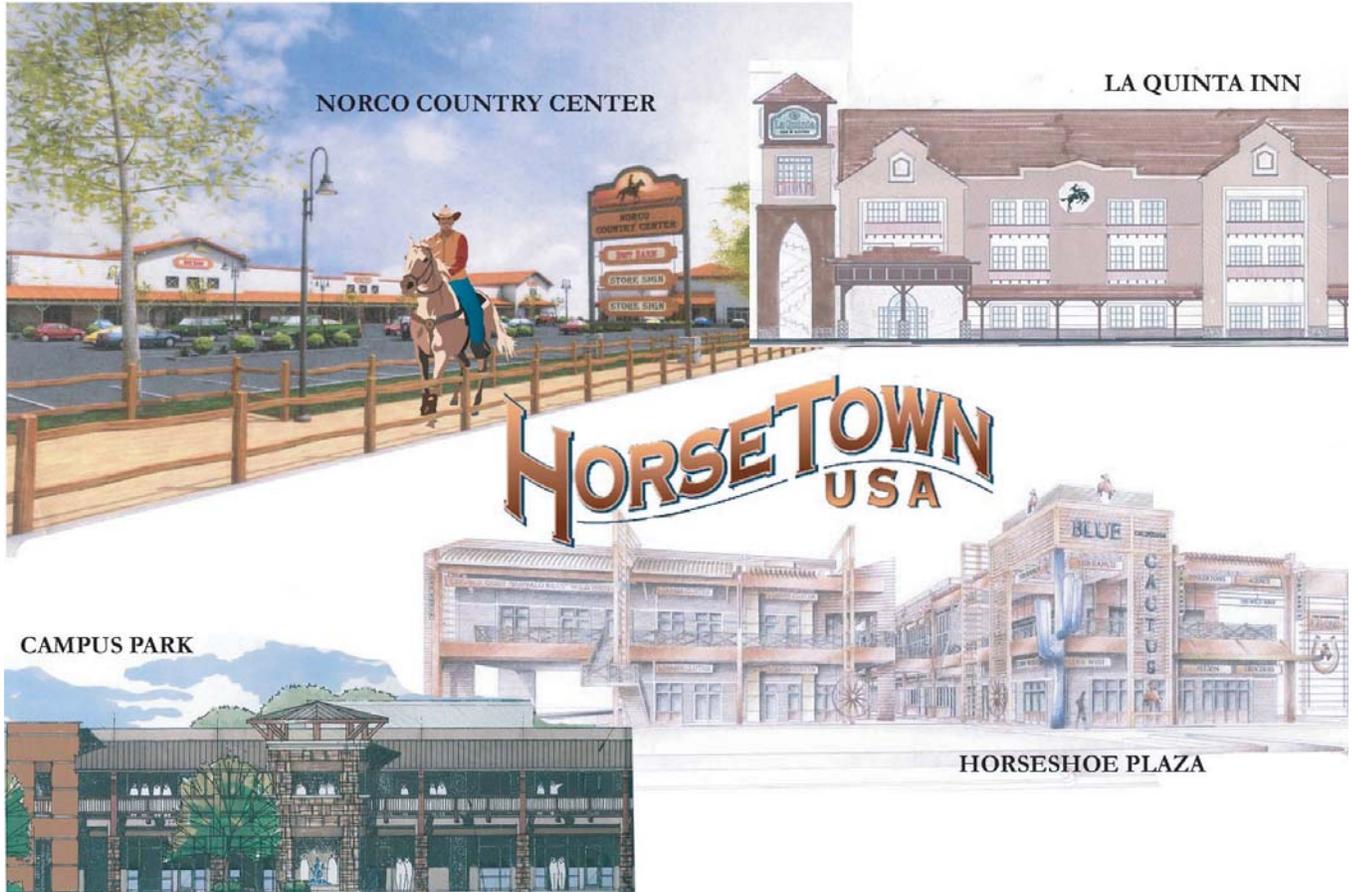


CITY OF NORCO

CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2006

CITY OF NORCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared by the Fiscal and Support Services Department

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

Table of Contents

	PAGE
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	vi
Directory of City Officials	vii
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Funds	
Statement of Fund Net Assets	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows	27
Agency Funds	
Statement of Fiduciary Assets and Liabilities	29
Notes to the Basic Financial Statements	30
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	61
Redevelopment Special Revenue Fund	62
Schedule of Funding Progress	
Miscellaneous and Safety Plan of the California Public Employees Retirement System	63
Notes to Required Supplementary Information	64

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

Table of Contents

	PAGE
Individual Fund Schedules and Combining Financial Statements	
Major Governmental Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Redevelopment Agency Debt Service Fund	65
Redevelopment Agency Capital Projects Fund	66
Nonmajor Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Funds	
Miscellaneous Grant Fund Special Revenue Fund	87
Community Development Block Grant Special Revenue Fund	88
Gas Tax Special Revenue Fund	89
Measure A Special Revenue Fund	90
NPDES Special Revenue Fund	91
Air Quality Improvement Trust Special Revenue Fund	92
Local Law Enforcement Block Grant Special Revenue Fund	93
Supplemental Law Enforcement Block Grant Special Revenue Fund	94
CLEEP Special Revenue Fund	95
Office of Traffic Safety Special Revenue Fund	96
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Funds	
Storm Drain Capital Projects Fund	97
General Government Improvement Capital Projects Fund	98
Fire Improvement Capital Projects Fund	99
Trails Improvement Capital Projects Fund	100
Street Improvement Capital Projects Fund	101
Park Improvement Capital Projects Fund	102
Public Library Capital Projects Fund	103
Public Meeting Capital Projects Fund	104
Aquatics Center Capital Projects Fund	105
Animal Control Capital Projects Fund	106
Internal Service Funds	
Combining Statement of Net Assets - Internal Service Funds	108
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	109
Combining Statement of Cash Flows - Internal Service Funds	110
Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	113
Combining Statement of Changes in Fiduciary Assets and Liabilities	115

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

Table of Contents

	<u>PAGE</u>
STATISTICAL SECTION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT):	
Net Assets by Component - Last Four Fiscal Years	118
Changes in Net Assets - Last Four Fiscal Years	119
Fund Balances Governmental Funds - Last Ten Fiscal Years	121
Changes in Fund Balances Governmental Funds - Last Ten Fiscal Years	123
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	125
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	126
Principal Property Tax Payers - Current Year and Nine Years Ago	127
Property Tax Levies and Collections - Last Ten Fiscal Years	129
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	130
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	132
Direct and Overlapping Activities Debt	134
Legal Debt Margin Information - Last Ten Fiscal Years	135
Pledged - Revenue Coverage - Last Ten Fiscal Years	137
Demographic and Economic Statistics - Last Ten Fiscal Years	140
Principal Employers - Current Year and Three Years Ago	141
Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years	143
Operating Indicators by Function / Program - Last Four Fiscal Years	145
Capital Asset Statistics by Function / Program - Last Four Fiscal Years	146

INTRODUCTORY SECTION





CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92860 • (951) 735-3900 • FAX (951) 270-5622

October 21, 2005

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

As required by the City's Municipal Code, we are pleased to submit the comprehensive annual financial report (CAFR) for the City of Norco (City) for the fiscal year ended June 30, 2005 (FY2005). The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. This CAFR contains a detailed analysis of the City's financial position and activities for FY2005 and is presented in three sections: 1) Introductory Section, consisting of this transmittal letter, list of City officials an organization chart, and certificate of achievement for excellence in financial reporting; 2) Financial Section, consisting of the independent auditors' report, management's discussion and analysis, basic financial statements, notes to the financial statements, required supplementary information, and detailed revenue and expense schedules; and 3) Statistical Section, consisting of pertinent financial and non-financial information indicating trends for comparative fiscal periods.

Management assumes full responsibility for the completeness and reliability of all the information contained in this report. To provide a reasonable basis for making these representations, management has established a comprehensive system of internal controls that are 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. Consequently, the City's internal control systems have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. 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 that there was reasonable basis for rendering unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of the report.

CITY COUNCIL

HERB HIGGINS
Mayor

KATHY AZEVEDO
Mayor Pro Tem

HAL CLARK
Council Member

FRANK HALL
Council Member

HARVEY SULLIVAN
Council Member

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 meet the threshold set by the OMB for a Single Audit. Consequently, no Single Audit reports are issued by the auditors.

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

Overview 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. The Inland Empire is one of the top growth areas in the state and in the country. The City limits cover an area of approximately 15 square miles, with a permanent population of approximately 25,500. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council. Norco is an animal-keeping equestrian-oriented community, known as Horsetown USA. Residents enjoy over 400 acres of parkland and 120 miles of horse trails. Almost all residential property is zoned for animal keeping and lot size must be a minimum of one-half acre in size.

