontractors

In compliance with the provisions of Section 4100 et. seq. of the Government Code of the State of California, and any amendments thereof, each Proposer shall set forth below, the name and location of the mill, shop, or office of each subcontractor who will perform work or labor, or render service to the Proposer in an amount in excess of one half of one percent (.5%) of the total

proposal, or Ten Thousand Dollars (\$10,000), whichever is greater, and the portion of the work which will be done by each subcontractor.

If the Proposer fails to specify a subcontractor for any portion of the work in excess of one half of one percent (.5%) of the total proposal or Ten Thousand Dollars (\$10,000), whichever is greater, to be performed under the Contract, he shall be deemed to have agreed to perform such portion himself and he shall not be permitted to subcontract that portion of the work except under conditions permitted by law.

Subletting or subcontracting of any portion of the work as to which no subcontractor was designated in the original proposal shall only be permitted in case of public emergency or necessity, or otherwise permitted by law, and then only after a finding reduced to writing as a public record of the Owner and with the Owner's written authorization.

Trade & Work to be Done:

NO SUBCONTRACTORS

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

Trade & Work to be Done:

% of Work to be Performed:

Name of Subcontractor:

Address/City:

Similar Work Experience:

PROPOSAL FOR THE
CITY OF NORCO

ANNUAL ON-CALL STREET MAINTENANCE PROGRAM
PROJECT NO. 03-PW2015

PROPOSAL SCHEDULE

Quantity totals will likely be the accumulated total of numerous patch sites located within the City of Norco. Minimum move in cost is to apply only if total quantity completed per move-in is less than minimum cost of any individual item.

Item No.	Description of Item	Quantity	Unit of Measure	Unit Charge
1	Sawcut or grind remove and dispose of existing pavement and construct full depth AC 4-inch thick (R&R)	1000 plus <i>Above 4" thickness (R&R)</i>	SF <i>SF</i>	8.50 <i>8.00 CB</i> <i>2.00 CB</i>
2	Construct 2-inch thick AC overlay (Type III C2-AR-4000)	2000 plus	SF	<u>4.00</u>
3	Adjust manhole covers to finish grade per City of Norco Standard 535	1 - 20	EA	<u>350.00</u>
4	Grind, dispose & repave, 0.10' depth	2000 plus	SF	<u>4.90</u>
5	Remove, dispose & replace Type C 6-inch curb & gutter, per City Standard 200	0-1000 1001-3000 3001 plus	LF LF LF	<u>53.00</u> <u>24.00</u> <u>22.00</u>
6	Remove, dispose & replace 4-inch thick sidewalk, per SSPWC	0-500	SF	<u>10.00</u>
7	Remove, dispose & replace 6-inch thick cross gutter, per City Standard 225	0 - 50 51 - 300 301 plus	SF SF SF	<u>28.00</u> <u>26.00</u> <u>20.00</u>

**PROPOSAL FOR THE
CITY OF NORCO**

**ANNUAL ON-CALL STREET MAINTENANCE PROGRAM
PROJECT NO. 03-PW2015**

PROPOSAL SCHEDULE

Quantity totals will likely be the accumulated total of numerous patch sites located within the City of Norco. Minimum move in cost is to apply only if total quantity completed per move-in is less than minimum cost of any individual item.

Item No.	Description of Item	Quantity	Unit of Measure	Unit Charge
8	Construct new 4-inch thick sidewalk per SSPWC	1 - 100	SF	<u>8.00</u>
		101 - 500	SF	<u>6.00</u>
		501 - 1000	SF	<u>5.50</u>
		1001 plus	SF	<u>5.00</u>
9	Construct new 6-inch thick curb & gutter Type C per City Standard 200	0-250	LF	<u>40.00</u>
		251-1000	LF	<u>32.00</u>
10	Construct 6-inch AC Curb per RC Standard 212	0-250	LF	<u>14.00</u>
		251-1000	LF	<u>8.00</u>
11	Construct 1-inch thick AC leveling course	0-1000	SF	<u>1.50</u>
		1001-4000	SF	<u>1.00</u>

Average annual contract: \$75,000.00

Each proposer shall furnish a Unit Charge for each quantity range within each proposal item in the Schedule. Failure to do so will render the Proposal(s) incomplete and non-responsive.

PROPOSAL SELECTION

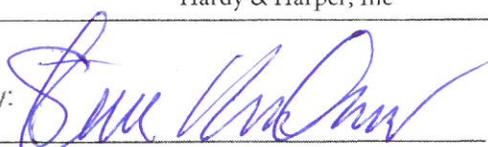
Proposal selection shall be made on the basis of lowest proposal for a pre-determined scenario. Scenarios will be made available to proposers after close of proposal period. Unit prices from received proposals will be inserted into scenario and calculated. The proposer with the lowest total cost for the proposed scenario will be apparent low proposer.

The Owner reserves the right to reject any or all proposals and proposal items.

The undersigned agrees that these contract proposal forms constitute a firm offer to the Owner which cannot be withdrawn for the number of calendar days indicated in the Notice Inviting Proposals. The undersigned also agrees that if there is a discrepancy between the written amount of the proposal price and the numerical amount of the proposal price, the written amount shall govern.

If awarded a contract, the undersigned agrees to execute the formal contract, which will be prepared by the Owner for execution, within ten (10) calendar days following the Letter of Award for the contract, and will deliver to the Owner within that same period the necessary original Certificates of Insurance, Endorsements of Insurance, Performance Bond, Payment Bond and all other documentation and certification required by the Contract.

The Proposer understands and agrees that the Unit Charge for each item is inclusive of all labor, materials, and equipment or supplies necessary to complete the work as described in the Proposal Documents. If this proposal is accepted, the undersigned Proposer agrees to enter into and execute the contract with the necessary bonds and accept the Unit Charge as compensation in full for all work requested by City during the term of this Agreement.

Proposer:	Hardy & Harper, Inc
By: 	1312 E. Warner Ave.
Signature	Business Street Address
Steve Kirschner	Santa Ana, CA 92705
Type or Print Name	City, State and Zip Code
Vice President	714-444-1851
Title	Telephone Number
Proposer's/Contractor's State of Incorporation	California
Partners or Joint Ventures:	N/A
Proposer's License Number(s)	215952

PROPOSAL FOR THE
CITY OF NORCO

ANNUAL ON-CALL STREET MAINTENANCE PROGRAM

PROJECT NO. 03-PW2015

PROPOSAL SCHEDULE

Anti-Trust Claim

In submitting a proposal subject to review by a public purchasing body, the Proposer offers and agrees that if the proposal is accepted, it and its subcontractors will assign to the Owner, on behalf of the purchasing body, all rights, title and interest in and to all causes of action it and its subcontractors may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) or under the Cartwright Act (Chapter 2 of Part 2 of Division 7 of the Business and Professions Code) arising from purchases of goods, materials, or services by the Proposer and its subcontractors for sale to the Owner, on behalf of the purchasing body, pursuant to the Proposal. Such assignment shall be made and become effective at the time the Owner, on behalf of the purchasing body, tenders final payment to the Proposer.

Corporate Acknowledgment

If the proposer is a corporation, the undersigned hereby represents and warrants that the corporation is duly incorporated and is in good standing in the State of California, and that Steve Kirschner, whose title is _____, is authorized to act for and bind the corporation.

RESPECTFULLY SUBMITTED:

Signature: _____

Address: 1312 E. Warner Ave., Santa Ana, CA 92705

Steve Kirschner Vice President 12/22/15
Name Title Date

215952 _____
Contractor's License No. General Contractor State
Type of License

2381-1624-4 _____
Federal I.D. No. 12/31/17
Expiration Date of License

(SEAL - if proposal is by a corporation)

Kristen Paul
KRISTEN PAUL - SECRETARY
ATTEST

714-444-1851
Telephone

714-444-2801
Fax Number

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE)

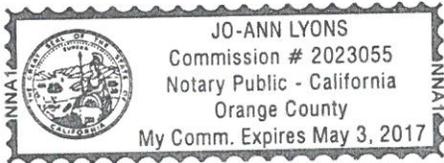
On December 30, 2015 before me, JO-ANN LYONS NOTARY PUBLIC,
Date Here Insert Name and Title of the Officer

personally appeared Steve Kirschner
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(x) whose name(x) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(x), or the entity upon behalf of which the person(x) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Proposal Schedule Document Date: December 22, 2015
Number of Pages: 1 Signer(s) Other Than Named Above: None

Capacity(ies) Claimed by Signer(s)

Signer's Name: Steve Kirschner
 Corporate Officer — Title(s): Vice President
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____
Hardy & Harper, Inc.

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE)

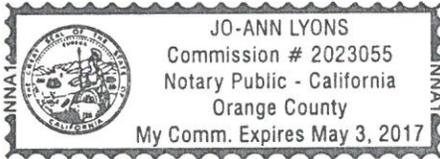
On December 30, 2015 before me, JO-ANN LYONS NOTARY PUBLIC,
Date Here Insert Name and Title of the Officer

personally appeared Steve Kirschner
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: NonCollusion Affidavit Document Date: December 22, 2015
Number of Pages: 1 Signer(s) Other Than Named Above: None

Capacity(ies) Claimed by Signer(s)

Signer's Name: Steve Kirschner
 Corporate Officer — Title(s): Vice President
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____
Hardy & Harper, Inc.

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

CITY OF NORCO

ANNUAL ON-CALL STREET MAINTENANCE PROGRAM

PROJECT NO. 03-PW2015

Labor Code Certification

I, the undersigned Proposer, am aware of the provisions of Section 3700 et. seq. of the Labor Code which requires every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and I, the undersigned Proposer, agree to and will comply with such provisions before commencing the performance of the work of this Contract.

Dated: 12/22/15

PROPOSER: Steve Kirschner

Hardy & Harper, Inc

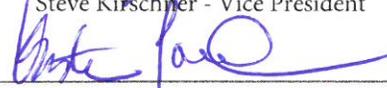
Firm Name

By



Steve Kirschner - Vice President

By



Kristen Paulino - Secretary

Second Party

CITY OF NORCO
ANNUAL ON-CALL STREET MAINTENANCE PROGRAM
PROJECT NO. 03-PW2015

Nondiscrimination Certification

On behalf of the Proposer making this proposal, the undersigned certifies pursuant to the provisions of Labor Code Section 1735 that there will be no discrimination in employment of persons upon public works because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, age, or sex of such persons; that all Federal, State, and local directives and executive orders regarding nondiscrimination in employment will be complied with; and that the principle of equal opportunity in employment will be demonstrated positively and aggressively.

Dated: 12/22/15

Hardy & Harper, Inc
(Name of Proposer or Firm/Company)


Signature

Steve Kirschner - Vice President
(Typed Name and Title)

CITY OF NORCO

ANNUAL ON-CALL STREET MAINTENANCE PROGRAM

PROJECT NO. 03-PW2015

Financial And Technical Ability And Experience

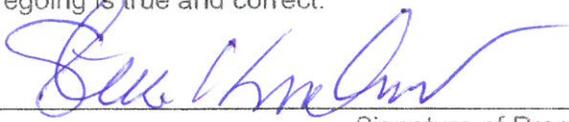
The proposer is required to state his financial ability and what work of a similar character to that included in the proposed Contract he has successfully performed and give references which will enable the City of Norco to judge his responsibility, experience, skill and business and financial ability to perform the Contract. Additional numbered pages outlining this portion of the proposal may be attached to this page.

In accordance with Senate Bill 853, the Bidder further states that his Contractor's license is valid at the time of this proposal and is of appropriate class to perform the proposed work.

STATE OF CALIFORNIA, COUNTY OF Orange I
am the Vice President of, the proposer herein. I have read the
foregoing Financial and Technical Ability and Experience Statement and know the contents
thereof; and I certify that the same is true of my own knowledge, except as to those matters
which are therein stated upon my information or belief, and as to those matters I believe it to be
true.

Executed on 12/22/15 at Santa Ana, California
(Date) (Place)

I declare, under penalty of perjury, that the foregoing is true and correct.



Signature of Proposer

215952

Contractor's License No.

General State Contractor 12/31/17

Type of License Exp. Date

CITY OF NORCO

ANNUAL ON-CALL STREET MAINTENANCE PROGRAM

PROJECT NO. 03-PW2015

Proposer's Statement of Past Contract Disqualifications

The proposer is required to state whether such prospective proposer, any officer of such proposer, or any employee of such proposer who has a proprietary interest in such proposer, has ever been disqualified, removed, or otherwise prevented from proposing on, or completing a Federal, State, or local government project because of a violation of law or a safety regulation, and if so to explain the circumstances.

1. Do you have any disqualification, removal, etc., as described in the above paragraph to declare?

Yes _____ No X

2. If yes, explain the circumstances.

Executed on 12/22/15 at Santa Ana , California

I declare, under penalty of perjury, that the foregoing is true and correct.



Steve Kirschner - Vice President Signature of Proposer

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Chad Blais, Director of Public Works

DATE: February 17, 2016

SUBJECT: Acceptance of Proposal and Award of Performance Services Contract for Traffic Signal Maintenance Services

RECOMMENDATION: Accept the proposal submitted for performance services to provide Annual Traffic Signal Maintenance Services, award a multi-year contract to Siemens Industry, Inc., located in Riverside, California, and authorize the City Manager to execute the contract in the amount not to exceed \$80,000 annually.

SUMMARY: A Request for Proposal (RFP) was opened on January 12, 2016 with three bidders submitting proposals - Siemens Industry, Inc., Aegis ITS, Inc., and St. Francis Electric. Siemens Industry, Inc. and Aegis ITS, Inc. were interviewed, evaluated, and rated to determine the best qualified contractor to meet the City's needs. St. Francis Electric was not interviewed because their proposal was deemed incomplete. Siemens Industry, Inc. was rated as the most qualified contractor and staff is recommending a multi-year Traffic Signal Maintenance Services contract (ending June 30, 2019) be awarded to Siemens Industry, Inc. in the amount not-to-exceed \$80,000 annually.

BACKGROUND/ANALYSIS: Staff completed a Request for Proposal (RFP) for bidding purposes and on January 12, 2016, three (3) proposals were received. The contract calls for the Contractor to furnish all tools, equipment, apparatus, facilities, labor, services, and materials, and perform all work necessary to maintain, in a good and workmanlike manner, approximately thirty-six (36) traffic signal facilities. Contractor shall also assign only fully qualified personnel in the performance of this contract for the City's signals, flashers, and appurtenant equipment. At least one of these persons shall have a Level II Traffic Signal Technician certification from the International Municipal Signal Association (IMSA).

Siemens Industry, Inc. is located at 2250 Business Way in Riverside, California and has been providing traffic signal maintenance services for 40 years. Siemens Industry, Inc. has previously been awarded and has performed the annual traffic signal maintenance contract in the City of Norco for the past 4 years and staff is extremely satisfied with their prompt on-call response times and professional performance.

Staff is requesting that the City Council accept the proposal, award a multi-year contract to Siemens Industry, Inc., and authorize the City Manager to execute the multi-year contract ending June 30, 2019.

FINANCIAL IMPACT: Funding for traffic signal maintenance is provided in the current budget in the Gas Tax Operations Fund (133). Appropriation for future contract years will be included as part of the annual operating budget.

Attachment: Proposal and Agreement

CITY OF NORCO
ANNUAL TRAFFIC SIGNAL MAINTENANCE PROGRAM
AGREEMENT

1. Parties and Date.

This Agreement is made and entered into this **17th day of February, 2016** by and between the **City of Norco**, a municipal corporation of the State of California, located at 2870 Clark Avenue, Norco, California 92860, County of Riverside, State of California, (hereinafter referred to as "City") and **Siemens Industry, Inc.**, a corporation with its principal place of business at 2250 Business Way, Riverside, CA, 92501 (hereinafter referred to as "Contractor"). City and Contractor are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

2. Recitals.

2.1 Contractor.

Contractor desires to perform and assume responsibility for the provision of certain maintenance services required by the City on the terms and conditions set forth in this Agreement. Contractor represents that it is experienced in providing street and alley maintenance services to public clients, that it and its employees or subcontractors have all necessary licenses and permits to perform the Services in the State of California, and that is familiar with the plans of the City.

2.2 Project.

Contractor desires to engage Contractor to render such services for the Annual Traffic Signal Maintenance Program ("Project") as set forth in this Agreement.

3. Terms.

3.1 Scope of Services and Term.

3.1.1 General Scope of Services. Contractor promises and agrees to furnish to the City all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the traffic signal maintenance services on an as-needed basis necessary for the Project ("Services"). The Services are more particularly described in Exhibit A attached hereto and incorporated herein by reference. All Services shall be subject to, and performed in accordance with this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

3.1.2 Term. The terms of this Agreement shall be from February 17, 2016 to June 30, 2019, unless earlier terminated as provided herein. Contractor shall complete the Services within the term of this Agreement, and shall meet any other established schedules and deadlines.

3.2 Responsibilities of Contractor.

3.2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Contractor or under its supervision. Contractor will determine

the means, methods and details of performing the Services subject to the requirements of this Agreement. City retains Contractor on an independent contractor basis and not as an employee. Contractor retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Contractor shall also not be employees of City and shall at all times be under Contractor's exclusive direction and control. Contractor shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Contractor shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.2.2 Schedule of Services. Contractor shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the Schedule of Services set forth in Exhibit B attached hereto and incorporated herein by reference. Contractor represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Contractor's conformance with the Schedule, City shall respond to Contractor's submittals in a timely manner. Upon request of City, Contractor shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

3.2.3 Conformance to Applicable Requirements. All work prepared by Contractor shall be subject to the approval of City.

3.2.4 City's Representative. The City hereby designates the Director of Public Works, or his designee, to act as its representative for the performance of this Agreement ("City's Representative"). City's Representative shall have the power to act on behalf of the City for all purposes under this Agreement. Contractor shall not accept direction or orders from any person other than the City's Representative or his or her designee.

3.2.5 Contractor's Representative. Contractor hereby designates Michael J. Hutchens – SW Area Operations Manager, or his designee, to act as its representative for the performance of this Agreement ("Contractor's Representative"). Contractor's Representative shall have full authority to represent and act on behalf of the Contractor for all purposes under this Agreement. The Contractor's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

3.2.6 Coordination of Services. Contractor agrees to work closely with City staff in the performance of Services and shall be available to City's staff, consultants and other staff at all reasonable times.

3.2.7 Standard of Care; Performance of Employees. Contractor shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Contractor represents and maintains that it is skilled in the professional calling necessary to perform the Services. Contractor warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Contractor represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including a City Business License, and that such licenses and approvals shall be

maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Contractor shall perform, at its own cost and expense and without reimbursement from the City, any services necessary to correct errors or omissions which are caused by the Contractor's failure to comply with the standard of care provided for herein. Any employee of the Contractor or its sub-contractors who is determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the City, shall be promptly removed from the Project by the Contractor and shall not be re-employed to perform any of the Services or to work on the Project.

3.2.7.1 Period of Performance and Liquidated Damages. Contractor shall perform and complete all services under this Agreement within the term set forth in Section 3.1.2 above ("Performance Time"). Contractor shall perform the Services in strict accordance with any completion schedule or Project milestones described in Exhibits A or B attached hereto, or which may be provided separately in writing to the Contractor. Contractor agrees that if the Services are not completed within the aforementioned Performance Time and/or pursuant to any such completion schedule or Project milestones developed pursuant to provisions of this Agreement, it is understood, acknowledged and agreed that the City will suffer damage. Pursuant to Government Code Section 53069.85, Contractor shall pay to the City as fixed and liquidated damages, and not as a penalty, the sum of:

- 1) Non-emergency work (see Exhibit B): Two Hundred Fifty Dollars (\$250.00) per day for each and every day of delay beyond the specified start time or beyond any completion schedule or Project milestones established pursuant to this Agreement.
- 2) Emergency Work: (see Exhibit B) Liquidated damages will be assessed at the rate of \$100 per hour for each hour after the maximum response time for emergency response.

3.2.8 Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the City, Contractor shall be solely responsible for all costs arising therefrom. Contractor shall defend, indemnify and hold City, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

3.2.9 Insurance.

3.2.9.1 Time for Compliance. Contractor shall not commence work under this Agreement until it has provided evidence satisfactory to the City that it has secured all insurance required under this section. In addition, Contractor shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to the City that the subcontractor has secured all insurance required under this section.

3.2.9.2 Minimum Requirements. Contractor shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to

persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees or subcontractors. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Contractor shall maintain limits no less than: (1) *General Liability*: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used including, but not limited to, form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.2.9.3 Insurance Endorsements. The insurance policies shall contain the following provisions, or Contractor shall provide endorsements on forms supplied or approved by the City to add the following provisions to the insurance policies:

(A) General Liability. The general liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the work or operations performed by or on behalf of the Contractor, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Contractor or for which the Contractor is responsible; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(C) Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the City, its directors, officials,

officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.

(D) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City; and (B) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the City, its directors, officials, officers, employees, agents, and volunteers.

3.2.9.4 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the City, its directors, officials, officers, employees, agents, and volunteers.

3.2.9.5 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. Contractor shall guarantee that, at the option of the City, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its directors, officials, officers, employees, agents, and volunteers; or (2) the Contractor shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

3.2.9.6 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A: VIII, licensed to do business in California, and satisfactory to the City.

3.2.9.7 Verification of Coverage. Contractor shall furnish City with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to the City. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the City if requested. All certificates and endorsements must be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.2.9.8 Reporting of Claims. Consultant shall report to the City, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

3.2.10 Safety. Contractor shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Contractor shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and lifesaving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3.2.11 Bonds.

3.2.11.1 Performance Bond. Contractor shall execute and provide to City concurrently with this Agreement a Performance Bond in the amount of the total, not-to-exceed compensation indicated in this Agreement, and in a form provided or approved by the City. If such bond is required, no payment will be made to Contractor until it has been received and approved by the City.

3.2.11.2 Payment Bond. Contractor shall execute and provide to City concurrently with this Agreement a Payment Bond in the amount of the total, not-to-exceed compensation indicated in this Agreement, and in a form provided or approved by the City. If such bond is required, no payment will be made to Contractor until it has been received and approved by City.

3.2.11.3 Bond Provisions. Should, in City's sole opinion, any bond become insufficient or any surety be found to be unsatisfactory, Contractor shall renew or replace the affected bond within 10 days of receiving notice from City. In the event the surety or Contractor intends to reduce or cancel any required bond, at least thirty (30) days prior written notice shall be given to the City, and Contractor shall post acceptable replacement bonds at least ten (10) days prior to expiration of the original bonds. No further payments shall be deemed due or will be made under this Agreement until any replacement bonds required by this section are accepted by the City. To the extent, if any, that the total compensation is increased in accordance with the Agreement, the Contractor shall, upon request of the City, cause the amount of the bonds to be increased accordingly and shall promptly deliver satisfactory evidence of such increase to the City. To the extent available, the bonds shall further provide that no change or alteration of the Agreement (including, without limitation, an increase in the total compensation, as referred to above), extensions of time, or modifications of the time, terms, or conditions of payment to the Contractor, will release the surety. If the Contractor fails to furnish any required bond, the City may terminate this Agreement for cause.

3.2.11.4 Surety Qualifications. Only bonds executed by an admitted surety insurer, as defined in Code of Civil Procedure Section 995.120, shall be accepted. The surety must be a California admitted surety with a current A.M. Best's rating no less than A:VIII and satisfactory to the City. If a California admitted surety insurer issuing bonds does not meet these requirements, the insurer will be considered qualified if it is in conformance with Section 995.660 of the California Code of Civil Procedure, and proof of such is provided to the City.

3.3 Fees and Payments.

3.3.1 Compensation. Contractor shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit C attached hereto and incorporated herein by reference. The Services shall be performed on an "as needed" basis, and the City shall issue a purchase order for said "as needed" services. Extra work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement. The total contract shall be in the "not to exceed" amount of \$100,000 annually for the term of the contract.

3.3.2 Payment of Compensation. Contractor shall submit to City a monthly itemized statement which indicates work completed and hours of Services rendered by Contractor. The statement shall describe the amount of Services and supplies provided since

the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. City shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3.3 Reimbursement for Expenses. Contractor shall not be reimbursed for any expenses unless authorized in writing by City.

3.3.4 Extra Work. At any time during the term of this Agreement, City may request that Contractor perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Contractor shall not perform, nor be compensated for, Extra Work without written authorization from City's Representative.

3.3.5 Prevailing Wages. Contractor is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 1600, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Contractor agrees to fully comply with such Prevailing Wage Laws. City shall provide Contractor with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Contractor shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Contractor's principal place of business and at the project site. Contractor shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

3.4 Accounting Records.

3.4.1 Maintenance and Inspection. Contractor shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Contractor shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

3.5 General Provisions.

3.5.1 Termination of Agreement.

3.5.1.1 Grounds for Termination. City may, by written notice to Contractor, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Contractor of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Contractor shall be compensated only for those services which have been adequately rendered to City, and Contractor shall be entitled to no further compensation. Contractor may not terminate this Agreement except for cause.

3.5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, City may require Contractor to provide all finished or unfinished Documents and Data and other information of any kind prepared by Contractor in connection with the performance of Services under this Agreement. Contractor shall be required to provide such document and other information within fifteen (15) days of the request.

3.5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, City may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

3.5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the follow address, or at such other address as the respective parties may provide in writing for this purpose:

Contractor:

**Siemens Industry, Inc.
2250 Business Way
Riverside, CA 92501
Attn: Michael J. Hutchens – SW Area Operations Manager**

City:

**City of Norco
2870 Clark Avenue
Norco, CA 92860
Attention: Director of Public Works**

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the US Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.5.3 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

3.5.4 Attorney's Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

3.5.5 Indemnification. Contractor shall defend, indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage, or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any alleged acts, omissions or willful misconduct of Contractor, its officials, officers, employees, agents, consultants, and contractors arising out of or in connection with the performance of the Services, the Project or this Agreement, including without limitation the payment of all consequential damages and attorney's fees and other related costs and expenses. Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents, or volunteers. Contractor shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials,

officers, employees, agents, or volunteers, in any such suit, action or other legal proceeding. Contractor shall reimburse City and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, official's officers, employees, agents, or volunteers.

3.5.6 Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties.

3.5.7 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Riverside County.

3.5.8 Time of Essence. Time is of the essence for each and every provision of this Agreement.

3.5.9 City's Right to Employ Other Contractors. City reserves right to employ other contractors in connection with this Project.

3.5.10 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

3.5.11 Assignment or Transfer. Contractor shall not assign, hypothecate or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the City. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

3.5.12 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Contractor include all personnel, employees, agents, and subcontractors of Contractor, except as otherwise specified in this Agreement. All references to City include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

3.5.13 Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

3.5.14 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel or otherwise.

3.5.15 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.5.16 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.5.17 Prohibited Interests. Contractor warrants and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Contractor, to solicit or secure this Agreement. Further, Contractor warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Contractor, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Contractor further agrees to file, or shall cause its employees or subcontractors to file, a Statement of Economic Interest with the City's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

3.5.18 Equal Opportunity Employment. Contractor represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Contractor shall also comply with all relevant provisions of City's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

3.5.19 Labor Certification. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

3.5.20 Authority to Enter Agreement. Contractor has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.5.21 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.6 Subcontracting.

3.6.1 Prior Approval Required. Contractor shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of City. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

Name of Contractor:

*By:

Signature

Name and Title

OWNER: CITY OF NORCO, a municipal corporation

*By:

Andy Okoro - City Manager

ATTEST:

Cheryl Link, City Clerk

APPROVED AS TO FORM:

John Harper, City Attorney

EXHIBIT A
Scope of Traffic Signal Maintenance Services

Contractor shall furnish all tools, equipment, apparatus, facilities, labor, services, and materials, and perform all work necessary to maintain, in a good and workmanlike manner, approximately thirty-six (36) traffic signal facilities listed in Exhibit "C" and all those added in the future as provided below on an "as needed" basis. All appurtenant work where directed by the Director of Public Works, or his designee, pursuant to the rates set forth in Exhibit C of this Agreement.

Contractor shall assign only fully qualified personnel in the performance of this contract for the City's signals, flashers, and appurtenant equipment. At least one of these persons shall have a Level II Traffic Signal Technician certification from the International Municipal Signal Association (IMSA).

All work performed or equipment/parts supplied by the Contractor shall be subject to the inspection and approval of the City's representative.

Contractor shall provide safe and continuous passage for pedestrian and vehicular traffic at all times. Contractor shall furnish and maintain all warning lights, signs, flares, barricades, delineators, detours and other facilities necessary for the sole convenience and direction of public traffic. All traffic control shall conform to, and be placed in accordance with, the current Caltrans Manual of Traffic Controls for Construction and Maintenance Work Zones, and the latest updated version of the "Work Area Traffic Control Handbook" (WATCH). Contractor shall furnish and maintain flashing arrow signs as directed by the City's Representative.