The City operates under the council-manager 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, hiring both the city manager and attorney. The city manager is responsible for carrying out the policies and ordinances of the City council, for overseeing the day-to-day operations of the City, and for 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.

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; and general administrative services. Police protection is provided through a contract between the City and Riverside County Sheriff's Department. Economic development activities are provided through a legally separate Norco Community Redevelopment Agency. The activities of the Norco Community Redevelopment Agency are included as integral part of the City's basic financial statements. For additional information on the Norco Community Redevelopment Agency, please see Note 1 in the notes to the financial statements.

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 that are used as the starting point for developing a proposed budget. The city manager presents a proposed budget to Council for review through a staff and council budget workshop. At the completion of the budget workshop, 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 (e.g., salaries and benefits). Department heads can make transfers of appropriations within a department and fund. Transfer of appropriations between departments requires the approval of the City manager and transfers of appropriation between Funds require council authority. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which appropriated annual budget has been adopted. 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.

Factors Affecting Financial Condition

The financial condition of the City is affected by internal and external factors including local economy, state government actions, staffing/service levels, long-term financial planning, cash management policies and practices, risk management, pension and other post employment benefits.

Local economy: While the City is largely an animal-keeping and equestrian oriented community, it also has balanced commercial, retail and light industrial activities. The City is included in the Riverside-San Bernardino labor market area. This area is also known as the Inland Empire region which is considered one of the most significant economies in the United States. The economic environment in this area is currently more favorable relative to the state and national economy and indicators point to continued stability.

Total civilian employment in this region continued to grow during the year exceeding 1.6 million with employment concentrated in industries such as manufacturing, trade, construction, transportation, education, health, leisure and hospitality, and government services. The City's central business district is dominated by automobile dealerships, retail shops and restaurants which continue to generate significant sales tax revenue to the City. During the year, assessed values of real property in the City grew by more than 17% as the median price for new homes exceeded \$880,000. In the near term, this will increase property tax receipts. Taxable retail sales in the region have been strong in recent years but the City's receipts from sales tax is expected to grow at a slower rate than the region due to high concentration in retail auto sales in the City. Retail auto sales in the city are a significant source of sales tax revenues.

Long-term financial planning: To capitalize on the powerful economic and population growth taking place in the Inland Empire region, the City council adopted several plans designed to promote the City as an animal-keeping equestrian community and to attract commercial development projects that will significantly enhance City revenues. The City's five-year financial plan was also updated during the year and economic development measures were identified to achieve a balanced budget in future years. Some of the plans approved by the City council include:

- Implementation of Hamner Avenue Corridor Study. This study outlined land use changes necessary to ensure that only businesses that contribute positively to the financial health of the City are sited along this commercial "corridor."
- Implementation of a "branding campaign" of the City as Horsetown USA. This campaign includes the development of a logo design, marketing literature, monument signs, way-finding signs, events calendar, visitors' guide, advertisements in equestrian magazines and streetscape improvements.

Cash management policies and practices: Cash temporarily idle during the year was invested in U.S. Agency securities, corporate bonds, money market funds and State of California Local Agency Investment Fund. The maturities of these investments range from 1 day to 5 years consistent with council approved Investment Policy. Investment income includes changes in the fair value of investments. Increases or decreases in the fair value of investments during the year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity. During the year as interest rate environment improved, the City gradually shifted to a strategy that combines investment in LAIF and U.S. and Agency Securities.

Risk management: The cost of claims arising from various liability and workers compensation exposures can negatively impact the City's long-term financial condition. The City contracts with Southern California Risk Management Associates (SCRMA), Inc and Public Entity Risk Management Authority for the administration of workers' compensation and general liability claims respectively. To minimize losses from claims, the City employs a proactive claims management strategy whereby all claims are quickly investigated and documented using experienced claim managers and adjusters. The City meets quarterly with its third party workers compensation administrator to review the status of each outstanding claim and formulate strategies for closing each claim as quickly as possible.

The City is self-insured for workers' compensation claims up to \$250,000 and \$125,000 for general liability. Claim losses exceeding these amounts are covered through insurance pools and excess coverage. Financial resources for the payment of claims within the retention levels are designated in the General Fund. Additional information on the City's risk management activity can be found in Note 12 of the notes to the financial statements.

Pension and other post-employment benefits: Pension and other post-employment benefits are significant cost items impacting the long-term financial condition of the City. The City provides retirement benefits for safety and non-safety employees through the California Public Employees Retirement System (CalPERS). In order to accumulate financial resources required to pay benefits upon retirement, the City is required to contribute an actuarially determined percentage of each employee's covered earnings. Employees are required to contribute 7 and 9 percent of their covered earnings for non-safety and safety, respectively. The City makes the contributions required of non-safety employees on their behalf and for their account.

The City also provides post-retirement health benefits for eligible retirees and their dependents. California Public Employees Retirement System administers the City's post-retirement health benefits. As of the end of the current fiscal year, there were 42 retired employees receiving these benefits which are financed on a pay-as-you-go basis. Under current GAAP, the City is not required to report a liability in the financial statements in connection with its obligation to provide these benefits.

Additional information on the City's pension plans and post-employment benefits can be found in Notes 5 and 13 in the notes to the financial statements.

Other Relevant Financial Issues: The California Supreme Court recently decided in Bighorn-Desert View Water Agency v. Beringson that metered utility rates are subject to certain provisions of proposition 218. The ruling applies to water and sewer service charges as well as to refuse collection where the rate is set by the government agency. Under this ruling, the City is required to comply with the notice and majority protest proceedings of proposition 218 but not the election requirement. The City is currently taking steps to comply with the Supreme Court's ruling and the City does not expect any material adverse impact on the water or sewer fund from this decision.

Risk management: The City contracts with Southern California Risk Management Associates (SCRMA), Inc and Public Entity Risk Management Authority (PERMA) for the administration of workers' compensation and general liability claims respectively. To minimize losses from claims, the City employs a proactive claims management strategy whereby all claims are quickly investigated and documented using experienced claim managers and adjusters.

The City is self-insured for workers' compensation up to \$250,000 and \$125,000 for general liability. Claim losses exceeding these amounts are covered through insurance pools and excess coverage. Financial resources for the payment of claims within the retention levels are designated in the General Fund. Additional information on the City's risk management activity can be found in Note 12 of the notes to the financial statements.

Pension and other post-employment benefits: The City provides retirement benefits for safety and non-safety employees through the California Public Employees Retirement System (CalPERS). In order to accumulate financial resources required to pay benefits upon retirement, the City is required to contribute an actuarially determined percentage of each employee's covered earnings. Employees are required to contribute 7 and 9 percent of their covered earnings for non-safety and safety, respectively. The City makes the contributions required of non-safety employees on their behalf and for their accounts.

The City also provides post-retirement health benefits for eligible retirees and their dependents. California Public Employees Retirement System administers the City's post-retirement health benefits. As of the end of the current fiscal year, there were 38 retired employees receiving these benefits which are financed on a pay-as-you-go basis. Under current GAAP, the City is not required to report a liability in the financial statements in connection with its obligation to provide these benefits.

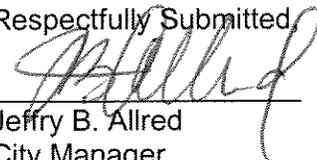
Additional information on the City's pension plans and post-employment benefits can be found in Note 13 in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. In order to receive this prestigious award, the City published an easily readable and efficiently organized CAFR. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement program's requirement. It also satisfies GAAP and applicable legal requirements. Consequently, the CAFR will be submitted to the GFOA to determine its eligibility for another certificate.

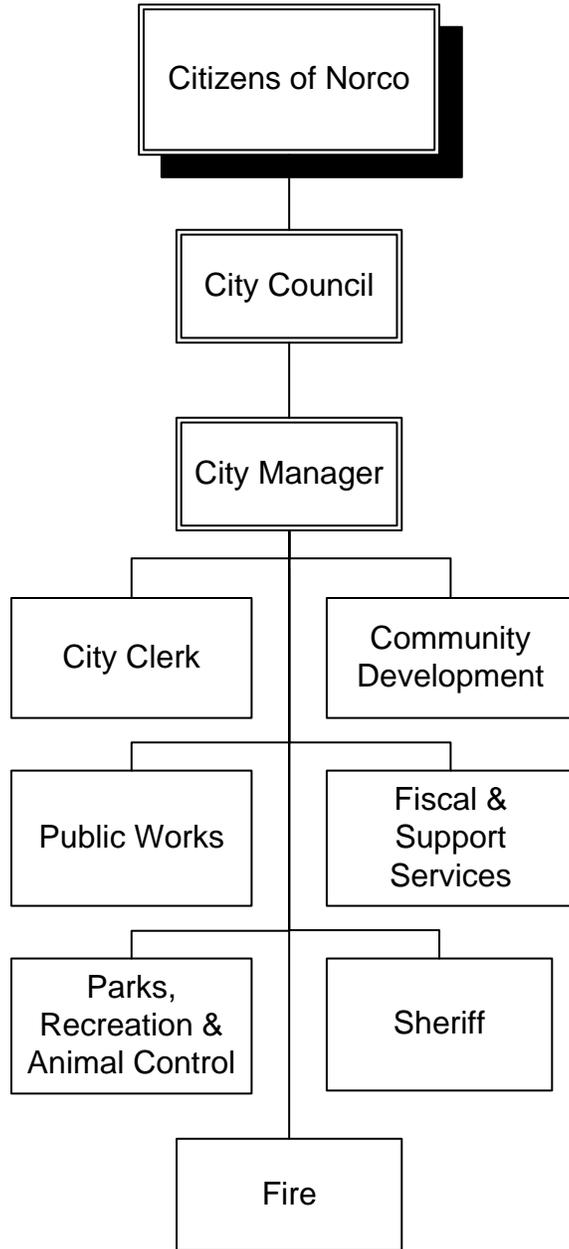
The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Fiscal and Support Services Department and our independent auditors, Rogers, Anderson, Malody & Scott, LLP. We would like to express our appreciation to all City staff who contributed to the preparation of this report. Special credit must also be given to the Mayor and members of the City Council for their unfailing support to ensure the highest standards of professionalism in managing the City's finances.

Respectfully Submitted


Jeffrey B. Allred
City Manager


V. Andy Okoro
Director Fiscal & Support Services

CITY OF NORCO
ORGANIZATIONAL CHART
June 30, 2006



CITY OF NORCO
Directory of City Officials
June 30, 2006

MAYOR

Kathy Azevedo

CITY COUNCIL

Harvey Sullivan, Mayor Pro Tem
Hal Clark
Herb Higgins
Frank Hall

CITY MANAGER

Jeff B. Allred

V. Andy Okoro
Director, Fiscal and Support Services

Debra L. McNay
City Clerk

Garrett H. Bruinsma
City Treasurer

Brian Oulman
Director, Economic Development

Lt. Ross Cooper
Chief of Police
(Riverside County Sheriff)

Jim Daniels
Director, Community
Development

Brian Petree
Director, Parks, Recreation and
Community Services

Jack Frye
Fire Chief

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, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carl E. Perry

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION





ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JAY H. ZERCHER, C P A
ROBERT B. MEMORY, C P A
PHILLIP H. WALLER, C P A
BRENDA L. ODLE, C P A
TERRY P. SHEA, C P A
KIRK A. FRANKS, C P A

LEENA SHANBHAG, C P A
NANCY O'RAFFERTY, C P A
LAURIE K. MARSCHER, C P A
THOMAS T. PRILL, C P A
JOSEPH P. WALSH, C P A
SCOTT W. MANNO, C P A
JENNY LIU, C P A
MATTHEW B. WILSON, C P A
ROBYN B. ROSE, C P A
BRAD A. WELEBIR, C P A

The Honorable City Council of the City of Norco

INDEPENDENT AUDITORS' REPORT

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, as of and for the year ended June 30, 2005, which collectively comprise the City of Norco's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Norco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norco, as of June 30, 2005, and the respective changes in financial positions, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

VANIR TOWER • 290 NORTH "D" STREET • SUITE 300
SAN BERNARDINO, CA 92401
(909) 889-0871 • (909) 824-6736 • FAX (909) 889-5361
E-mail: rams@ramscpa.net

The management's discussion and analysis and budgetary comparison information and the schedule of funding progress are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norco's basic financial statements. The introductory section, combining nonmajor fund financial statements, the nonmajor individual budgetary comparison information, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and the nonmajor individual budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rogers, Anderson, Malody & Scott, LLP

October 19, 2005

Management's Discussion and Analysis

As management of the City of Norco, California (City), we are pleased to provide to the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Norco for the fiscal year ended June 30, 2006. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-v of this report.

Financial Highlights

- The assets of the City exceeded liabilities at the end of fiscal year 2006 by \$187.8 million. The difference between assets and liabilities is referred to as net assets. Net assets of the City at June 30, 2006 include the cost of governmental activities' infrastructure assets. These assets were inventoried and valued in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.
- The City's total net assets increased by \$8.8 million during the year. Of this increase, \$7 million came from addition of capital/infrastructure assets contributed by property developers while \$1.8 million came from revenues exceeding expenses.
- As of June 30, 2006, the City's governmental funds reported combined fund balances of \$85.1 million, a decrease of \$.3 million from prior fiscal year. Approximately \$70.3 million of the governmental funds' fund balances is unreserved.
- As of June 30, 2006, unreserved fund balance for the general fund was \$7.8 million or 50.2 percent of total general fund expenditures in fiscal year 2006.
- The City's total long-term debt decreased by \$2 million during the fiscal year as a result of principal payment on debt.

Overview of the Financial Statements

Management discussion and analysis are intended to serve as an introduction to the City's basic financial statements which consists of three components, namely:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other 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 assets and a statement of activities. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Overtime, increases or decreases 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 most recent 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. Revenues and expenses are 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.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government 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 and economic, development, and culture and leisure. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also its component units that are legally separate but whose activities the City is financially accountable. These entities include the Norco Redevelopment Agency and Financing Authority.

The government-wide financial statements can be found on pages 15-17 of this report.

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 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 focus on near-term inflows and outflows of spendable resources, as well as balance of spendable 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 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized by their type (general, special revenue, capital projects and debt service funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, redevelopment debt service, low-mod housing and redevelopment capital projects funds, 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 and special revenue 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 18-23 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 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 its fleet of vehicles and for its management information system. Because fleet and management information services predominantly benefit government 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 more detail. 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 provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 basic fiduciary fund financial statements can be found on page 29 of this report.

Notes to the basic financial statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30-60 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes budgetary comparison schedules for the general fund and the redevelopment special revenue fund as well as information regarding the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61-66 of this report.

Budgetary comparison schedules for the redevelopment debt service and capital projects funds, combining statements for nonmajor governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. The budgetary comparison schedules and combining financial statements and schedules can be found on pages 67-117 of this report.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2006, City assets exceeded liabilities by \$187.8 million as summarized below:

City of Norco, California Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$ 92,216,925	\$ 90,794,262	\$ 16,008,429	\$ 16,158,432	\$108,225,354	\$106,952,694
Capital assets (net of depreciation)	144,959,084	141,924,407	53,948,630	49,910,199	198,907,714	191,834,606
Total assets	<u>237,176,009</u>	<u>232,718,669</u>	<u>69,957,059</u>	<u>66,068,631</u>	<u>307,133,068</u>	<u>298,787,300</u>
Liabilities:						
Current and other Liabilities	7,051,794	6,239,870	2,261,133	1,493,499	9,312,927	7,733,369
Long-term liabilities	87,255,201	88,620,256	22,717,388	23,409,139	109,972,589	112,029,395
Total liabilities	<u>94,306,995</u>	<u>94,860,126</u>	<u>24,978,521</u>	<u>24,902,638</u>	<u>119,285,516</u>	<u>119,762,764</u>
Net assets:						
Invested in capital assets, net of related debt	144,879,068	141,829,990	35,602,853	30,722,040	180,481,921	172,552,030
Restricted	57,107,710	58,521,550	12,935,528	13,627,054	70,043,238	72,148,604
Unrestricted	(59,117,764)	(62,492,997)	(3,559,843)	(3,183,101)	(62,677,607)	(65,676,098)
Total net assets	<u>\$142,869,014</u>	<u>\$137,858,543</u>	<u>\$ 44,978,538</u>	<u>\$ 41,165,993</u>	<u>\$187,847,552</u>	<u>\$179,024,536</u>

Net assets for the fiscal year ended June 30, 2006, includes infrastructure assets such as roads, streets, lighting systems, drainage systems, bridges, etc.