During the hours of 6:00 a.m. to 6:00 p.m., Contractor shall maintain a minimum of one 12-foot wide travel lane in each direction, and shall maintain all existing left-turn pockets whenever feasible. No lane closures on arterial highways will be permitted between the hours of 6:00 a.m. to 9:00 a.m. or 3:00 p.m. to 6:00 p.m., unless an emergency situation exists and such a closure is necessary to safeguard the traveling public. Separation between travel lanes, channelization, and delineation of the maintenance area shall be accomplished by the use of delineators and/or cones placed at a maximum of 15 feet on center.

Each vehicle used to place and remove components of a traffic control system on multi-lane highways shall be equipped with a flashing arrow sign which shall be in operation when the vehicle is being used for placing, maintaining or removing said components. The flashing arrow sign shall be in place before lane closure(s) requiring its use is implemented.

When maintenance is complete, Contractor shall remove all traffic control signs, barricades, delineators, etc., from the site.

Exhibit B
Schedule of Traffic Signal Maintenance Services

The Contractor shall perform routine maintenance and other Services on an as-needed basis. Upon notification by the City of required maintenance work, the Contractor will respond to commence and proceed diligently to completion of work on weekdays, Saturdays, Sundays, and holidays as specified below:

RESPONSE TIME AND PROCEDURE

Regular Response Time - When the notification is received between 7:00 a.m. to 5:00 p.m., Monday through Friday, Contractor shall respond within two (2) hours. When the notification is received any other time, Contractor shall respond within eight (8) hours unless there is an emergency or dangerous situation.

Emergency Response Time - Contractor shall respond immediately to emergency calls, including main pole knockdowns. Contractor shall dispatch qualified personnel and equipment to reach the site within one (1) hour under normal circumstances.

Contractor's vehicles shall carry all necessary traffic control devices, such as traffic cones, flashing arrow boards, traffic warning signs, etc., which shall be used when directing traffic during emergency and/or when deemed necessary by the signal technician or the City's Representative.

If no Sheriff Deputy or police officer is present and temporary stop signs have been set up when the Contractor arrives at the site, the Contractor shall set up more traffic warning and control devices, if deemed necessary, and proceed to repair the signal. After the signal is back in operation, Contractor shall remove all of the temporary traffic control devices and return those devices owned by the City to the City Corporation Maintenance Yard located at 1281 Fifth Street, Norco, CA 92860.

If a Sheriff Deputy or police officer is still at the site when the Contractor arrives, the Contractor shall quickly examine the signal, evaluate the situation and discuss it with the Sheriff Deputy or police officer.

If the repair will take only a few minutes, the Sheriff Deputy or Police Officer may stay to continue to direct traffic while the Contractor repairs the signal. If the repair will take longer than the Deputy/Officer can wait, the Contractor shall immediately set up temporary warning and control devices and all other necessary warning devices to relieve the Deputy/Officer.

Liquidated damages will be assessed for late start or uncompleted work as specified in Section 3.2.7.1 of the Agreement. Failure of the Contractor to adhere to the above response requirement will be cause for the City to deduct any monies due or to become due to the Contractor under this Agreement.

Exhibit C
Compensation for Traffic Signal Maintenance Services
(see attachments)

SIEMENS

Helping Our Communities Become Vibrant,
Growing & Green

Proposed to:

City of Norco
Brian K. Petree
Deputy City Manager
2870 Clark St.
Norco, CA 92860

Project: RFP No. 04-PW2015

Request for Proposals and Qualifications For Traffic Signal
Maintenance Services

Master



Proposed By:

Siemens Industry, Inc.

City of Norco
Traffic Signal Maintenance Services

PROPOSAL AND RATE SHEET

To: City of Norco
City Clerk's Office
2870 Clark Street
Norco, California 92860

From: Siemens Industry, Inc.
Name of Proposer
2250 Business Way
Mailing Address
Riverside, California 92501
City, State & Zip

CONTRACTOR'S PROPOSAL

The undersigned Proposer agrees that he will contract with the City of Norco to provide all necessary labor, supervision, machinery, tools, apparatus and other means of construction to do all the work and furnish all the materials specified in the contract in the manner and time therein prescribed, and that he will take in full payment the amount set forth hereon.

Proposal No. 04-PW2015 for UNEXPECTED Traffic Signal Maintenance Services, in its entirety, all Addenda, and the following documents by this reference are hereby made a part of this contract:

- a. Notice of Request For Proposals
- b. Scope of Work
- c. Instructions To Proposer
- d. Terms and Conditions
- e. Special Provisions for Services
- f. Addenda
- g. Proposer's Guaranty
- h. Proposer's Statement Regarding Insurance Coverage
- i. Worker's Compensation Insurance Certificate
- j. References
- k. Experience Statement
- l. Subcontractors List

Proposer acknowledges receipt of Addenda Number(s)

- (1) Addendum # 1 (1/4/16) ,Acknowledged
- (2) RFI # 1 (1/11/16) ,Acknowledged
- (3) Addendum # 2 (1/11/16) ,Acknowledged

The cost of all labor, material, and equipment necessary for the completion of the work itemized, even though not shown or specified, shall be included in the unit price for the various items shown hereon. The City of Norco reserves the right to increase or decrease the quantity of any item or omit items as may be deemed necessary and the same shall in no way affect or make void the contract. When increases or decreases are made, appropriate additions or deductions from the contract total price will be made at the stipulated unit price.

PROPOSAL AND RATE SHEET

1. Provide costs for main pole replacement, cable and wire pulls, to include but is not limited to, re-cabling or traffic signals, pulling and /or replacing traffic signal conductors, cables and inter-connect cables and any other extraordinary maintenance deemed beyond the scope or capabilities of City staff.

- A. Materials – Contractor’s cost for supplies plus _____ 15 %
- B. Labor – Contractor’s Hourly Rate for the following job classifications:

	<u>Hourly:</u>	<u>Overtime:</u>
• Signal Maintenance Superintendent:	\$ <u>126.00</u>	\$ <u>168.00</u>
• Signal Maintenance Technician	\$ <u>105.00</u>	\$ <u>145.00</u>
• Traffic Signalman	\$ <u>115.00</u>	\$ <u>155.00</u>
• Engineering Technician	\$ <u>126.00</u>	\$ <u>168.00</u>

Rates shall include all compensation for wages, profit, overhead, any fringe benefits such as employer payment to, or on behalf of, workmen for health and welfare, insurance, workman’s compensation, pension, vacation, sick leave or any local, State, Federal or union tax or assessment.

C.	<u>Equipment</u>	<u>Job/Trip</u>
1.	Pick Up Truck	\$ <u>15.00</u>
2.	Service Truck	\$ <u>95.00</u>
3.	Service/Ladder Truck	\$ <u>Not Used</u>
4.	Crane Truck	\$ <u>160.00</u>
5.	Hydraulic Man-Lift Truck	\$ <u>50.00</u>
6.	Compressor / Jackhammer	\$ <u>20.00</u>
7.	Concrete Saw / Water Truck	\$ <u>45.00</u>

Equipment rates shall constitute the total cost charged to the City when the specified equipment is used. No additional compensation shall be charged for transporting the equipment to or from the job site. These rates shall apply regardless of the length of time the equipment is used at the job site. However, if the job requires the use of

particular equipment for more than four (4) continuous hours within a 24 hour period, the City shall be charged for two (2) job/trip units.

2. Cost for Loop Resealing, all inclusive, per linear foot \$ 4.50 /linear foot
3. Cost for Loop Replacement, all inclusive, per loop \$ 490.00 /loop

List names, contact, phone numbers, etc. for a minimum of THREE references for whom contractor provided substantially the same amount and type of work as specified herein within the past three years.

1. Business: City of Irvine, California
 Contact Person: David Flanagan
 Phone Number: (949) 724-7684
 Type and Amount of Work: Traffic Signal Maintenance and Emergency Response
 Date(s) Service Provided: October 2004 to Present
2. Business: City of Rancho Cucamonga, California
 Contact Person: Ernie Ruiz
 Phone Number: (909) 477-2700
 Type and Amount of Work: Traffic Signal Maintenance and Emergency Response
 Date(s) Service Provided: 2002 to Present
3. Business: City of Anaheim, California
 Contact Person: Christopher Dahl
 Phone Number: (714) 765-6908
 Type and Amount of Work: Traffic Signal Emergency Response
 Date(s) Service Provided: October 2004 to Present

Sub-contractor Information Does this proposal include the use of subcontractors?

Yes _____ No X

Initials ST

Siemens Industry, Inc.

Company Name of Proposer

2250 Business Way

Mailing Address (PO Box or street)

Riverside, CA 92501

City, State, and Zip Code

Steven M. Teal

Name of Authorized Representative

[Signature] Director of Service

Signature

Title

Corporation

Type of Business (Corp, Partnership, Sole Proprietorship)

(951) 784-6600 (951) 784-6700

Telephone Number Facsimile Number

PROPOSER'S GUARANTY

The Successful Proposer shall execute this guaranty upon execution of the contract. If they so choose, Proposers may execute this guaranty at the time of submitting their Proposal.

- To the City of Norco
- RFP 04-PW2015

The undersigned guarantees the construction and installation of the following work included in this project in accordance with:

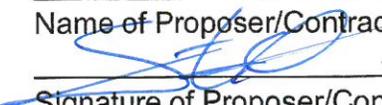
- RFP No. 04-PW2015
- Provide Traffic Signal Maintenance

Should any of the materials or equipment prove defective or should the work as a whole prove defective, due to faulty workmanship, material furnished or methods of installation, or should the work or any part thereof fail to operate properly as originally intended and in accordance with the contract documents, due to any of the above causes, all within twelve (12) months after date on which this contract is accepted by the City of Norco, hereinafter called City, the undersigned agrees to reimburse the City, upon demand, for its expenses incurred in restoring said work to the condition contemplated in said project.

Said reimbursement shall include the cost of any such equipment or materials replaced and the cost of removing and replacing any other work necessary to make such replacement or repairs, or upon demand by the City, to replace any such materials and to repair said work completely without cost to the City so that said work will function successfully as originally contemplated. The City shall have the unqualified option to make any needed replacement or repairs itself or to have such replacements or repairs done by the undersigned. In the event the City elects to have said work performed by the undersigned, the undersigned agrees that the repairs shall be made and such materials as are necessary shall be furnished and installed within a reasonable time after the receipt of demand from the City. If the undersigned shall fail or refuse to comply with his obligations under this guaranty, the City shall be entitled to all costs and expenses, including attorney's fees, reasonably incurred due to the said failure or refusal.

Siemens Industry, Inc.

Name of Proposer/Contractor (Person, Firm, or Corporation)


Signature of Proposer/Contractor's Authorized Representative

Steven M. Teal, Director of Service

Name & Title of Authorized Representative

01/12/2016

Date of Signing

**PROPOSER'S STATEMENT
REGARDING INSURANCE COVERAGE**

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the Request for Proposal No. 04-PW2015, to provide Extraordinary Traffic Signal Maintenance services. Should the Proposer be awarded the contract for the work, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of the subcontractors, and agrees to name the City of Norco as Additional Insured for the work specified.

Siemens Industry, Inc.

Name of Proposer (Person, Firm, or Corporation)



Signature of Proposer's Authorized Representative

Steven M. Teal, Director of Service

Name & Title of Authorized Representative

01/12/2016

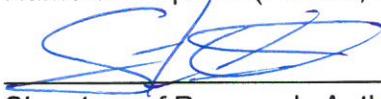
Date of Signing

WORKER'S COMPENSATION INSURANCE CERTIFICATE

The Contractor shall execute the following form as required by the California Labor Code, Sections 1860 and 1861:

I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Siemens Industry, Inc.
Name of Proposer (Person, Firm, or Corporation)


Signature of Proposer's Authorized Representative

Steven M. Teal, Director of Service
Name & Title of Authorized Representative

01/12/2016
Date of Signing

SUBCONTRACTORS LIST

The following is a list of the subcontractors that will be used in the work if the Proposer is awarded the contract, and no subcontractor not listed below will be used without the written approval of the City of Norco. Additional numbered pages outlining this portion of the Proposal may be attached to this page. NOTE: Subcontractors' address, telephone number, license numbers, class and expiration date information may be omitted from this form but must then be submitted within two (2) working days following the opening of Proposals. Subcontractor name, location, and item of work must be stated at the time of the Proposal.

Siemens Industry, Inc.
Proposer Name

SUBCONTRACTORS LIST

All Subcontractors in excess of 1/2 of 1% of total Proposal must be listed.

SUBCONTRACTOR: Not applicable, all work listed in the scope of work in this proposal will be

ITEM OF WORK: performed with Siemens forces.

LOCATION/ADDRESS:

LICENSE NO.

CLASS: EXPIRATION DATE: / / PHONE: ()

SUBCONTRACTOR:

ITEM OF WORK:

LOCATION/ADDRESS:

LICENSE NO.

CLASS: EXPIRATION DATE: / / PHONE: ()

SUBCONTRACTOR:

ITEM OF WORK:

LOCATION/ADDRESS:

LICENSE NO.

CLASS: EXPIRATION DATE: / / PHONE: ()

SUBCONTRACTOR:

ITEM OF WORK:

LOCATION/ADDRESS:

LICENSE NO.

CLASS: EXPIRATION DATE: / / PHONE: ()

Preventative Maintenance Pricing

Item Description	Unit	Quantity	Unit Price	Monthly Total	Annual Total
Monthly Traffic Signal Preventive Maintenance	EA	36	\$ 87.00	\$ 3,132.00	\$ 37,584.00

* Pricing based on scope of work presented on addendum # 2.

* Scheduled repairs and emergency services pricing is provided on the City of Norco's Proposal Rate Sheet.

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Gina Schuchard, Finance Officer

DATE: February 17, 2016

SUBJECT: Report on Fiscal Year 2015 Audited Financial Reports

RECOMMENDATION: Staff recommends that the City Council receive and file the Fiscal Year 2015 Audited Financial Reports.

SUMMARY: Staff recommends that the City Council receive and file the City's Comprehensive Annual Financial Report (CAFR) and other related reports for the fiscal year-ended June 30, 2015. The audited reports received an unqualified/clean opinion from the City's independent auditors.

BACKGROUND/ANALYSIS: The City's independent auditors, White Nelson Diehl Evans, LLP, have completed the year-end annual independent audit of City funds and accounts for fiscal year 2014-2015. The City's annual financial reports were prepared in accordance with Generally Accepted Accounting Principles (GAAP) and comply with other rules and regulations applicable to government entities. Transmitted herewith for City Council's information are the following financial and related reports for the fiscal year ended June 30, 2015:

1. Comprehensive Annual Financial Report
2. Required Independent Auditors' Communication to the City Council
3. Auditors' Audit Committee Letter to the City Council
4. Auditors' Report on Internal Control over financial Reporting and on Compliance
5. Auditors' Report on Appropriations Limit Calculation

The independent auditors will be present at the City Council Meeting to provide a summary presentation of their audit.