Including the value of infrastructure assets, investments in capital assets net of related debt represents 96.4 percent of the City's net assets for fiscal year ended June 30, 2006. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$70.0 million for fiscal year 2006 and \$72.1 million for fiscal year 2005, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net assets), is negative \$62.6 million and negative \$65.7 million for fiscal years 2006 and 2005 respectively. The deficit unrestricted net assets amount is due largely to the amount invested in governmental infrastructure assets which is not available for spending.

Negative unrestricted net assets balance in the business-type statement of net assets is largely due to balance of bond proceeds that is restricted cumulative operating expenses exceeding cumulative operating revenues in the Water Fund. This situation with Water Fund accumulated operating deficits will be gradually eliminated by implementing rate increases and reducing the cost of purchased water.

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

City of Norco, California
Statement of Changes in Net Assets

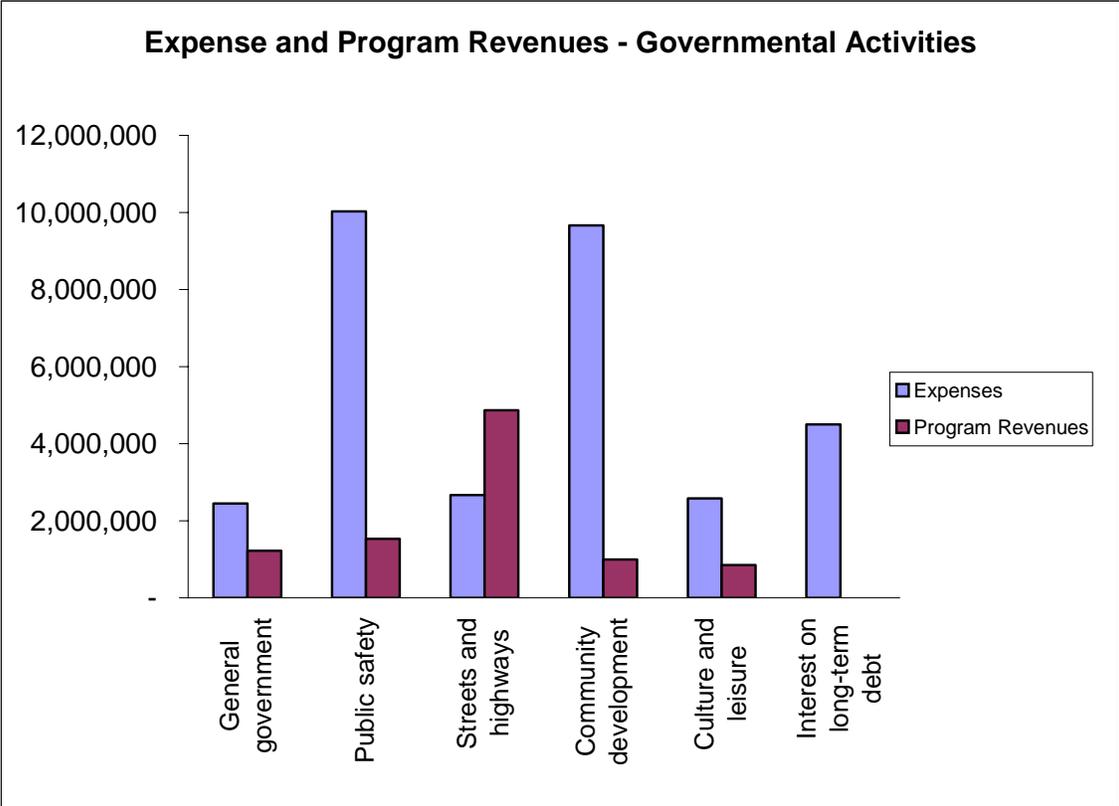
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 5,023,756	\$ 4,699,765	\$ 9,473,216	\$ 7,782,345	\$ 14,496,942	\$ 12,482,110
Operating grants and contributions	2,448,984	2,206,575	-	-	2,448,984	2,206,575
Capital grants and contributions	2,001,841	3,603,044	5,071,845	1,219,879	7,073,686	4,822,923
General revenues	27,123,945	23,782,978	528,279	48,336	27,652,224	23,831,314
Total revenues	<u>36,958,496</u>	<u>34,292,362</u>	<u>15,073,340</u>	<u>9,050,560</u>	<u>51,671,836</u>	<u>43,342,922</u>
Expenses:						
General government	2,444,678	2,628,746	-	-	2,444,678	2,628,746
Public safety	10,030,419	9,185,614	-	-	10,030,419	9,185,614
Streets and highways	2,667,196	4,762,105	-	-	2,667,196	4,762,105
Community development	9,661,594	13,727,059	-	-	9,661,594	13,727,059
Culture and leisure	2,575,970	2,486,748	-	-	2,575,970	2,486,748
Interest on long-term debt	4,498,959	4,367,389	-	-	4,498,959	4,367,389
Water	-	-	7,000,699	6,192,775	7,000,699	6,192,775
Sewer	-	-	3,969,304	3,729,579	3,969,304	3,729,579
Total expenses	<u>31,878,816</u>	<u>37,157,661</u>	<u>10,970,003</u>	<u>9,922,354</u>	<u>42,848,819</u>	<u>47,080,015</u>
Change in net assets before transfers	4,719,680	(2,865,299)	4,103,337	(871,794)	8,823,017	(3,737,093)
Transfers	290,792	(639,109)	(290,792)	639,109	-	-
Change in net assets	5,010,472	(3,504,408)	3,812,545	(232,685)	8,823,017	(3,737,093)
Net assets, beginning	137,858,542	141,362,950	41,165,993	41,398,678	179,024,535	182,761,628
Net assets, ending	<u>\$ 142,869,014</u>	<u>\$137,858,542</u>	<u>\$ 44,978,538</u>	<u>\$ 41,165,993</u>	<u>\$ 187,847,552</u>	<u>\$179,024,535</u>

During the year, net assets increased by \$8.8 million. Further analyses are provided below.

Governmental activities: Net assets from governmental activities increased by \$5 million or 56.8% of the total increase in City net assets. Some of the reasons for the increases are as follows:

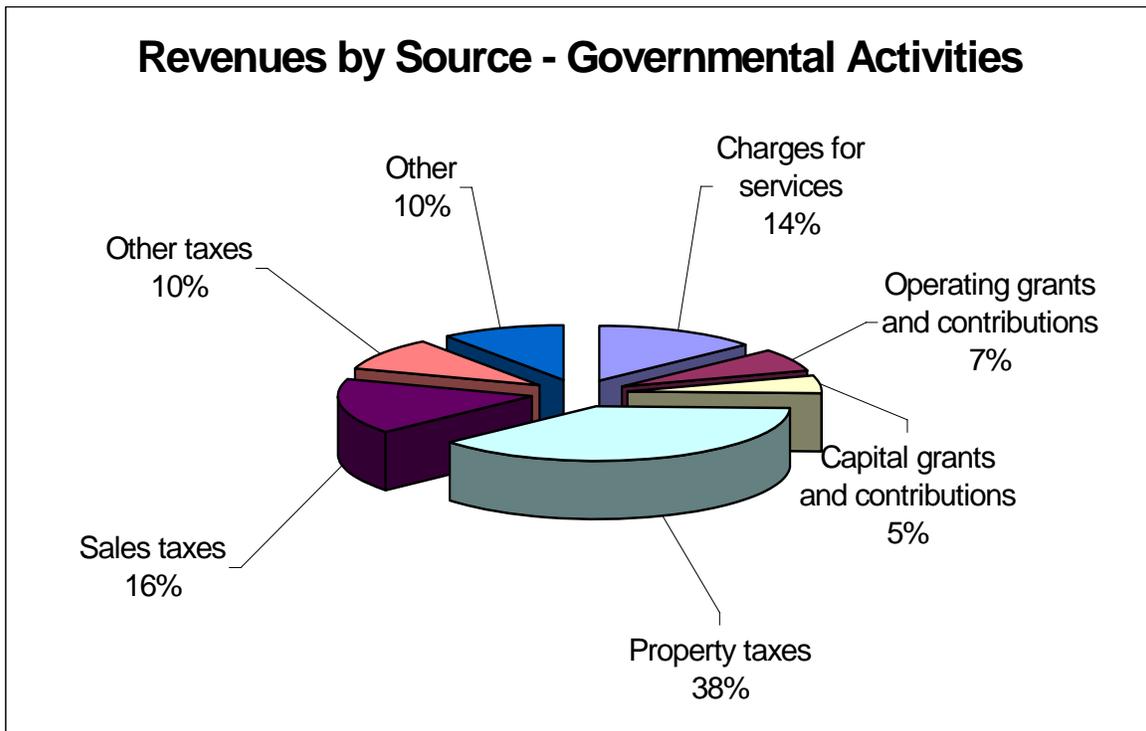
- General fund revenues exceeded expenses by \$.5 million due to better than anticipated receipts from taxes, intergovernmental revenues and charges for services.
- Receipt of redevelopment revenues in the housing fund exceeded expenses by \$1.2 million mainly due to low demand for housing programs.
- Receipt of \$4.4 million in operating capital contributions from other governments and property developers.
- The preceding increases were offset by capital project expenses which exceeded revenues in the redevelopment capital projects and other funds by \$2 million.