FISCAL IMPACT: None

Attachments: Comprehensive Annual Financial Report - June 30, 2015
Audit report from White Nelson Diehl Evans, LLP, December 19, 2015
Audit Committee Letter from White Nelson Diehl Evans, LLP
Internal Control report from White Nelson Diehl Evans, LLP
Appropriations Limit report from White Nelson Diehl Evans, LLP

Agenda Item: 5.A.



20

City of Norco

15

Comprehensive Annual Financial Report

For the year ended

June 30, 2015



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

	<u>PAGE</u>
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
Mayor

GREG NEWTON
Mayor Pro Tem

BERWIN HANNA
Council Member

ROBIN GRUNDMEYER
Council Member

TED HOFFMAN
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 has a 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 inlaid 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,



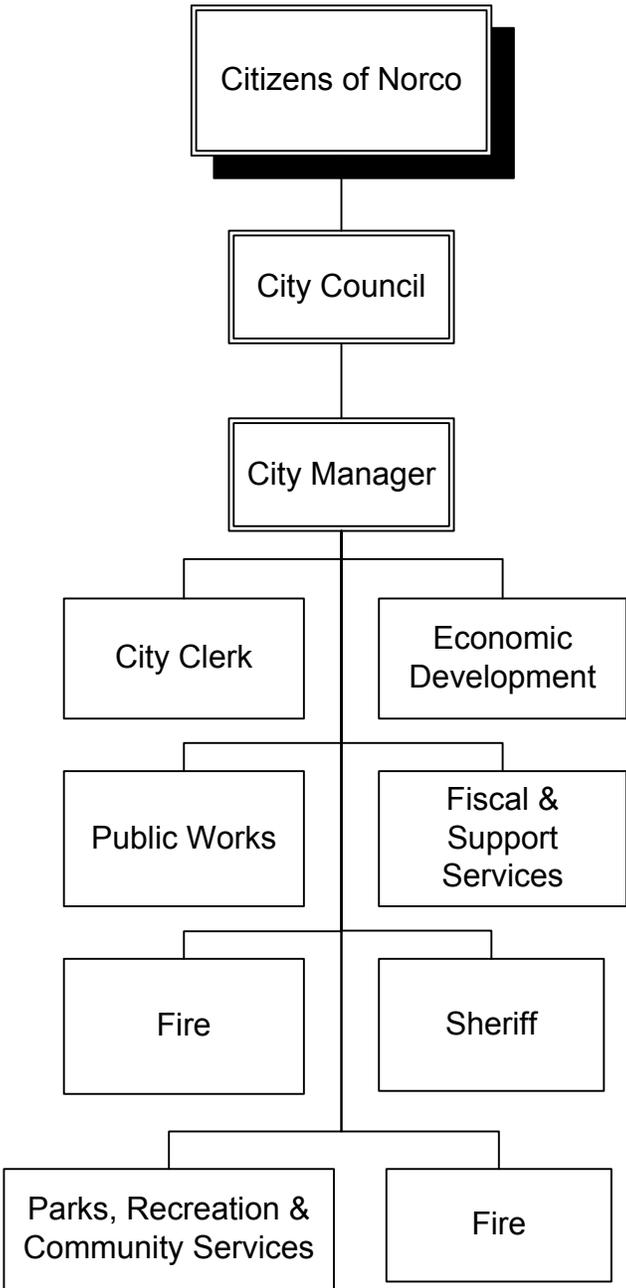
V. Andy Okoro, CPA
City Manager



Gina Schuchard
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.

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.


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.

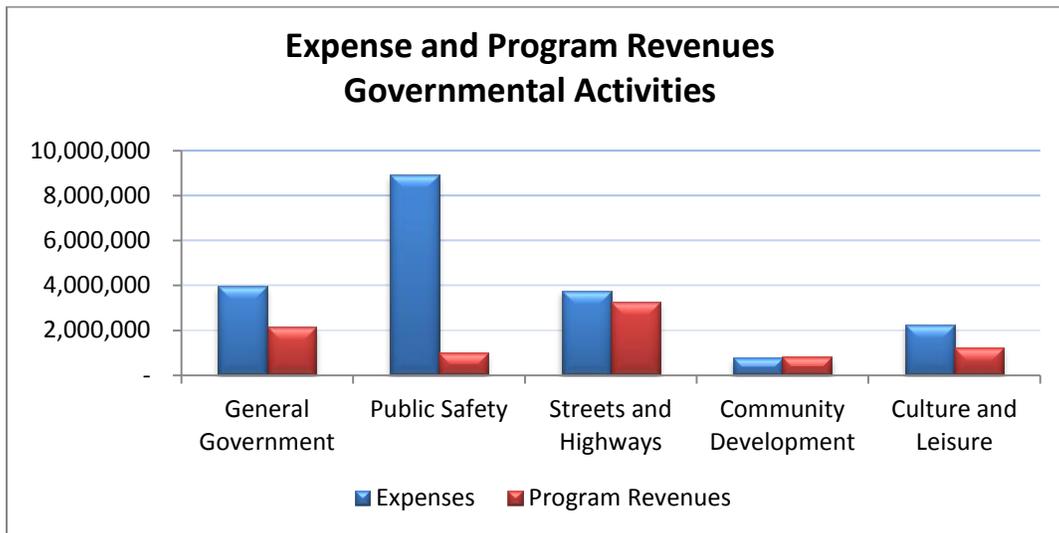
City of Norco, California
Statement of Changes in Net Position

	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

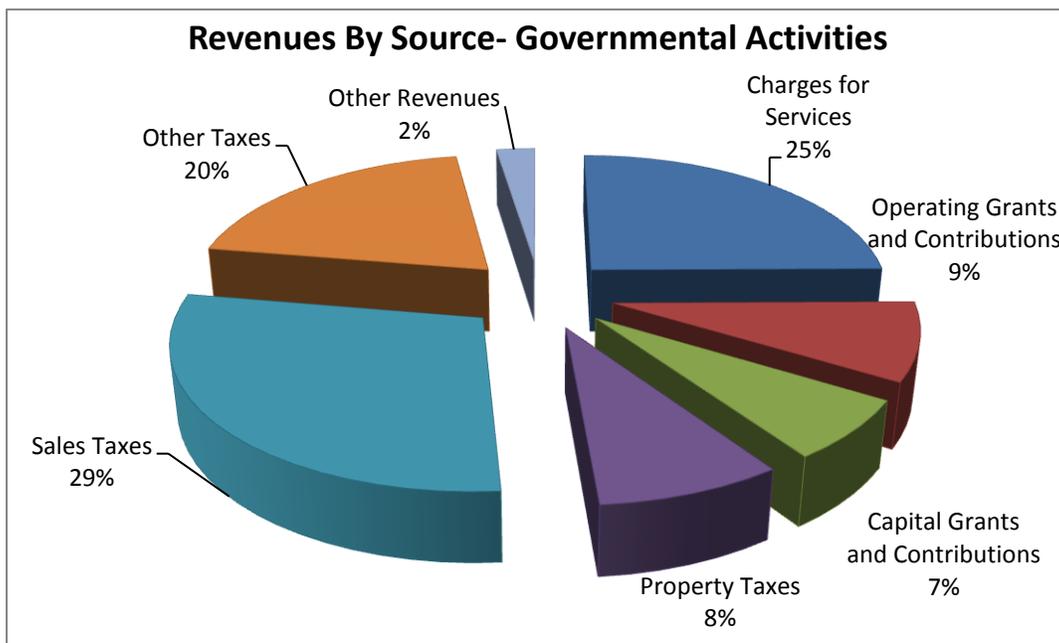
During the year, total net position increased by \$28.5 million primarily due to transfer of assets from low to moderate income housing fund; sale of donated assets and revenues exceeding expenditures during the fiscal year. Further analyses are provided below.

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.

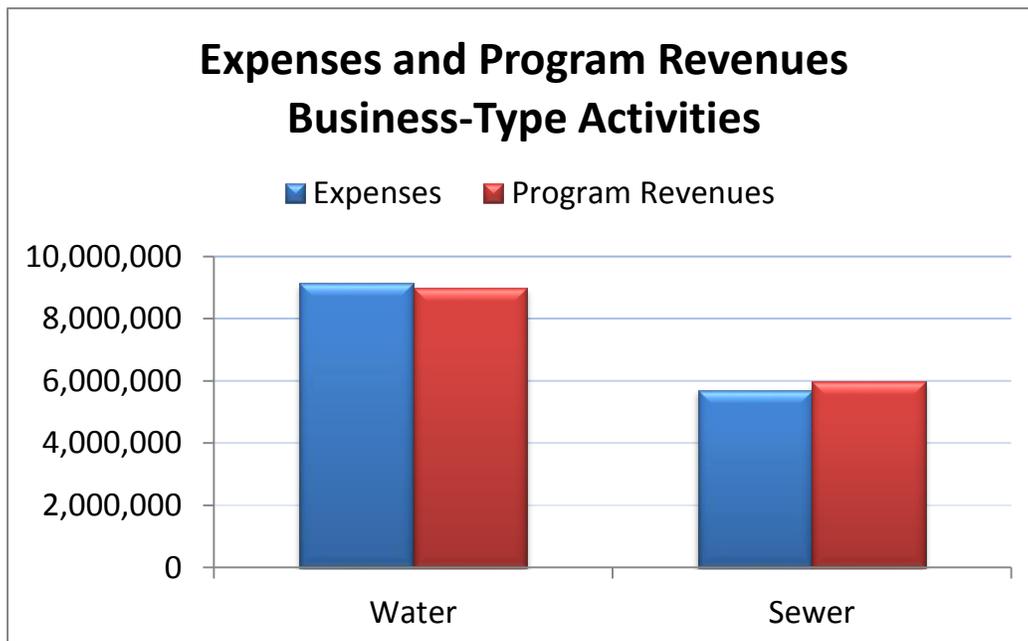


The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable 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**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	<u>\$ 173,699,189</u>	<u>\$ 59,991,166</u>	<u>\$ 233,690,355</u>

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**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	<u>\$ 2,880,674</u>	<u>\$ 35,786,313</u>	<u>\$ 38,558,965</u>

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
Prepays	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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
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	<u>19,692,084</u>	<u>5,173,049</u>	<u>1,832,271</u>	<u>1,402,527</u>
Business-type activities:				
Water	9,138,304	8,960,772	-	-
Sewer	5,700,595	5,857,823	-	-
Total business-type activities	<u>14,838,899</u>	<u>14,818,595</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 34,530,983</u>	<u>\$ 19,991,644</u>	<u>\$ 1,832,271</u>	<u>\$ 1,402,527</u>

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
<u>(1,038,395)</u>	<u>-</u>	<u>(1,038,395)</u>
(11,284,237)	-	(11,284,237)
-	(177,532)	(177,532)
-	157,228	157,228
-	<u>(20,304)</u>	<u>(20,304)</u>
<u>(11,284,237)</u>	<u>(20,304)</u>	<u>(11,304,541)</u>
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
<u>276,652</u>	<u>(276,652)</u>	<u>-</u>
<u>12,407,944</u>	<u>(128,403)</u>	<u>12,279,541</u>
<u>1,123,707</u>	<u>(148,707)</u>	<u>975,000</u>
17,767,484	-	17,767,484
<u>3,086,508</u>	<u>6,778,143</u>	<u>9,864,651</u>
<u>20,853,992</u>	<u>6,778,143</u>	<u>27,632,135</u>
21,977,699	6,629,436	28,607,135
<u>182,786,347</u>	<u>44,216,235</u>	<u>227,002,582</u>
<u>\$ 204,764,046</u>	<u>\$ 50,845,671</u>	<u>\$ 255,609,717</u>

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
Prepays	7,500	-	-	7,500
Property held for resale	-	3,369,583	-	3,369,583
Due from other funds	245,681	-	-	245,681
	<u>245,681</u>	<u>-</u>	<u>-</u>	<u>245,681</u>
Total assets	<u>\$ 15,017,313</u>	<u>\$ 17,814,417</u>	<u>\$ 10,439,567</u>	<u>\$ 43,271,297</u>
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
	<u>239,912</u>	<u>3,343</u>	<u>-</u>	<u>243,255</u>
Total liabilities	<u>2,517,934</u>	<u>15,288</u>	<u>892,726</u>	<u>3,425,948</u>
Deferred inflows of resources:				
Unavailable revenues	49,215	-	522,915	572,130
	<u>49,215</u>	<u>-</u>	<u>522,915</u>	<u>572,130</u>
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
	<u>7,841,852</u>	<u>-</u>	<u>(357,529)</u>	<u>7,484,323</u>
Total fund balances	<u>12,450,164</u>	<u>17,799,129</u>	<u>9,023,926</u>	<u>39,273,219</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,017,313</u>	<u>\$ 17,814,417</u>	<u>\$ 10,439,567</u>	<u>\$ 43,271,297</u>

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	<u>(8,916,388)</u>	(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.		<u>(2,536,397)</u>
Net position of governmental activities		<u><u>\$ 204,764,046</u></u>

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	<u>16,421,767</u>	<u>62,673</u>	<u>3,421,384</u>	<u>19,905,824</u>
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	<u>14,974,810</u>	<u>31,028</u>	<u>3,598,287</u>	<u>18,604,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,446,957</u>	<u>31,645</u>	<u>(176,903)</u>	<u>1,301,699</u>
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)	<u>240,946</u>	<u>-</u>	<u>35,706</u>	<u>276,652</u>
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	<u>3,086,508</u>	<u>17,767,484</u>	<u>-</u>	<u>20,853,992</u>
Net change in fund balances	4,774,411	17,799,129	(141,197)	22,432,343
Fund balances, beginning of year, as restated	<u>7,675,753</u>	<u>-</u>	<u>9,165,123</u>	<u>16,840,876</u>
Fund balances, end of year	<u>\$ 12,450,164</u>	<u>\$ 17,799,129</u>	<u>\$ 9,023,926</u>	<u>\$ 39,273,219</u>

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	<u>(3,122,364)</u>	(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	<u>522,915</u>	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 include 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	<u>(752,909)</u>	<u>5,306</u>

Change in net position of governmental activities		<u>\$ 21,977,699</u>
---	--	----------------------

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	-
Prepays	85,028	148,437	233,465	-
Due from other funds	4,970	-	4,970	-
Inventories	132,619	-	132,619	-
Total current assets	<u>12,914,451</u>	<u>18,461,261</u>	<u>31,375,712</u>	<u>5,082,412</u>
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	<u>(24,453,278)</u>	<u>(20,173,336)</u>	<u>(44,626,614)</u>	<u>(2,436,544)</u>
Total noncurrent assets	<u>27,212,274</u>	<u>32,778,892</u>	<u>59,991,166</u>	<u>461,752</u>
Total assets	<u>40,126,725</u>	<u>51,240,153</u>	<u>91,366,878</u>	<u>5,544,164</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	276,693	270,962	547,655	-
Amount from pension plans	<u>132,731</u>	<u>85,230</u>	<u>217,961</u>	<u>-</u>
Total deferred outflows of resources	<u>409,424</u>	<u>356,192</u>	<u>765,616</u>	<u>-</u>

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	<u>1,818,846</u>	<u>1,733,989</u>	<u>3,552,835</u>	<u>631,274</u>
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	<u>13,893,075</u>	<u>23,294,822</u>	<u>37,187,897</u>	<u>1,000,592</u>
Total liabilities	<u>15,711,921</u>	<u>25,028,811</u>	<u>40,740,732</u>	<u>1,631,866</u>
DEFERRED INFLOWS OF RESOURCES				
Amount from pension plans	<u>334,539</u>	<u>211,552</u>	<u>546,091</u>	<u>-</u>
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	<u>3,049,830</u>	<u>11,499,949</u>	<u>14,549,779</u>	<u>3,450,546</u>
Total net position	<u>\$ 24,489,689</u>	<u>\$ 26,355,982</u>	<u>\$ 50,845,671</u>	<u>\$ 3,912,298</u>

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
	Water Utility	Sewer Utility	Total	Activities - Internal Service Funds
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	<u>8,960,772</u>	<u>5,857,823</u>	<u>14,818,595</u>	<u>1,162,888</u>
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	<u>8,403,022</u>	<u>4,429,155</u>	<u>12,832,177</u>	<u>1,161,119</u>
Operating income	<u>557,750</u>	<u>1,428,668</u>	<u>1,986,418</u>	<u>1,769</u>
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)	<u>(705,678)</u>	<u>(1,152,795)</u>	<u>(1,858,473)</u>	<u>7,376</u>
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	<u>24,777,529</u>	<u>19,438,706</u>	<u>44,216,235</u>	<u>3,849,344</u>
Net position, end of year	<u>\$ 24,489,689</u>	<u>\$ 26,355,982</u>	<u>\$ 50,845,671</u>	<u>\$ 3,912,298</u>

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	<u>1,759,897</u>	<u>4,045,655</u>	<u>5,805,552</u>	<u>244,920</u>
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	<u>(132,647)</u>	<u>(136,740)</u>	<u>(269,387)</u>	<u>-</u>
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	<u>(1,617,100)</u>	<u>(2,628,696)</u>	<u>(4,245,796)</u>	<u>(72,687)</u>
Cash flows from investing activities:				
Interest income	27,625	25,028	52,653	6,213
Net cash provided by investing activities	<u>27,625</u>	<u>25,028</u>	<u>52,653</u>	<u>6,213</u>
Net increase in cash and cash equivalents	37,775	1,305,247	1,343,022	178,446
Cash and cash equivalents, beginning of year	<u>8,601,680</u>	<u>7,476,553</u>	<u>16,078,233</u>	<u>4,899,894</u>
Cash and cash equivalents, end of year	<u>\$ 8,639,455</u>	<u>\$ 8,781,800</u>	<u>\$ 17,421,255</u>	<u>\$ 5,078,340</u>
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	<u>5,862,107</u>	<u>3,278,335</u>	<u>9,140,442</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 8,639,455</u>	<u>\$ 8,781,800</u>	<u>\$ 17,421,255</u>	<u>\$ 5,078,340</u>

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 -
	Water Utility	Sewer Utility	Total	Internal Service Funds
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	 <u>\$ 1,759,897</u>	 <u>\$ 4,045,655</u>	 <u>\$ 5,805,552</u>	 <u>\$ 244,920</u>
Noncash, investing, capital and financing activities:				
Capital asset contribution	<u>\$ -</u>	<u>\$ 6,778,143</u>	<u>\$ 6,778,143</u>	<u>\$ 53,809</u>
Capital asset financed with loan payable	<u>\$ -</u>	<u>\$ 370,141</u>	<u>\$ 370,141</u>	<u>\$ -</u>

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
Prepays	386,191	-
Property held for resale	1,399,292	-
Capital assets being depreciated, net	103,142	-
	<u>12,260,145</u>	<u>\$ 8,628,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	1,961,208	
	<u>1,961,208</u>	
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
	<u>87,145,699</u>	<u>\$ 8,628,000</u>
NET POSITION		
Held in trust for the Successor Agency and other purposes	<u>\$ (72,924,346)</u>	

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

	<u>Successor Agency Private Purpose Trust Fund</u>
ADDITIONS	
RPTTF property tax distribution	\$ 6,780,757
Investment earnings	26,609
Loan interest received	<u>4,433</u>
Total additions	<u>6,811,799</u>
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	<u>1,607</u>
Total deductions	<u>5,828,775</u>
SPECIAL ITEM	
Transfer of assets to housing successor agency (Note 14)	<u>(17,767,484)</u>
Change in net position	(16,784,460)
Net position, beginning of the year, as restated	<u>(56,139,886)</u>
Net position, end of the year	<u><u>\$ (72,924,346)</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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 qualify 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 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
<i>Special Revenue Funds:</i>			
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:

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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:

Investment type	Total	Remaining maturity (in months)			
		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	<u>\$ 61,254,733</u>	<u>\$ 56,046,889</u>	<u>\$ 2,000,640</u>	<u>\$ 3,207,204</u>	<u>\$ -</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>	<u>Percent</u>
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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

Note 4: Capital Assets

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

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
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	<u>101,526,145</u>	<u>1,803,791</u>	<u>(1,062,381)</u>	<u>102,267,555</u>
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	<u>138,199,004</u>	<u>1,180,751</u>	<u>(48,993)</u>	<u>139,330,762</u>
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	<u>(64,695,577)</u>	<u>(3,252,544)</u>	<u>48,993</u>	<u>(67,899,128)</u>
Total capital assets, being depreciated, net	<u>73,503,427</u>	<u>(2,071,793)</u>	<u>-</u>	<u>71,431,634</u>
Governmental activities capital assets, net	<u>\$ 175,029,572</u>	<u>\$ (268,002)</u>	<u>\$ (1,062,381)</u>	<u>\$ 173,699,189</u>
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	<u>3,808,420</u>	<u>1,740,803</u>	<u>(1,665,301)</u>	<u>3,883,922</u>
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	<u>99,063,236</u>	<u>1,670,622</u>	<u>-</u>	<u>100,733,858</u>
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	<u>(42,253,838)</u>	<u>(2,372,776)</u>	<u>-</u>	<u>(44,626,614)</u>
Total capital assets, being depreciated, net	<u>56,809,398</u>	<u>(702,154)</u>	<u>-</u>	<u>56,107,244</u>
Business-type activities capital assets, net	<u>\$ 60,617,818</u>	<u>\$ 1,038,649</u>	<u>\$ (1,665,301)</u>	<u>\$ 59,991,166</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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
	<u>3,252,544</u>
Total depreciation expense - governmental activities	<u>\$ 3,252,544</u>
Business-type activities:	
Water - depreciation expense	\$ 1,183,252
Sewer - amortization expense	785,133
Sewer - depreciation expense	404,391
	<u>2,372,776</u>
Total depreciation expense - business-type activities	<u>\$ 2,372,776</u>

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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:

	<u>Miscellaneous</u>	
	<u>Prior to</u>	<u>On or After</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
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%
	<u>Safety</u>	
	<u>Prior to</u>	
	<u>January 1, 2013</u>	
Hire date		
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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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	<u>\$ 11,274,638</u>

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:

	<u>Miscellaneous</u>	<u>Safety</u>
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	<u>\$ 629,318</u>	<u>\$ (3,082,488)</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
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:					
<i>Capital leases:</i>					
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	<u>\$ 1,467,526</u>	<u>\$ 652,122</u>	<u>\$ (536,606)</u>	<u>\$ 1,583,042</u>	<u>\$ 582,450</u>
Business-type activities:					
<i>Capital lease:</i>					
Wastewater facility	\$ 547,771	\$ -	\$ (131,357)	\$ 416,414	\$ 135,035
WRCRWA lease	-	370,141	-	370,141	-
Total capital lease	<u>547,771</u>	<u>370,141</u>	<u>(131,357)</u>	<u>786,555</u>	<u>135,035</u>
<i>Bonds:</i>					
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	<u>35,484,852</u>	<u>-</u>	<u>(683,603)</u>	<u>34,801,249</u>	<u>725,000</u>
<i>Loans payable:</i>					
US Economic Development Administration	290,924	-	(92,415)	198,509	96,631
Business-type activities long-term liabilities	<u>\$ 36,323,547</u>	<u>\$ 370,141</u>	<u>\$ (907,375)</u>	<u>\$ 35,786,313</u>	<u>\$ 956,666</u>

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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
	<u>\$ 35,190,000</u>	<u>\$ 29,585,157</u>	<u>\$ 64,775,157</u>

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
		<u>\$ 250,651</u>

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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

Interfund transfers

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

- (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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable:				
Long-term receivables	\$ 2,875,558	\$ -	\$ -	\$ 2,875,558
Prepays	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	<u>\$ 12,450,164</u>	<u>\$ 17,799,129</u>	<u>\$ 9,023,926</u>	<u>\$ 39,273,219</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>930,000</u>	<u>157,950</u>	<u>1,087,950</u>
Totals	<u>\$ 42,145,000</u>	<u>\$ 22,943,114</u>	<u>\$ 65,088,114</u>

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 coverage amounts.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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			<u>(118,000)</u>
Annual OPEB cost (expense)			905,000
Contributions made			<u>(1,128,538)</u>
Change in net OPEB obligation			(223,538)
Net OPEB Obligation - beginning of year			<u>1,413,148</u>
Net OPEB Obligation - end of year			<u><u>\$ 1,189,610</u></u>

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		<u>(4,265)</u>
Unfunded Actuarial Accrued Liability (UAAL)		<u><u>\$ 10,936</u></u>
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		<u>9,556</u>
Total		<u><u>\$ 17,311</u></u>
Normal Cost		\$ 328
Normal Cost as a Percentage of Covered Payroll		11.36%

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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
<i>Bonds payable:</i>					
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	<u>\$ 86,410,702</u>	<u>\$ 34,111,625</u>	<u>\$ (37,293,080)</u>	<u>\$ 83,229,247</u>	<u>\$ 2,535,000</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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
	<u>\$ 81,040,000</u>	<u>\$ 53,968,012</u>	<u>\$ 135,008,012</u>

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).

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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;

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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:

<u>Member Agencies</u>	<u>Current MGD</u>	<u>Proposed MGD</u>
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	<u>0.62</u>	<u>1.00</u>
Total	<u><u>8.00</u></u>	<u><u>14.00</u></u>

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2015

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 Amounts	Variance with Final Budget
	Original	Final		
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	<u>\$ 7,695,173</u>	<u>\$ 7,835,078</u>	<u>\$ 12,450,164</u>	<u>\$ 4,615,086</u>

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.

Nonmajor Governmental Funds Fund Descriptions

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.

Nonmajor Governmental Funds Fund Descriptions

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

continued

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
<u>\$ 3,479,167</u>	<u>\$ 33,470</u>	<u>\$ 95,441</u>	<u>\$ 16,667</u>
\$ 94,338	\$ 6,858	\$ -	\$ 16,667
-	-	-	-
-	-	-	-
-	-	-	-
<u>94,338</u>	<u>6,858</u>	<u>-</u>	<u>16,667</u>
-	-	-	-
3,384,829	26,612	95,441	-
-	-	-	-
-	-	-	-
<u>3,384,829</u>	<u>26,612</u>	<u>95,441</u>	<u>-</u>
<u>\$ 3,479,167</u>	<u>\$ 33,470</u>	<u>\$ 95,441</u>	<u>\$ 16,667</u>

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

	<u>Special Revenue Funds</u>		
	<u>Landscape Maintenance District #1</u>	<u>Landscape Maintenance District #2</u>	<u>Landscape Maintenance District #3</u>
ASSETS			
Cash and investments	\$ 16,987	\$ -	\$ 68,999
Receivables, net:			
Accounts	-	-	-
Interest	7	(7)	26
Due from other governments	<u>67</u>	<u>1,848</u>	<u>-</u>
Total assets	<u>\$ 17,061</u>	<u>\$ 1,841</u>	<u>\$ 69,025</u>
 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	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,377</u>	<u>22,115</u>	<u>6,731</u>
Deferred inflows of resources:			
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):			
Restricted	15,684	-	62,294
Assigned	-	-	-
Unassigned	<u>-</u>	<u>(20,274)</u>	<u>-</u>
Total fund balances (deficits)	<u>15,684</u>	<u>(20,274)</u>	<u>62,294</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,061</u>	<u>\$ 1,841</u>	<u>\$ 69,025</u>

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
<u>8,871</u>	<u>3,534</u>	<u>290,618</u>
<u>\$ 534,350</u>	<u>\$ 90,758</u>	<u>\$ 5,425,717</u>
\$ 36,458	\$ 4,625	\$ 422,616
-	-	-
4,636	265	35,386
<u>6,400</u>	<u>-</u>	<u>6,400</u>
<u>47,494</u>	<u>4,890</u>	<u>464,402</u>
-	-	-
486,856	85,868	4,981,589
-	-	-
<u>-</u>	<u>-</u>	<u>(20,274)</u>
<u>486,856</u>	<u>85,868</u>	<u>4,961,315</u>
<u>\$ 534,350</u>	<u>\$ 90,758</u>	<u>\$ 5,425,717</u>

**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	<u>\$ 522,915</u>	<u>\$ 527,657</u>	<u>\$ 591,096</u>
 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	<u>337,255</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenues	522,915	-	-
Fund balances (deficits):			
Restricted	-	-	-
Assigned	-	527,657	591,096
Unassigned	<u>(337,255)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>(337,255)</u>	<u>527,657</u>	<u>591,096</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 522,915</u>	<u>\$ 527,657</u>	<u>\$ 591,096</u>

continued

Capital Projects Funds

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

**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

<u>Capital Projects Funds</u>		Total Nonmajor Governmental Funds
<u>Facility Improvement</u>	<u>Total Capital Projects Funds</u>	
\$ 164,723	\$ 4,488,369	\$ 9,616,736
-	756	5,457
-	1,810	3,841
-	522,915	813,533
<u>\$ 164,723</u>	<u>\$ 5,013,850</u>	<u>\$ 10,439,567</u>
\$ -	\$ 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
<u>\$ 164,723</u>	<u>\$ 5,013,850</u>	<u>\$ 10,439,567</u>