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



The chart on the next page provides a graphic representation of governmental activities revenue by source.

Revenues by Source - Governmental Activities

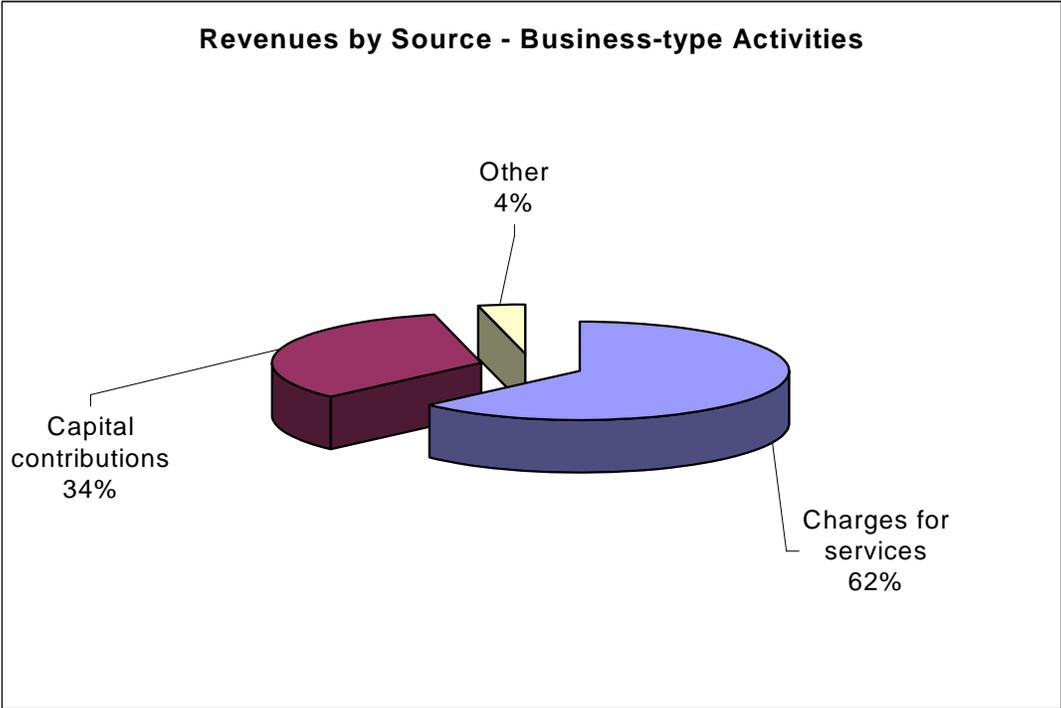
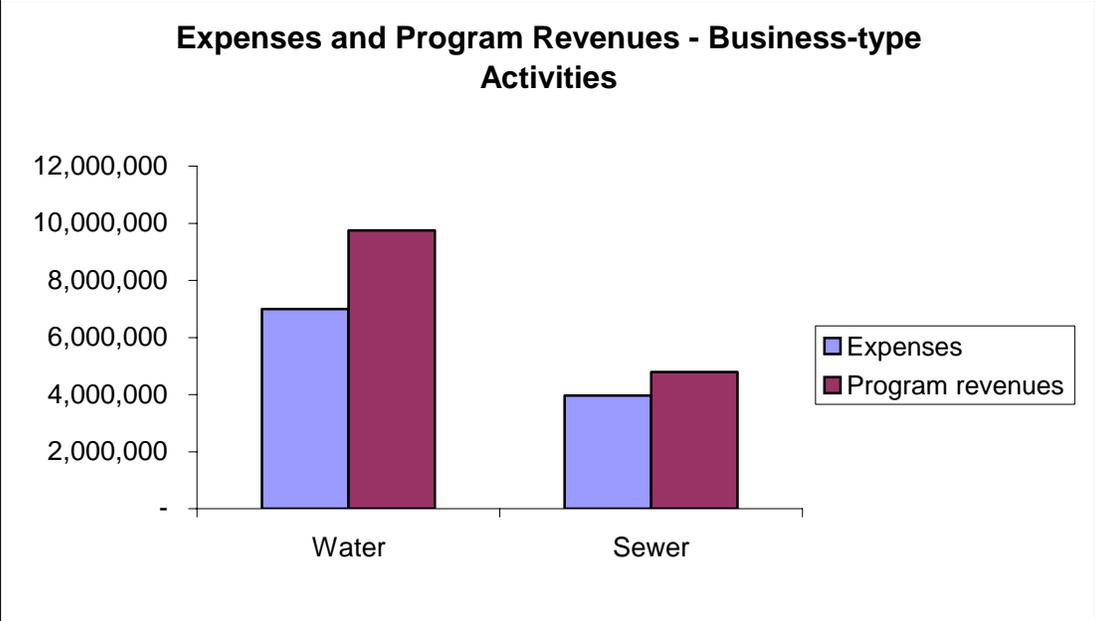


The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable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

Regarding the revenues by source chart, it is to be noted that over 91 percent of property tax revenues came from tax increment allocated to the City's redevelopment project area. Capital grants and contributions represent revenues and contributions of capital assets received from developers and other governmental entities. Capital contribution revenues are restricted to the acquisition and construction of capital assets. Sales taxes are derived from taxable transactions originating from the City. A significant percentage of the City's sales tax revenues are generated by businesses in the Auto Mall and Gateway Plaza. The other taxes category represents taxes derived from motor vehicle licenses, franchises and transient occupancy.

Business-type activities: Including non-operating income, net assets for the business type activities increased by \$3.8 million during the fiscal year. Of this increase, \$3.1 was from water operations while \$.7 million came from sewer operations. The increase in the Water Fund came from capital contributions and gain on the sale of capital assets. The increase in the Sewer Fund came from capital contributions of \$1.6 million which was offset by net operating loss of \$.7 million. The operating loss in the Sewer Fund came mainly from depreciation and amortization of capital assets. The operating loss situation will be addressed in future periods by implementing rate adjustments.

The chart below provides graphic representation of the City’s revenues by source for business-type activities. As discussed previously, the Water Fund generated positive net operating income while the Sewer Fund produced a net operating loss. Water fund expenses and revenues make up 63 and 67 percent respectively of business–type activities. Sewer fund revenue and expenses make up the remaining 37 and 33 percent of expenses and revenues respectively. As shown on the revenues by source chart, charges for services represent 62 percent of business-type activities’ revenue while capital contributions represent 34 percent. The remaining 4 percent represent interest earnings and gain from the disposition of capital assets.



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 financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Please refer to pages 18-23 for more details on governmental funds.

As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$85.1 million, a decrease of \$.3 million in comparison with the prior year. Of the \$85.1 million, \$70.2 million, or 83 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. Unreserved fund balances include balances that have been designated for future projects and expenses such as emergencies and claims. The slight decrease in fund balance is from operating revenues exceeding expenditures. During the year, the fund balance increased by \$.5 million in the general fund, while the redevelopment special revenue fund increased by \$1.2 million. The increase in the redevelopment special revenue fund came from significant increase in tax increment and lower demand for housing assistance. The increase in general fund balance came from more than anticipated receipts in property and sales taxes. The redevelopment capital project fund had a decrease of \$1.4 million in net assets due to expenditures associated with the acquisition and construction of capital assets.

Proprietary Funds: Proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail. Unrestricted net assets in the sewer fund at the end of the year amounted to \$.1 million and the water fund amounted to (\$3.6) million. The negative unrestricted net assets in the water fund are due largely to historically low water rates and investments in capital assets. To address the issue of low water rates, the City Council has approved multi-year increases in the water rates. The implementation of the rate increases began during the later part of the fiscal year. During the fiscal year, the net assets of the water fund increased by \$3.1 million. This increase came from capital contributions from property developers. The net assets of the sewer fund also increased by \$.7 million due to capital contributions from property developers. Other factors concerning the finances of these funds have been previously addressed in the discussion of the business-type activities on pages 9-10. Proprietary funds financial statements can be found on pages 24-28.