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
	<hr/>	<hr/>	<hr/>
Total revenues	76,135	13,255	774,721
	<hr/>	<hr/>	<hr/>
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	-
	<hr/>	<hr/>	<hr/>
Total expenditures	76,135	13,255	819,094
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	-	-	(44,373)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	(44,373)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning of year, as restated	-	-	868,378
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ -	\$ -	\$ 824,005
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

continued

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	-
-	-	-	-
<u>587,449</u>	<u>64,135</u>	<u>33,088</u>	<u>106,230</u>
-	-	47,394	-
-	-	-	106,230
219,899	104,373	-	-
-	-	-	-
-	-	-	-
<u>219,899</u>	<u>104,373</u>	<u>47,394</u>	<u>106,230</u>
<u>367,550</u>	<u>(40,238)</u>	<u>(14,306)</u>	<u>-</u>
-	50,000	-	-
-	-	(1,500)	-
-	50,000	(1,500)	-
367,550	9,762	(15,806)	-
<u>3,017,279</u>	<u>16,850</u>	<u>111,247</u>	<u>-</u>
<u>\$ 3,384,829</u>	<u>\$ 26,612</u>	<u>\$ 95,441</u>	<u>\$ -</u>

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	-	-	-
	<u>8,818</u>	<u>131,908</u>	<u>79,355</u>
Total revenues			
	<u>8,818</u>	<u>131,908</u>	<u>79,355</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	9,247	137,178	82,330
Community and economic development	-	-	-
Culture and leisure	-	-	-
	<u>9,247</u>	<u>137,178</u>	<u>82,330</u>
Total expenditures			
	<u>9,247</u>	<u>137,178</u>	<u>82,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(429)</u>	<u>(5,270)</u>	<u>(2,975)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(429)	(5,270)	(2,975)
Fund balances (deficits), beginning of year, as restated	<u>16,113</u>	<u>(15,004)</u>	<u>65,269</u>
Fund balances (deficits), end of year	<u>\$ 15,684</u>	<u>\$ (20,274)</u>	<u>\$ 62,294</u>

continued

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

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	<u>17,555</u>	<u>7,155</u>	<u>28,961</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	578,477	-	-
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	<u>578,477</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(560,922)</u>	<u>7,155</u>	<u>28,961</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(6,283)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,283)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(567,205)	7,155	28,961
Fund balances (deficits), beginning of year, as restated	<u>229,950</u>	<u>520,502</u>	<u>562,135</u>
Fund balances (deficits), end of year	<u>\$ (337,255)</u>	<u>\$ 527,657</u>	<u>\$ 591,096</u>

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	-	-
<u>393</u>	<u>83</u>	<u>420,595</u>	<u>-</u>	<u>60</u>
-	-	-	-	-
-	-	-	-	-
3,014	-	-	-	-
-	-	-	-	-
-	-	817,859	-	-
<u>3,014</u>	<u>-</u>	<u>817,859</u>	<u>-</u>	<u>-</u>
<u>(2,621)</u>	<u>83</u>	<u>(397,264)</u>	<u>-</u>	<u>60</u>
-	-	-	-	-
(455)	-	(3,014)	(14,625)	-
<u>(455)</u>	<u>-</u>	<u>(3,014)</u>	<u>(14,625)</u>	<u>-</u>
(3,076)	83	(400,278)	(14,625)	60
<u>273,485</u>	<u>58,400</u>	<u>917,345</u>	<u>14,625</u>	<u>41,982</u>
<u>\$ 270,409</u>	<u>\$ 58,483</u>	<u>\$ 517,067</u>	<u>\$ -</u>	<u>\$ 42,042</u>

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

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

continued

<u>Capital Projects Funds</u>		<u>Total Non-major Governmental Funds</u>
<u>Facility Improvement</u>	<u>Total Capital Projects Funds</u>	
\$ -	\$ -	\$ 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
<u>\$ 164,723</u>	<u>\$ 4,062,611</u>	<u>\$ 9,023,926</u>

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 Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 60,618	\$ 76,652	\$ 76,135	\$ (517)
Total revenues	<u>60,618</u>	<u>76,652</u>	<u>76,135</u>	<u>(517)</u>
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	<u>60,618</u>	<u>76,652</u>	<u>76,135</u>	<u>517</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

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

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

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

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

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

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

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 Amounts	Variance with Final Budget
	Original	Final		
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)
	<u>1,591,110</u>	<u>1,591,110</u>	<u>17,555</u>	<u>(1,573,555)</u>
EXPENDITURES				
Current:				
Streets and highways	2,228,580	2,228,580	578,477	1,650,103
	<u>2,228,580</u>	<u>2,228,580</u>	<u>578,477</u>	<u>1,650,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(637,470)</u>	<u>(637,470)</u>	<u>(560,922)</u>	<u>76,548</u>
OTHER FINANCING USES				
Transfers out	(6,283)	(6,283)	(6,283)	-
	<u>(6,283)</u>	<u>(6,283)</u>	<u>(6,283)</u>	<u>-</u>
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	<u>\$ (413,803)</u>	<u>\$ (413,803)</u>	<u>\$ (337,255)</u>	<u>\$ 76,548</u>

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

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

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

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 Amounts	Variance with Final Budget
	Original	Final		
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	<u>474,940</u>	<u>474,940</u>	<u>420,595</u>	<u>(54,345)</u>
EXPENDITURES				
Current:				
Culture and leisure	<u>1,068,950</u>	<u>1,193,859</u>	<u>817,859</u>	<u>376,000</u>
Total expenditures	<u>1,068,950</u>	<u>1,193,859</u>	<u>817,859</u>	<u>376,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(594,010)</u>	<u>(718,919)</u>	<u>(397,264)</u>	<u>321,655</u>
OTHER FINANCING USES				
Transfers out	<u>(3,014)</u>	<u>(3,014)</u>	<u>(3,014)</u>	<u>-</u>
Total other financing uses	<u>(3,014)</u>	<u>(3,014)</u>	<u>(3,014)</u>	<u>-</u>
Net change in fund balance	(597,024)	(721,933)	(400,278)	321,655
Fund balance, beginning of year	<u>917,345</u>	<u>917,345</u>	<u>917,345</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 320,321</u></u>	<u><u>\$ 195,412</u></u>	<u><u>\$ 517,067</u></u>	<u><u>\$ 321,655</u></u>

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

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

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 Amounts	Variance with Final Budget
	Original	Final		
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	<u>495,882</u>	<u>495,882</u>	<u>488,530</u>	<u>(7,352)</u>
EXPENDITURES				
Current:				
Streets and highways	<u>1,171,026</u>	<u>1,421,026</u>	<u>157,335</u>	<u>1,263,691</u>
Total expenditures	<u>1,171,026</u>	<u>1,421,026</u>	<u>157,335</u>	<u>1,263,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(675,144)</u>	<u>(925,144)</u>	<u>331,195</u>	<u>1,256,339</u>
OTHER FINANCING USES				
Transfers out	<u>(3,042)</u>	<u>(3,042)</u>	<u>(3,042)</u>	<u>-</u>
Total other financing uses	<u>(3,042)</u>	<u>(3,042)</u>	<u>(3,042)</u>	<u>-</u>
Net change in fund balance	(678,186)	(928,186)	328,153	1,256,339
Fund balance, beginning of year	<u>1,856,884</u>	<u>1,856,884</u>	<u>1,856,884</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,178,698</u>	<u>\$ 928,698</u>	<u>\$ 2,185,037</u>	<u>\$ 1,256,339</u>

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

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

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

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
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	<u>2,764,164</u>	<u>1,547,686</u>	<u>770,562</u>	<u>5,082,412</u>
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	<u>387,854</u>	<u>-</u>	<u>73,898</u>	<u>461,752</u>
 Total assets	 <u>3,152,018</u>	 <u>1,547,686</u>	 <u>844,460</u>	 <u>5,544,164</u>
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	<u>27,960</u>	<u>586,034</u>	<u>17,280</u>	<u>631,274</u>
Noncurrent liabilities:				
Compensated absences	-	513,127	-	513,127
Claims and judgements	-	487,465	-	487,465
Total noncurrent liabilities	<u>-</u>	<u>1,000,592</u>	<u>-</u>	<u>1,000,592</u>
 Total liabilities	 <u>27,960</u>	 <u>1,586,626</u>	 <u>17,280</u>	 <u>1,631,866</u>
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	 <u>\$ 3,124,058</u>	 <u>\$ (38,940)</u>	 <u>\$ 827,180</u>	 <u>\$ 3,912,298</u>

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

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

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	<u>93,119</u>	<u>9,759</u>	<u>142,042</u>	<u>244,920</u>
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	<u>(58,145)</u>	<u>-</u>	<u>(14,542)</u>	<u>(72,687)</u>
Cash flows from investing activities:				
Interest income	3,425	1,934	854	6,213
Net cash provided by investing activities	<u>3,425</u>	<u>1,934</u>	<u>854</u>	<u>6,213</u>
Net increase in cash and investments	38,399	11,693	128,354	178,446
Cash and investments, beginning of year	<u>2,722,632</u>	<u>1,535,356</u>	<u>641,906</u>	<u>4,899,894</u>
Cash and investments, end of year	<u>\$ 2,761,031</u>	<u>\$ 1,547,049</u>	<u>\$ 770,260</u>	<u>\$ 5,078,340</u>
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	<u>\$ 93,119</u>	<u>\$ 9,759</u>	<u>\$ 142,042</u>	<u>\$ 244,920</u>
Noncash, investing, capital and financing activities:				
Capital asset contribution	<u>\$ 47,393</u>	<u>\$ -</u>	<u>\$ 6,416</u>	<u>\$ 53,809</u>

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	 <u>\$ 1,471,352</u>	 <u>\$ 462,098</u>	 <u>\$ 281,955</u>	 <u>\$ 1,258,425</u>
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	 <u>\$ 1,471,352</u>	 <u>\$ 462,098</u>	 <u>\$ 281,955</u>	 <u>\$ 1,258,425</u>

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

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	<u>\$ 1,389,865</u>	<u>\$ 749,439</u>	<u>\$ 667,952</u>	<u>\$ 1,471,352</u>
Liabilities				
Accounts payable	\$ 388	\$ 282,878	\$ 281,152	\$ 2,114
Deposits payable	1,389,477	732,992	653,231	1,469,238
Total liabilities	<u>\$ 1,389,865</u>	<u>\$ 1,015,870</u>	<u>\$ 934,383</u>	<u>\$ 1,471,352</u>
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	<u>\$ 451,009</u>	<u>\$ 9,295,793</u>	<u>\$ 9,284,704</u>	<u>\$ 462,098</u>
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	<u>\$ 451,009</u>	<u>\$ 7,088,605</u>	<u>\$ 7,077,516</u>	<u>\$ 462,098</u>

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	<u>\$ 278,803</u>	<u>\$ 194,827</u>	<u>\$ 191,675</u>	<u>\$ 281,955</u>
Liabilities				
Accounts payable	\$ 750	\$ 8,004	\$ 8,754	\$ -
Due to bond holders	278,053	189,215	185,313	281,955
Total liabilities	<u>\$ 278,803</u>	<u>\$ 197,219</u>	<u>\$ 194,067</u>	<u>\$ 281,955</u>
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	<u>\$ 1,234,547</u>	<u>\$ 1,109,812</u>	<u>\$ 1,085,934</u>	<u>\$ 1,258,425</u>
Liabilities				
Due to bond holders	\$ 1,234,547	\$ 580,763	\$ 556,885	\$ 1,258,425
Total liabilities	<u>\$ 1,234,547</u>	<u>\$ 580,763</u>	<u>\$ 556,885</u>	<u>\$ 1,258,425</u>
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	<u>\$ 4,957,579</u>	<u>\$ 4,885,839</u>	<u>\$ 4,859,979</u>	<u>\$ 4,983,439</u>
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	<u>\$ 4,957,579</u>	<u>\$ 2,441,721</u>	<u>\$ 2,415,861</u>	<u>\$ 4,983,439</u>

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 <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	134
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	145
Debt Capacity <i>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.</i>	150
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	158
Operating Information <i>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.</i>	160

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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 activities net position	<u>\$ 142,869,014</u>	<u>\$ 151,212,071</u>	<u>\$ 156,355,247</u>	<u>\$ 146,789,420</u>
 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	<u>\$ 44,978,538</u>	<u>\$ 45,570,682</u>	<u>\$ 45,854,043</u>	<u>\$ 46,091,536</u>
 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	<u>\$ 187,847,552</u>	<u>\$ 196,782,753</u>	<u>\$ 202,209,290</u>	<u>\$ 192,880,956</u>

Source: City's financial statements

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 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
<u>\$ 142,299,197</u>	<u>\$ 137,735,582</u>	<u>\$ 187,677,854</u>	<u>\$ 189,413,019</u>	<u>\$ 193,833,081</u>	<u>\$ 204,764,046</u>
\$ 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
<u>\$ 45,179,992</u>	<u>\$ 44,172,275</u>	<u>\$ 44,020,694</u>	<u>\$ 46,322,676</u>	<u>\$ 46,948,962</u>	<u>\$ 50,845,671</u>
\$ 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
<u>\$ 187,479,189</u>	<u>\$ 181,907,857</u>	<u>\$ 231,698,548</u>	<u>\$ 235,735,695</u>	<u>\$ 240,782,043</u>	<u>\$ 255,609,717</u>

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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	<u>31,878,816</u>	<u>33,093,188</u>	<u>36,668,437</u>	<u>48,088,997</u>
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	<u>10,970,003</u>	<u>10,907,524</u>	<u>10,147,680</u>	<u>12,114,406</u>
Total primary government expenses	<u>\$ 42,848,819</u>	<u>\$ 44,000,712</u>	<u>\$ 46,816,117</u>	<u>\$ 60,203,403</u>
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	<u>9,474,551</u>	<u>10,117,145</u>	<u>10,525,508</u>	<u>9,234,725</u>
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	<u>14,545,061</u>	<u>11,739,889</u>	<u>10,624,073</u>	<u>12,345,334</u>
Total program government program revenues	<u>\$ 24,019,612</u>	<u>\$ 21,857,034</u>	<u>\$ 21,149,581</u>	<u>\$ 21,580,059</u>
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
	<u>\$ (18,829,207)</u>	<u>\$ (22,143,678)</u>	<u>\$ (25,666,536)</u>	<u>\$ (38,623,344)</u>