General Fund Financial and Budgetary Highlights

The general fund is the chief operating fund of the City. At June 30, 2006, unreserved fund balance was \$7.8 million which includes the amount set aside for City designations such as City's reserve for emergencies, workers compensation and liability claims. As a measure of general fund's financial condition, it may be useful to compare the unreserved fund balance to total expenditures. Unreserved fund balance represents 50.2 percent of general fund expenditures. For the fiscal year, general fund balance increased by \$.5 million from prior year due to more than anticipated receipts as previously described. The differences between general fund budget and actual are summarized below

- General fund actual revenues exceeded budget by \$.9 million mainly due to more than anticipated receipts from sales and property tax, intergovernmental and investment earnings.
- There was no material difference between actual expenditures and budget.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$198.9 million (net of accumulated depreciation). Investment in capital assets includes GASB 34 infrastructure assets as well as land, buildings, improvements and equipment. During the year, \$3.0 million and \$4.0 million of capital assets, net of depreciation and deletions, were added for the governmental and business-type activities respectively.

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

- Construction activities in connection with fire station remodeling and other building improvements in the amount of \$.6 million.
- Various infrastructure construction activities in the amount of \$4.2 million. Activities included the construction of streets, curbs, sidewalks, gutters, storm drain lines and parkland improvements.
- Various utility plant and pipeline improvements in the amount of \$4.3 million.

Additional information on the City's capital assets can be found on pages 44-45 in the notes to the basic financial statements and a summary is provided below.

City of Norco Capital Assets (net of depreciation) June 30, 2006

	Governmental activities	Business-type activities	Total
Land	\$ 93,249,418	\$ 353,613	\$ 94,603,031
Building and improvements	8,500,228	578,696	9,078,924
Equipment and machinery	3,097,802	44,421,401	47,519,203
Infrastructure	26,675,082	-	26,675,082
Construction in progress	12,436,554	8,594,920	21,031,474
Total capital assets, net	<u>\$ 144,959,084</u>	<u>\$ 53,948,630</u>	<u>\$ 191,907,714</u>

Long-term debt: At the end of fiscal year 2006, the City's total long debt outstanding was \$110 million. Of this amount, \$86.2 million comprises debt of the redevelopment agency backed by pledge of tax increment revenues. Of the remaining \$23.8 million, \$22.7 million is the debt of the sewer and water funds while \$1.1 million represents debt of other governmental activities. Outstanding long-term debt of the City is summarized below and additional information can be found on pages 47-56 in the notes to basic financial statements.

**City of Norco
Outstanding Long Term Debt
June 30, 2006**

	Governmental activities	Business-type activities	Total
Capital leases	\$ 62,889	\$ 13,964,499	\$ 14,027,388
Tax allocation bonds	85,782,276	-	85,782,276
Notes/loans payable	427,167	835,488	1,262,655
Certificates of participation	-	7,805,000	7,805,000
Compensated absences	768,152	112,401	880,553
Claims and judgment	214,717	-	214,717
Total long-term debt	<u>\$ 87,255,201</u>	<u>\$ 22,717,388</u>	<u>\$ 109,972,589</u>

Economic Factors and Next Year's Budgets and Rates

- Nearly 38 percent of general fund revenue is derived from sales tax and over 50 percent of sales tax revenues are generated by top ten sales tax generators. Five of the top ten businesses are auto retailers with domestic auto sales comprising a major percentage of all auto sales. Reported sales in recent quarters point to continuing weakness in domestic auto sales across the state. As a result of the high concentration in domestic auto sales, it is expected that the City's sales tax growth in FY07 will lag behind the growth rate in the county. To ensure continued revenue growth, the City has embarked on a strategic marketing campaign to attract new retail businesses that will help diversify the sales tax base.
- In the last two fiscal years, the city has experienced significant growth in assessed value of real property due to rising real estate prices. This has resulted in increased property tax receipts to the City and the redevelopment agency. Based on the growth in assessed valuation, it is projected that the City's property tax receipts would grow by 15 percent in FY07. Another factor that will have a positive impact on property tax receipts is the expected reduction in the amount of City property taxes retained by the state. On the other hand, as property values fall in future years, property tax receipts are likely to decline because tax receipts from new construction may not be sufficient to offset potential decreases in the price of existing real estate.
- During the fiscal year, the City Council approved multi-year water rate increases to offset the rising cost of purchasing/producing and delivering water to residents and businesses. The first part of the rate became effective on July 1, 2006. As has been previously discussed elsewhere in this report, the sewer fund is not generating sufficient revenues to cover the total cost of operating the system. Consequently, it is expected that as part of the City's mid year budget process, future sewer rate increases will be proposed.
- During the fiscal year, the city reached an agreement with general employees that allowed general and most management employees to forgo a cost living adjustment for FY07 and FY08 in exchange for enhanced retirement formula. The estimated cost of the new retirement formula which will be implemented through a contract amendment with the California Public Employees Retirement System is expected to be the same as the cost of providing 6.5 percent cost of living adjustment over two years. Additionally, the city also reached labor agreement with fire safety employees which will provide 4 percent cost of living adjustment beginning July 1, 2006 for all employees and additional 3 percentage adjustments to captains effective January 1, 2007. The term of this agreement is one year and the estimated costs were included in the FY07 appropriated budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with interest in the city's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Director of Fiscal and Support Services, City of Norco, 2870 Clark Avenue, Norco, California 92860, or call (951) 735-3900.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Norco
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 51,555,443	\$ 9,636,971	\$ 61,192,414
Cash and investments with fiscal agents	26,458,666	6,103,018	32,561,684
Receivables:			
Accounts, net	200,465	1,830,919	2,031,384
Interest	701,154	111,851	813,005
Loans	1,521,364	-	1,521,364
Due from other governments	1,914,124	-	1,914,124
Due from external parties	21,908	-	21,908
Internal balances	2,161,953	(2,161,953)	-
Inventories	-	98,702	98,702
Prepays	15,492	-	15,492
Land held for resale	5,850,695	-	5,850,695
Deferred charges	1,815,661	388,921	2,204,582
Capital assets:			
Land, improvements and construction in progress	106,685,972	8,948,633	115,634,605
Other capital assets, net of depreciation	38,273,112	44,999,997	83,273,109
Total assets	237,176,009	69,957,059	307,133,068
LIABILITIES			
Accounts payable	2,570,009	1,242,378	3,812,387
Accrued interest payable	1,385,872	101,481	1,487,353
Retentions payable	96,834	40,061	136,895
Unearned revenue	15,534	-	15,534
Deposits payable	2,282	155,033	157,315
Noncurrent liabilities:			
Due within one year	2,981,263	722,180	3,703,443
Due in more than one year	87,255,201	22,717,388	109,972,589
Total liabilities	94,306,995	24,978,521	119,285,516
NET ASSETS			
Invested in capital assets, net of related debt	144,879,068	35,602,853	180,481,921
Restricted for:			
Debt service	4,990,567	602,144	5,592,711
Public safety	1,611,534	-	1,611,534
Capital projects	33,439,178	12,333,384	45,772,562
Community development	17,066,431	-	17,066,431
Unrestricted	(59,117,764)	(3,559,843)	(62,677,607)
Total net assets	\$ 142,869,014	\$ 44,978,538	\$ 187,847,552

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

**City of Norco
Statement of Activities
For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 2,444,678	\$ 1,206,368	\$ 8,017	\$ 9,517
Public safety	10,030,419	938,458	576,487	16,700
Streets and highways	2,667,196	1,119,874	1,827,913	1,920,933
Community and economic development	9,661,594	919,325	27,367	47,598
Culture and leisure	2,575,970	839,701	9,200	7,093
Interest in long-term debt	4,498,959	-	-	-
Total governmental activities	<u>31,878,816</u>	<u>5,023,726</u>	<u>2,448,984</u>	<u>2,001,841</u>
Business-type activities:				
Water	7,000,699	6,617,886	-	3,134,276
Sewer	3,969,304	2,855,330	-	1,937,569
Total business-type activities	<u>10,970,003</u>	<u>9,473,216</u>	<u>-</u>	<u>5,071,845</u>
Total primary government	<u>\$ 42,848,819</u>	<u>\$ 14,496,942</u>	<u>\$ 2,448,984</u>	<u>\$ 7,073,686</u>

General Revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment City tax increment
- Transient occupancy tax
- Franchise tax
- Sales tax
- Sales tax in lieu
- Motor vehicle in lieu tax
- Public service taxes
- Other taxes
- Gain on sale of land held for resale
- Unrestricted investment earnings
- Other
- Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (1,220,776)	\$ -	\$ (1,220,776)
(8,498,774)	-	(8,498,774)
2,201,524	-	2,201,524
(8,667,304)	-	(8,667,304)
(1,719,976)	-	(1,719,976)
(4,498,959)	-	(4,498,959)
<u>(22,404,265)</u>	<u>-</u>	<u>(22,404,265)</u>
-	2,751,463	2,751,463
-	823,595	823,595
-	3,575,058	3,575,058
1,239,755	-	1,239,755
12,748,278	-	12,748,278
87,306	-	87,306
903,919	-	903,919
4,915,052	-	4,915,052
1,159,702	-	1,159,702
2,053,194	-	2,053,194
492,305	-	492,305
41,735	-	41,735
-	491,369	491,369
2,209,818	36,910	2,246,728
1,272,881	-	1,272,881
290,792	(290,792)	-
<u>27,414,737</u>	<u>237,487</u>	<u>27,652,224</u>
5,010,472	3,812,545	8,823,017
<u>137,858,542</u>	<u>41,165,993</u>	<u>179,024,535</u>
<u>\$ 142,869,014</u>	<u>\$ 44,978,538</u>	<u>\$ 187,847,552</u>

FUND FINANCIAL STATEMENTS

**City of Norco
Balance Sheet
Governmental Funds
June 30, 2006**

	General	Redevelopment Special Revenue	Redevelopment Debt Service
ASSETS			
Cash and investments	\$ 5,730,525	\$ 6,372,697	\$ 1,043,232
Cash and investments with fiscal agents	-	7,400,469	6,449,238
Receivables:			
Accounts	153,349	-	-
Interest	89,460	68,363	104,921
Loans	-	1,521,364	-
Notes	-	-	-
Due from other governments	1,192,251	29,104	-
Due from other funds	2,326,217	-	-
Land held for resale	-	285,006	-
	<u>9,491,802</u>	<u>15,677,003</u>	<u>7,597,391</u>
Total assets	<u>\$ 9,491,802</u>	<u>\$ 15,677,003</u>	<u>\$ 7,597,391</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,239,687	\$ 122,119	\$ 44,989
Retentions payable	-	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Loan payable	-	-	-
Deferred revenues	-	-	-
Claims and judgments	460,280	-	-
	<u>1,699,967</u>	<u>122,119</u>	<u>44,989</u>
Total liabilities	<u>1,699,967</u>	<u>122,119</u>	<u>44,989</u>
Fund balances:			
Reserved	-	1,806,370	6,376,439
Unreserved:			
Designated	5,691,521	-	-
Undesignated, reported in:			
General fund	2,100,314	-	-
Special revenue funds	-	13,748,514	-
Debt service funds	-	-	1,175,963
Capital projects funds	-	-	-
	<u>7,791,835</u>	<u>15,554,884</u>	<u>7,552,402</u>
Total fund balances	<u>7,791,835</u>	<u>15,554,884</u>	<u>7,552,402</u>
Total liabilities and fund balances	<u>\$ 9,491,802</u>	<u>\$ 15,677,003</u>	<u>\$ 7,597,391</u>

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

Redevelopment Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,581,572	\$ 18,653,910	\$ 49,381,936
11,497,581	1,111,378	26,458,666
-	47,116	200,465
204,174	210,893	677,811
440,301	599,972	2,561,637
47,980	-	47,980
109,121	605,556	1,936,032
-	370,146	2,696,363
5,565,689	-	5,850,695
<u>\$ 35,446,418</u>	<u>\$ 21,598,971</u>	<u>\$ 89,811,585</u>
\$ 155,284	\$ 974,135	\$ 2,536,214
2,483	94,351	96,834
2,282	-	2,282
-	541,272	541,272
599,972	440,301	1,040,273
-	52,501	52,501
-	-	460,280
<u>760,021</u>	<u>2,102,560</u>	<u>4,729,656</u>
6,053,970	599,972	14,836,751
-	-	5,691,521
-	-	2,100,314
-	4,124,964	17,873,478
-	-	1,175,963
28,632,427	14,771,475	43,403,902
<u>34,686,397</u>	<u>19,496,411</u>	<u>85,081,929</u>
<u>\$ 35,446,418</u>	<u>\$ 21,598,971</u>	<u>\$ 89,811,585</u>

City of Norco
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2006

Fund balances of governmental funds		\$ 85,081,929
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		143,285,219
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		3,808,637
Carryover crossover internal balances are not recognized in the fund financial statements, but are recognized in the government-wide statements.		15,276
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in funds.		
Bonds, notes and leases payable	\$(88,014,990)	
Less: Deferred charge for issuance costs	1,815,661	
Plus: Premium on issuance of debt	(831,121)	
Less: Deferred loss on refunding	308,845	
Accrued interest payable	(1,385,872)	
Long-term compensated absences payable	(999,853)	
Long-term claims and judgments payable	(214,717)	
		(89,322,047)
Net assets of governmental activities		\$ 142,869,014

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, 2006

	General	Redevelopment Special Revenue	Redevelopment Debt Service
REVENUES			
Taxes	\$ 9,048,395	\$ 2,517,436	\$ -
Assessments	-	-	-
Licenses and permits	754,346	-	-
Fines and forfeitures	502,036	-	-
Development fees	-	-	-
Intergovernmental	2,275,986	-	1,043,233
Charges for services	1,974,505	-	-
Use of money and property	320,115	457,103	312,175
Reimbursements	6,574	-	-
Contributions from property owners	-	-	-
Other	579,787	47,602	-
Total revenues	<u>15,461,744</u>	<u>3,022,141</u>	<u>1,355,408</u>
EXPENDITURES			
Current:			
General government	2,406,997	-	-
Public safety	9,707,609	-	-
Streets and highways	-	-	-
Community and economic development	1,187,357	757,677	-
Culture and leisure	2,190,517	-	-
Debt service:			
Principal	161	362,000	1,823,000
Interest	151	658,365	3,390,823
Advance refunding escrow	-	289,645	1,158,583
Bond issuance costs	-	125,512	502,043
Capital outlay:			
Special assessment	-	-	-
Other	11,154	-	-
Total expenditures	<u>15,503,946</u>	<u>2,193,199</u>	<u>6,874,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,202)</u>	<u>828,942</u>	<u>(5,519,041)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bond issued	-	3,449,000	13,796,000
Premium on refunded bond escrow agent	-	65,303	261,212
Payment to refunded bond escrow agent	-	(3,090,773)	(12,363,091)
Capital lease	6,868	-	-
Transfers in	653,773	289,870	4,350,947
Transfers out	(139,940)	(309,267)	(289,870)
Total other financing sources (uses)	<u>520,701</u>	<u>404,133</u>	<u>5,755,198</u>
Net change in fund balances	478,499	1,233,075	236,157
Fund balances, beginning of year	<u>7,313,336</u>	<u>14,321,809</u>	<u>7,316,245</u>
Fund balances, end of year	<u>\$ 7,791,835</u>	<u>\$ 15,554,884</u>	<u>\$ 7,552,402</u>

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

Redevelopment Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,230,842	\$ 1,099,997	\$ 22,896,670
-	648,033	648,033
-	-	754,346
-	-	502,036
-	905,912	905,912
-	1,132,041	4,451,260
-	352,167	2,326,672
1,009,769	787,811	2,886,973
-	-	6,574
74,122	387,381	461,503
59,195	-	686,584
<u>11,373,928</u>	<u>5,313,342</u>	<u>36,526,563</u>
-	-	2,406,997
-	162,058	9,869,667
-	1,079,977	1,079,977
7,561,644	11,693	9,518,371
-	-	2,190,517
-	197,838	2,382,999
39,650	113,660	4,202,649
-	-	1,448,228
-	-	627,555
-	387,381	387,381
803,770	4,141,419	4,956,343
<u>8,405,064</u>	<u>6,094,026</u>	<u>39,070,684</u>
<u>2,968,864</u>	<u>(780,684)</u>	<u>(2,544,121)</u>
-	-	17,245,000
-	-	326,515
-	-	(15,453,864)
-	-	6,868
-	586,554	5,881,144
<u>(4,404,663)</u>	<u>(598,366)</u>	<u>(5,742,106)</u>
<u>(4,404,663)</u>	<u>(11,812)</u>	<u>2,263,557</u>
(1,435,799)	(792,496)	(280,564)
<u>36,122,196</u>	<u>20,288,907</u>	<u>85,362,493</u>
<u>\$ 34,686,397</u>	<u>\$ 19,496,411</u>	<u>\$ 85,081,929</u>

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, 2006

Net change in fund balances - total governmental funds \$ (280,564)

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. This is the amount by which depreciation was exceeded by capital outlays. 3,111,285

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.