Source: City's financial statements

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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	-	-	-
<u>43,249,520</u>	<u>38,683,166</u>	<u>25,076,358</u>	<u>18,670,271</u>	<u>18,995,142</u>	<u>19,692,084</u>
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
<u>13,396,603</u>	<u>13,198,732</u>	<u>15,226,281</u>	<u>14,118,209</u>	<u>14,724,549</u>	<u>14,838,899</u>
<u>\$ 56,646,123</u>	<u>51,881,898</u>	<u>40,302,639</u>	<u>32,788,480</u>	<u>33,719,691</u>	<u>34,530,983</u>
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
<u>13,941,551</u>	<u>9,589,930</u>	<u>7,076,396</u>	<u>9,302,035</u>	<u>12,092,781</u>	<u>8,407,847</u>
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	-
<u>12,676,266</u>	<u>12,405,480</u>	<u>15,262,496</u>	<u>16,674,677</u>	<u>16,180,365</u>	<u>14,818,595</u>
<u>\$ 26,617,817</u>	<u>21,995,410</u>	<u>22,338,892</u>	<u>25,976,712</u>	<u>28,273,146</u>	<u>23,226,442</u>
(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)
<u>\$ (30,028,306)</u>	<u>(29,886,488)</u>	<u>(17,963,747)</u>	<u>(6,811,768)</u>	<u>(5,446,545)</u>	<u>(11,304,541)</u>

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			
	2006	2007	2008	2009
Governmental activities:				
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	<u>27,414,737</u>	<u>31,319,100</u>	<u>31,286,105</u>	<u>29,288,445</u>
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	<u>237,487</u>	<u>(240,221)</u>	<u>(193,032)</u>	<u>6,565</u>
Total primary government	<u>\$ 27,652,224</u>	<u>\$ 31,078,879</u>	<u>\$ 31,093,073</u>	<u>\$ 29,295,010</u>
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	<u>\$ 8,823,017</u>	<u>\$ 8,935,201</u>	<u>\$ 5,426,537</u>	<u>\$ (9,328,334)</u>

Source: City's financial statements

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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
<u>24,996,702</u>	<u>24,529,621</u>	<u>67,942,234</u>	<u>11,103,401</u>	<u>11,322,423</u>	<u>33,261,936</u>
-	-	-	-	-	-
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)
<u>(370,163)</u>	<u>(214,465)</u>	<u>(187,797)</u>	<u>(254,486)</u>	<u>(197,020)</u>	<u>6,649,740</u>
<u>\$ 24,626,539</u>	<u>24,315,156</u>	<u>67,754,437</u>	<u>10,848,915</u>	<u>11,125,403</u>	<u>39,911,676</u>
(4,311,267)	(4,563,615)	49,942,272	1,735,165	4,420,062	21,977,699
<u>(1,090,500)</u>	<u>(1,007,717)</u>	<u>(151,582)</u>	<u>2,301,982</u>	<u>1,258,796</u>	<u>6,629,436</u>
<u>\$ (5,401,767)</u>	<u>(5,571,332)</u>	<u>49,790,690</u>	<u>4,037,147</u>	<u>5,678,858</u>	<u>28,607,135</u>

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	<u>\$ 7,791,835</u>	<u>\$ 8,431,607</u>	<u>\$ 7,960,962</u>	<u>\$ 6,586,317</u>	<u>\$ 3,382,363</u>
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	<u>\$ 77,290,094</u>	<u>\$ 75,768,808</u>	<u>\$ 77,024,209</u>	<u>\$ 74,006,127</u>	<u>\$ 64,598,460</u>
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	<u>2,082,140</u>	<u>2,723,125</u>	<u>5,022,400</u>	<u>6,161,449</u>	<u>12,450,164</u>
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	<u>51,309,176</u>	<u>10,850,956</u>	<u>7,983,586</u>	<u>10,679,427</u>	<u>9,023,926</u>
Total all governmental funds	<u>53,391,316</u>	<u>13,574,081</u>	<u>13,005,986</u>	<u>16,840,876</u>	<u>39,273,219</u>

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 Statistical Section.

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

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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
Transfers 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					
Transfer 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

Fiscal Year				
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 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
<u>33,825,154</u>	<u>24,269,677</u>	<u>20,109,233</u>	<u>23,093,250</u>	<u>19,905,824</u>
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	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>48,089,574</u>	<u>26,158,050</u>	<u>20,767,418</u>	<u>19,387,152</u>	<u>18,604,125</u>
(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)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(325,088)</u>	<u>459,049</u>	<u>90,090</u>	<u>128,792</u>	<u>276,652</u>
-	-	-	-	17,767,484
-	-	-	-	3,086,508
-	-	-	-	<u>20,853,992</u>
-	(38,387,912)	-	-	-
<u>\$ (14,589,508)</u>	<u>\$ (39,817,236)</u>	<u>\$ (568,095)</u>	<u>\$ 3,834,890</u>	<u>\$ 22,432,343</u>
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)

Fiscal Year	City Direct Rates		Overlapping Rates	
	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%
	<u>115,984,709</u>		<u>3.75%</u>	<u>98,642,174</u>		<u>4.34%</u>

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)

Fiscal Year	Governmental Activities			Business-Type Activities		
	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

<u>Total Primary Government</u>	<u>Percentage of Personal Capita</u>	<u>Percentage of Assessed Valuation</u>	<u>Per Capita¹</u>
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)

Fiscal Year	General Bonded Debt Outstanding ⁽¹⁾			Debt Service Reserve	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita ⁽²⁾
	General Obligation Bonds	RDA Bonds	Total				
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

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable (1)</u>	<u>Debt</u>
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		<u>\$ 75,985,973</u>
<u>Overlapping General Fund Obligation Debt:</u>		
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		<u>\$ 15,707,815</u>
Less: Riverside County self-supporting obligations		<u>126,278</u>
Total Net Overlapping General Fund Obligation Debt		<u>\$ 15,581,537</u>
Gross Combined Total Debt		\$ 178,366,385 (2)
Net Combined Total Debt		<u>\$ 178,240,107</u>
<u>Ratios to Adjusted Assessed Valuation:</u>		
Gross Combined Total Debt	6.81%	
Net Combined Total Debt	6.80%	
<u>State School Building Aid Repayable as of 6/30/13:</u>	\$	-

(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			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 396,285	\$ 436,571	\$ 436,571	\$ 387,518
Total net debt applicable to limit ⁽¹⁾	-	-	-	-
Legal debt margin	<u>\$ 396,285</u>	<u>\$ 436,571</u>	<u>\$ 436,571</u>	<u>\$ 387,518</u>
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.

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 379,410	\$ 381,626	\$ 379,675	\$ 392,925	\$ 412,052	\$ 412,052
-	-	-	-	-	-
<u>\$ 379,410</u>	<u>\$ 381,626</u>	<u>\$ 379,675</u>	<u>\$ 392,925</u>	<u>\$ 412,052</u>	<u>\$ 412,052</u>
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	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 412,052</u></u>

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

Fiscal Year	Utility Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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.

Special Assessment Bonds⁽²⁾				Successor Agency Bonds⁽³⁾			
Special Assessment Collections	Debt Service		Coverage	Redevelopment Property Tax	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
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**

<u>Year</u>	<u>Estimated Population⁽¹⁾</u>	<u>Personal Income (in thousands)⁽²⁾</u>	<u>Per Capita Personal Income⁽³⁾</u>	<u>School Enrollment⁽⁴⁾</u>	<u>Unemployment Rate⁽⁵⁾</u>
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 Analysis for 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**

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment⁽¹⁾</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment⁽¹⁾</u>
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:	<u>8,535</u>		<u>71.13%</u>	<u>7,781</u>		<u>60.32%</u>

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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

Full-time Equivalent Employees as of June 30

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
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

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

This page left blank intentionally.

City Council and Management
City of Norco, California
Norco, California

In planning and performing our audit of the 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 the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we have identified significant deficiencies that have been reported to City Council in a separate report dated December 19, 2015. In addition, as discussed below, we have identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 19, 2015 on the financial statements of the City. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments and recommendations are summarized as follows:

Claims Payable

The confirmation letter we received from Public Entity Risk Management Authority ("PERMA") recommended that the City record an additional estimated unallocated loss adjustment to estimate the costs to administer open claims of 5-10% of estimated outstanding losses. The City, however, did not record an estimate for unallocated loss administration. We recommend that the City consider PERMA's recommendation and develop an estimate based on historical data for administration of open claims and incorporate that estimate into the City's estimated claims liability.

Agency Funds

We noted that the City’s Agency fund contained numerous deposits, some of which appeared to be related to City activities. Agency funds should be used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. While it is appropriate to use an Agency fund to account for City resources received from outside parties until those resources can be allocated to individual funds for internal accounting purposes, it is not appropriate to include those resources in an Agency fund for financial reporting purposes. We recommend that the City review all deposits that are recorded in its Agency fund and determine whether they meet the requirements to be reported in an Agency fund. Those deposits that do not meet the requirements should be reclassified to the appropriate City fund to which they relate and appropriate revenue recognition should occur, if applicable. The use of an Agency fund presentation for reporting purposes should only involve those arrangements in which the City is acting purely in a custodial capacity.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
December 19, 2015

Honorable City Council
of the City of Norco
Norco, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norco, California (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 25, 2015 and in our letter on planning matters dated July 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As discussed in Notes 1D and 14 to the financial statements, the City has recorded the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the agent-multiple and single employer defined benefit pension plans due to the adoption of Governmental Accounting Standards Board's (GASB) 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. No other accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the City of Norco's financial statements are as follows:

- a. Management's estimate of the fair market value of investments is based on market values provided by outside sources.
- b. Management's estimate of the useful lives of capital assets for depreciation purposes is based on industry standards.
- c. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- d. The annual required contribution and actuarial accrued liability for the City's Other Post-Employment Benefit Plan is based on certain actuarial assumptions and methods prepared by an outside consultant.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial disclosures are particularly sensitive because of their significance to the financial statements users. The most sensitive disclosures affecting the financial statements are reported in Note 5 regarding the retirement plan, Note 12 regarding post-employment benefits plan, Note 13 regarding the Successor Agency Private Purpose Trust Fund, and Note 17 regarding the restatement of net position/fund balance at July 1, 2014.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected such misstatements. The following material misstatements detected as a result of our audit procedures were corrected by management: Adjustment to the deferred amount on refunding related to the issuance of the 2014 Successor Agency Refunding Bonds; adjustments related to the recording of the sale and purchase of wastewater capacity rights; and adjustment related to the recognition of revenue in the storm drain capital projects fund.

Significant Audit Findings (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules of funding progress for OPEB, the schedule of proportionate share of net pension liability, the schedule of contributions for defined benefit pension plans, and budgetary comparison schedules for the general fund, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the combining statements and individual fund schedules (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Norco and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
December 19, 2015

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Norco
Norco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norco, California (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 and have issued our report thereon dated December 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Allocation of Costs to Enterprise Funds

Auditors' Comment

During our audit, we noted that the City has been allocating street damage repair costs to the enterprise funds based on a study that was performed in 2003. While the attorney has confirmed that the basis for this allocation is still legally valid, we feel that the data used to estimate the allocation may be difficult to support considering street repair activity in recent years. We recommend that the City update their estimates relating to allocation of costs to enterprise funds on a regular basis and at least every five years.

Management's Response

The City concurs with the Auditors' Comment. The City is in the process of updating the cost allocation plan.

Wastewater Capacity Rights Transaction

Auditors' Comment

During the current year, the City recorded a transaction for the purchase of wastewater capacity rights. Upon further review of the purchase agreement and a confirmation with the other party to the transaction, we noted that the assets required to increase these wastewater capacity rights are currently under construction and the City's portion of those assets and the related liability were overstated at June 30, 2015. Additionally, we noted that the City originally booked the loan for the purchase of these assets at the principal plus future interest amount, which further overstated the liability at June 30, 2015. Before significant and unique transactions are recorded in the general ledger, we recommend that management thoroughly review all relevant data, make additional inquiries as deemed necessary, review relevant generally accepted accounting principles and seek guidance when deemed necessary to ensure that these transactions are recorded properly.

Management's Response

The City concurs with the Auditors' Comment. The transaction was initially reviewed and recorded in full. However, based on further review and recommendation of the auditors, the transaction has been corrected to reflect the portion of the funds expended

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Norco, California's Response to Findings

The City of Norco, California's responses to the findings are described above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California

December 19, 2015

CITY OF NORCO

APPROPRIATIONS LIMIT WORKSHEET NO. 6

**WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET**

FOR THE YEAR ENDED JUNE 30, 2015

INDEPENDENT ACCOUNTANTS' REPORT ON
AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Norco, California (the City) for the year ended June 30, 2015. These procedures, which were agreed to by the City of Norco, California and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the City of Norco, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheet No. 6 for the year ended June 30, 2015, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of performing this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factors, and the adjustment for inflation and population, and compared the results to the amounts on Appropriations Limit Worksheet No. 6.

No exceptions were noted as a result of this procedure.

3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of this procedure.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines".

This report is intended solely for the use of the City Council and management of the City of Norco, California and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
December 19, 2015

CITY OF NORCO

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2015

Appropriations limit for fiscal year ended June 30, 2014 (see Note 2) \$ 35,548,699

Adjustment factors for the fiscal year ended June 30, 2015 (see Note 2):

<u>Inflation Factor (Note 3)</u>	<u>Population Factor (Note 4)</u>	<u>Combined Factor</u>	
0.9977	1.0053	1.00299	x <u>1.00299</u>
Adjustment for inflation and population			106,291
Other adjustments (Note 5)			<u>-</u>
Total adjustments			<u>106,291</u>
Appropriations limit for fiscal year ended June 30, 2015			<u>\$ 35,654,990</u>

See accompanying notes to appropriations limit worksheet No. 6.

CITY OF NORCO

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2015

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to an agreed-upon procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Norco for the fiscal year 2014-2015 represents the annual percentage change for per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Norco for fiscal year 2014-2015 represents the annual percentage change in population for the City of Norco.

5. OTHER ADJUSTMENTS:

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City of Norco had no such adjustments for the year ended June 30, 2015.

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

PREPARED BY: Gina Schuchard, Finance Officer

DATE: February 17, 2016

SUBJECT: Mid-Year Amendments to Fiscal Year 2015-2016 Annual Operating Budget

RECOMMENDATION: Adopt **Resolution No. 2016-07**, approving various Mid-Year Amendments to the Fiscal Year 2015-2016 Annual Operating Budget and authorizing changes in appropriations and revenues thereto.

SUMMARY: The recommended mid-year budget revisions increase estimated General Fund revenues by a net amount of \$808,428 due to projected increases in various revenues categories. General Fund adopted expenditures are recommended to be increased by a net amount \$87,355 due to an increase in contracts, personnel request, El Niño related cleanup and expenditure offsets related to revenue increases. Attachment A provides detailed recommended mid-year budget adjustments by major revenue and expenditure categories. Attachment B provides a recapitulation of estimated fund balance in the General Fund including the effects of these recommended budget adjustments. The mid-year budget amendment also includes recommended revenue and expenditure adjustments to Gas Tax, Water and Sewer Funds as outlined in Attachment A. The proposed mid-year adjustments also include a recommended personnel addition.

BACKGROUND/ANALYSIS: The City's Operating Budget for Fiscal Year 2015-2016 was adopted by the City Council in June 2015. The proposed mid-year budget adjustments are necessary to reflect information that has become available since the budget was adopted and to incorporate necessary adjustments based on operating results for the first six months of the Fiscal Year.

The recommended budget changes are summarized below.

Proposed General Fund Revenue Adjustments:

1. **Property Taxes:** Property tax revenues are estimated based on the assessed value of taxable real property in the City. The City's assessed value information was made available by the County in October of 2015 after the budget was adopted. Based on actual tax receipts through February 5, 2016, a slight increase is anticipated from supplemental tax which is offset by a decrease in anticipated pass-

through monies allocated to the City from former RDA tax increment. The total recommended mid-year budget adjustment is a decrease of \$128,818.

2. **Sales Tax:** Sales tax is a major component of General Fund revenues. Sales tax revenue for FY 2015-2016 budget year was estimated based on state-wide estimated increase and City specific revenue data. Based on actual sales tax receipts through February 5, 2016 and revised information provided by the state regarding the distribution of the final payment related to the Triple Flip (In-lieu sales tax), staff is now estimating that sales receipt for FY 2015-2016 would exceed the current estimated budget amount by \$369,149.
3. **Other Taxes:** General Fund revenues included in this category consist of public safety sales tax, business license tax, transient occupancy tax and property transfer tax. Based on actual revenues received through February 5, 2016, staff is recommending increasing this revenue category by \$56,762 due to better than anticipated performance in transient occupancy tax, property transfer tax and business license tax.
4. **Franchise Fees:** Due to better than anticipated receipts, the Refuse Franchise revenue is anticipated to increase by \$20,000.
5. **Vehicle License Fee:** Revenue increase adjustment of \$119,884 is being recommended based on actual revenue received and revised information received from the state in January 2016.
6. **Intergovernmental:** Due to better than anticipated receipts through February 5, 2016, staff is recommending an increase of \$8,206 due largely from State Mandated Reimbursements.
7. **Fines and Penalties:** This category comprises of vehicle and Municipal Code related violation fines. Due to better than anticipated receipts through February 5, 2016, staff is recommending a net increase of \$38,100 due largely from anticipated increase in vehicle code violations and parking citations.
8. **Interest Income/Lease:** With the inclusion of the Silverlakes Parking Lot lease revenue and the continued leasing of the Library, revenues are projected to increase by \$50,145.
9. **Community Development Fees:** Community development fees consist of planning, engineering and building fees. These revenues are estimated at the beginning of the fiscal year based on the anticipated level of development activities. More information is now available which reflect anticipated increase in activities. Consequently, revenues are recommended to be increased by \$153,036. This is largely due to an increase in planning and building related fees.
10. **Community Services/Recreation Revenues:** This category includes recreation activities fees, facilities rental, Wee-People Program and revenues related to

special events. This revenue category is recommended to be reduced by a net decrease of \$3,545 primarily due to decrease in participation on the Wee-People Program and the increasing revenues from the Rainbow Dance Program.

11. **Other Revenues:** This category includes a reimbursement for staff time related to the Tax Allocation Refunding Bonds, 2014 and the new revenue associated with the Gateway Sign Program.

Proposed General Fund Expenditure Adjustments:

Salaries and Benefits – Wee People Program: Estimated expenditures for the Wee-People Program were based on anticipated level of program participation. To date, actual participation level is below the estimate at the beginning of the year. Consequently, part-time staffing hours are reduced to align expenditures to expected revenues from the program. Salaries and benefits will be reduced by \$35,450.

Contractual Services- Rainbow Dance Program: Revenue generated from the independent contractor is exceeding the approved expenditures in this program due to the collection and payment of the instructors directly instead of paying an annual lease. The increased expenditures total \$29,898 which is offset by increased revenues of \$35,000.

Gateway Sign Program- The Gateway Sign Advertising program was implemented after the budget was adopted. The program has proven to be successful with revenues exceeding expenditures. In order to incorporate this program into the budget, estimated revenue in the amount of \$65,100 needs to be recognized. Similarly, estimated expenditures in the same amount needs to be recognized to provide for the payment of commission, office supplies and future maintenance and replacement costs.

2015 Storm- Debris Removal- In 2015, City Council approved staff's plan to implement remediation measures to address Crestview and Mount Rushmore streets flooding situation. The costs related to the mitigation measures has been previously incorporated into the General Fund budget, however, in order to ensure that the mitigation measures remain effective, the storm drains have to be cleaned after each rain storm event. Additional budget appropriation in the amount of \$20,000 is being requested for this task.

CalFire/Riverside County Fire Department Contract: The County of Riverside has provided an update to allocated costs based on actual cost for services in FY 2014. The calls for service increased from an estimate of 1,911 to an actual 2,180 calls for service. As a result of the increased call for service, the City's share of allocated costs is expected to increase by \$43,181

General Liability Deposit Insurance Premium Return: The City of Norco is member of Public Entity Risk Management Authority, a Joint Powers Authority (JPA) formed for the purposes of sharing risks including general liability and workers compensation. Assessment/premiums to be paid by member agencies are estimated based on various factors including level of payroll and loss experience. As program years close, additional assessment are made or credits are given to member agencies depending on actual loss

experience for the closed years. In December, the City received a premium return payment in the amount of \$55,689. This amount will reduce the amount to be expended on general liability insurance premium.

Proposed Water & Sewer Fund Expenditure Adjustments:

Fire Hydrant Testing: Public Works recently implemented a \$25,000 pilot hydrant maintenance contract with an outside vendor to inspect 200 hydrants and isolation valves. The results from the program were evaluated by staff and determined a high priority to complete the remaining 1,000 hydrants in the water system. Staff is requesting an additional \$130,000 for contractual services to perform fire hydrant and isolation valve assessment, testing and information management program to be completed within the next six months.

Settlement Agreement: The City finalized a Closing Agreement with the Internal Revenue Service for \$500,108 originating from the audit of Water and Sewer Enterprise Funds Revenue Bond Issue of 2009. The payment will be divided equally between the Water and Sewer Fund with each requiring a budget amendment of \$250,054.

Proposed Gas Tax Revenue & Expenditure Adjustments:

The City recently received the state Department of Finance's revised gas tax revenue estimates for fiscal year 2015-2016. Based on this revision, total gas tax revenue for FY 2015-2016 is expected to exceed the amount in the budget by \$22,739 as detailed in attachment A. On the expenditure side, staff is requesting an increase of \$15,000 in contractual services for tree removal as a result of the El Nino storm activity.

Proposed Position Changes:

Permit Technician: The Planning Department is currently being assisted by the City Clerk's Office as a result of an administrative position that was eliminated several years ago. Due to increased work volume in the City Clerk's Office especially associated with public records requests, the City Clerk's Office is not able to continue providing administrative support to Planning. Additionally, planning and building activities have increased over the last two years since the recession ended. Consequently, staff is recommending that a full-time Permit Technician be hired for the Planning and Building Department to provide administrative support and handle increase in planning and building activities. To help fund this full-time position, savings will be realized from a budgeted Part Time Permit Technician position which will be eliminated. The total amount requested for the remainder of the fiscal year is \$20,315. The current salary range is \$39,515 - \$48,026 for a full-time Permit Technician.

Water Quality Control Officer: The Public Works Department has a need to reclassify an existing Maintenance Worker II position to Water Quality Control Officer. The water system currently has one Water Quality Control Officer that is responsible for monitoring and operation of the City's water sources and treatment systems. Over the past 10 years the water system infrastructure has expanded to meet new demand, including the

construction of a Reclaimed Water System as an alternate supply to meet irrigation demands and State mandated to reduce potable water demands. The State has issued the City new and more complex monitoring, sampling and reporting requirements for potable water that must be properly managed. Additional monitoring, sampling and reporting requirements will need to be properly implemented once reclaimed water officially has been approved by the State. Therefore, the addition of a second Water Quality Control Officer position would help provide the appropriate level of staffing necessary to meet the City's needs and State requirements. In addition, the second position will help to adjust scheduling due to vacations, standby or illness. The current annual salary range for Maintenance Worker II and Water Quality Control Officer is \$38,416 to \$46,693 and \$41,377 to \$50,289, respectively. The minor difference in pay during the remainder of the fiscal year will be absorbed in the existing budget appropriation.

FISCAL IMPACT:

Attachment A provides a summary of the proposed budget amendments while Attachment B provides a recapitulation of the impact of the recommended changes on the estimated fund balance of the General Fund.

Attachments: Resolution No. 2016-07

Attachment A - FY 2015-2016 Mid-Year Budget Amendments Worksheet

Attachment B – General Fund Estimated Fund Balance as of June 30, 2016

RESOLUTION NO. 2016-07

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORCO, CALIFORNIA, APPROVING VARIOUS MID YEAR AMENDMENTS TO FISCAL YEAR 2015-2016 ANNUAL BUDGET AND AUTHORIZING CHANGES IN APPROPRIATIONS AND REVENUES THERETO

WHEREAS, the Fiscal Year 2015-2016 annual budget for the City of Norco, California was adopted by the City Council on June 17, 2015; and

WHEREAS, certain revenue items listed and attached hereto have been revised to reflect estimated increases/decreases in the adopted budget; and

WHEREAS, certain expenditure items listed and attached hereto have been revised to reflect estimated increases/decreases in the adopted budget; and

WHEREAS, these revenue and expenditure changes are necessary to accurately reflect the City's estimated expenditure and revenue budget for Fiscal Year 2015-2016; and

WHEREAS, a new Permit Technician position has been recommended to be added to the budget to meet increased work load and the reclassification of a Maintenance Worker position to Water Quality Control Officer position is necessary to meet scheduling needs and State requirements.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Norco at a regular meeting held on February 17, 2016 approved the budget changes listed on Attachments "A" and "B".

PASSED AND ADOPTED by the City Council of the City of Norco at a regular meeting held on February 17, 2016.

Kevin Bash, Mayor
City of Norco, California

ATTEST:

Cheryl L. Link, CMC, City Clerk
City of Norco, California

I, CHERYL L. LINK, City Clerk of the City of Norco, California, do hereby certify that the foregoing Resolution was adopted by the City Council of the City of Norco, California, at a regular meeting thereof held on February 17, 2016, by the following vote of the City Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco, California, on February 17, 2016.

Cheryl L. Link, CMC, City Clerk
City of Norco, California

Attachments: Attachment A – FY 2015-2016 Mid-Year Budget Amendments Worksheet
Attachment B – General Fund Estimated Fund Balance as of June 30,
2016

City of Norco
FY 2015-2016 Mid-Year Budget Amendments Worksheet

Budget Item	Budget Amount	Mid Year Amount	Required Adjustment	Notes
<u>GENERAL FUND REVENUES:</u>				
Property Tax	\$ 1,665,491	\$ 1,536,673	(128,818)	Decrease in tax increment revenue.
Sales Tax	5,948,846	6,317,995	369,149	Revision by the state to In-lieu sales tax; True-Up payment at end of Triple Flip
Other Taxes	1,061,055	1,117,817	56,762	Estimated increase in TOT, and business license tax
Franchise Fees	1,295,445	1,315,445	20,000	Increase in Refuse Franchise Fee
Motor Vehicle In-Lieu Fees	2,138,532	2,258,416	119,884	State revision to estimated in lieu VLF
Intergovernmental	33,000	41,206	8,206	Increase in State Mandated Reimbursements
Fines and Penalties	121,150	159,250	38,100	Increase in vehicle code fines; parking citations.
Interest Income/Lease	484,346	534,491	50,145	Library Lease extension and Silver Lakes Parking Lot included
Community Development Fees	508,332	661,368	153,036	Increase in plan check fees,final/tentative map fees; decrease in EIR fees
Community Services/Recreation Revenues	679,581	676,036	(3,545)	Decrease in Wee-People fees; offset by Rainbow Dance program.
Other Revenues	1,127,882	1,253,391	125,509	Reimbursement for Staff time on Bond Refunding; Gateway Sign Revenue
Overhead/Transfers	1,395,149	1,395,149	-	
Totals	<u>\$ 16,458,809</u>	<u>\$ 17,267,237</u>	<u>\$ 808,428</u>	
<u>GENERAL FUND EXPENDITURES:</u>				
Wee-People - Salaries & Benefits	318,418	282,968	(35,450)	Due to lower registration and activity level in the program
Recreation	637,995	667,893	29,898	Dance Program Contractual Services increasing; revenue match
Gateway Sign Program	-	65,100	65,100	Gateway Sign Expenses and Savings Offset
2015 Storm: Debris Removal	-	20,000	20,000	Storm Drain Cleaning
CalFire	-	43,181	43,181	CalFire Contract Increase
Reimbursement from PERMA	140,254	84,565	(55,689)	Premium Reimbursement
Permit Technician	9,000	29,315	20,315	P/T Permit Technician to Full-Time (6 mos)
Totals	<u>1,105,667</u>	<u>1,193,022</u>	<u>87,355</u>	
<u>GAS TAX REVENUES:</u>				
2103 Apportionment	\$ 123,974	126,204	2,230	Revisions provided by the state on January 11, 2016
2105 Apportionment	156,371	163,949	7,578	Revisions provided by the state on January 11, 2016
2106 Apportionment	85,419	84,729	(690)	Revisions provided by the state on January 11, 2016
2107 Apportionment	219,788	233,409	13,621	Revisions provided by the state on January 11, 2016
Totals:	<u>\$ 585,552</u>	<u>608,291</u>	<u>22,739</u>	
<u>GAS TAX EXPENDITURES:</u>				
Contractual and Professional Service	302,700	317,700	15,000	2015 Storm: Tree Removal
<u>WATER FUND EXPENDITURES:</u>				
Special Departmental	116,500	366,554	250,054	Closing Agreement with IRS
Special Departmental	-	130,000	130,000	Hydrant Maintenance Contract
<u>SEWER FUND EXPENDITURES:</u>				
Special Departmental	10,000	260,054	250,054	Closing Agreement with IRS

General Fund
Estimated Fund Balance
As of June 30, 2016

Beginning Fund Balance, June 30, 2015 - Audited	\$ 7,849,353
Estimated FY 2016 Revenues	16,458,809
Mid-Year Revenue Adjustments	808,428
FY 2016 Appropriations - Adopted Budget	(16,457,126)
Budget Amendments - Auto Mall Sign/Storm Preparedness	(252,211)
Mid-Year Expenditure Adjustments	(87,355)
Estimated Fund Balance, June 30, 2016	<u>\$ 8,319,898</u>