Debt issued:		
Redevelopment Agency bonds	\$ (17,245,000)	
Less: bond issuance costs	627,555	
Plus: bond premium	(326,515)	
Principal payments on debt	2,382,999	
Capital lease	(6,868)	
Advance refunding payment – less interest	1,136,236	
Payment to escrow agent for refunding	15,453,864	2,022,271

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.

Compensated absences	\$ (62,894)	
Claims and judgments	(93,567)	
Accrued interest on bonds	53,910	
Amortization of deferred costs	(80,663)	
Amortization of deferred loss on refunding	(38,237)	
Amortization of bond premium	38,031	(183,420)

Internal service funds are used by management to charge the costs of equipment usage to individual funds. The net revenue of the internal service funds are reported with governmental activities. 340,900

Change in net assets of governmental activities \$ 5,010,472

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and investments	\$ 33,402	\$ 9,603,569	\$ 9,636,971	\$ 2,173,507
Cash and investments with fiscal agents	6,103,018	-	6,103,018	-
Receivables:				
Accounts, net	1,325,791	505,128	1,830,919	-
Interest	5,453	106,398	111,851	23,343
Prepays	-	-	-	15,492
Inventories	98,702	-	98,702	-
	<u>7,566,366</u>	<u>10,215,095</u>	<u>17,781,461</u>	<u>2,212,342</u>
Total current assets				
Noncurrent assets:				
Deferred charges	229,463	159,458	388,921	-
Capital assets:				
Land	773,307	-	773,307	-
Buildings and improvements	952,175	69,175	1,021,350	-
Utility plant	6,037,344	759,521	6,796,865	-
Wastewater capacity rights	-	17,793,248	17,793,248	-
Pipelines	28,729,609	18,288,631	47,018,240	-
Vehicles and equipment	307,303	24,723	332,026	3,813,535
Construction in progress	4,072,846	4,102,480	8,175,326	-
Less accumulated amortization	-	(3,558,649)	(3,558,649)	-
Less accumulated depreciation	(16,490,006)	(7,913,077)	(24,403,083)	(2,139,670)
	<u>24,612,041</u>	<u>29,725,510</u>	<u>54,337,551</u>	<u>1,673,865</u>
Total noncurrent assets				
Total assets	<u>32,178,407</u>	<u>39,940,605</u>	<u>72,119,012</u>	<u>3,866,207</u>

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 588,090	\$ 654,288	\$ 1,242,378	\$ 33,793
Accrued interest	59,874	41,607	101,481	-
Retentions payable	-	40,061	40,061	-
Deposits payable	100,642	54,391	155,033	-
Due to other funds	2,155,091	-	2,155,091	-
Compensated absences	23,875	13,593	37,468	6,088
Capital lease payable - current	527	422,968	423,495	17,127
Loan payable - current	65,164	-	65,164	47,980
Bonds payable - current	115,050	79,950	195,000	-
	<u>3,108,313</u>	<u>1,306,858</u>	<u>4,415,171</u>	<u>104,988</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	71,624	40,778	112,402	18,262
Capital lease payable	2,827	13,962,724	13,965,551	56,182
Loan payable	835,488	-	835,488	-
Bonds payable	4,604,950	3,200,050	7,805,000	-
	<u>5,514,889</u>	<u>17,203,552</u>	<u>22,718,441</u>	<u>74,444</u>
Total noncurrent liabilities				
Total liabilities	<u>8,623,202</u>	<u>18,510,410</u>	<u>27,133,612</u>	<u>179,432</u>
NET ASSETS				
Invested in capital assets, net of related debt	21,675,485	13,927,368	35,602,853	1,552,576
Restricted for capital projects	4,891,053	7,442,331	12,333,384	-
Restricted for debt service	602,144	-	602,144	-
Unrestricted	(3,613,477)	60,496	(3,552,981)	2,154,199
	<u>\$ 23,555,205</u>	<u>\$ 21,430,195</u>	44,985,400	<u>\$ 3,706,775</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(6,862)</u>	
Net assets business-type activities			<u>\$ 44,978,538</u>	

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

City of Norco
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Sales and charges for services	\$ 6,617,886	\$ 2,855,330	\$ 9,473,216	\$ 982,531
Connection fees	10,713	44,912	55,625	-
Miscellaneous	3,096	242	3,338	-
Total operating revenues	<u>6,631,695</u>	<u>2,900,484</u>	<u>9,532,179</u>	<u>982,531</u>
OPERATING EXPENSES				
General and administrative	232,094	219,352	451,446	563,410
Operations	5,692,277	2,258,264	7,950,541	-
Amortization	-	444,831	444,831	-
Depreciation	741,117	387,393	1,128,510	337,263
Total operating expenses	<u>6,665,488</u>	<u>3,309,840</u>	<u>9,975,328</u>	<u>900,673</u>
Operating income (loss)	<u>(33,793)</u>	<u>(409,356)</u>	<u>(443,149)</u>	<u>81,858</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	206,141	363,873	570,014	71,933
Interest and fiscal charges	(332,949)	(652,216)	(985,165)	(13,216)
Amortization of deferred charges	(10,430)	(7,248)	(17,678)	-
Gain/(loss) on disposal of capital assets	491,369	-	491,369	1,154
Total nonoperating revenues (expenses)	<u>354,131</u>	<u>(295,591)</u>	<u>58,540</u>	<u>59,871</u>
Income before contributions and transfers	<u>320,338</u>	<u>(704,947)</u>	<u>(384,609)</u>	<u>141,729</u>
Capital contributions	2,917,422	1,562,357	4,479,779	66,844
Transfers in	223	-	223	151,754
Transfers out	<u>(144,617)</u>	<u>(146,398)</u>	<u>(291,015)</u>	<u>-</u>
Change in net assets	3,093,366	711,012	3,804,378	360,327
Net assets, beginning of year	<u>20,461,839</u>	<u>20,719,183</u>		<u>3,346,448</u>
Net assets, end of year	<u>\$ 23,555,205</u>	<u>\$ 21,430,195</u>		<u>\$ 3,706,775</u>
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	
				<u>8,167</u>
			Change in net assets business-type activities	<u>\$ 3,812,545</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, 2006**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 5,905,273	\$ 3,087,046	\$ 8,992,319	\$ 982,531
Cash payments to suppliers	(5,029,249)	(395,164)	(5,424,413)	(384,447)
Cash payments to employees for services	(720,683)	(1,590,496)	(2,311,179)	(168,508)
Net cash provided by operating activities	<u>155,341</u>	<u>1,101,386</u>	<u>1,256,727</u>	<u>429,576</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	223	-	223	151,754
Transfer to other funds	(144,617)	(146,398)	(291,015)	-
Net cash (used for) noncapital financing activities	<u>(144,394)</u>	<u>(146,398)</u>	<u>(290,792)</u>	<u>151,754</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(721,691)	(629,175)	(1,350,866)	(200,812)
Capital contributions	75,600	146,708	222,308	-
Proceeds from sale of capital assets	491,369	-	491,369	9,056
Principal payments - loans	(62,447)	-	(62,447)	(46,437)
Principal payments - capital lease	(81)	(336,935)	(337,016)	(14,908)
Principal payments - bonds	(109,150)	(75,850)	(185,000)	-
Interest and fiscal charges	(334,121)	(653,032)	(987,153)	(13,216)
Net cash (used for) capital and related financing activities	<u>(660,521)</u>	<u>(1,548,284)</u>	<u>(2,208,805)</u>	<u>(266,317)</u>
Cash flows from investing activities:				
Investment earnings received	208,109	324,579	532,688	60,869
Net cash provided by investing activities	<u>208,109</u>	<u>324,579</u>	<u>532,688</u>	<u>60,869</u>
Net increase (decrease) in cash and investments	(441,465)	(268,717)	(710,182)	375,882
Cash and investments, beginning of year	<u>6,577,885</u>	<u>9,872,286</u>	<u>16,450,171</u>	<u>1,797,625</u>
Cash and investments, end of year	<u>\$ 6,136,420</u>	<u>\$ 9,603,569</u>	<u>\$ 15,739,989</u>	<u>\$ 2,173,507</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, 2006**

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (33,793)	\$ (409,356)	\$ (443,149)	\$ 81,858
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Amortization	-	444,831	444,831	-
Depreciation	741,117	387,393	1,128,510	337,263
(Increase) decrease in assets:				
Accounts receivable	(197,418)	4,639	(192,779)	-
Prepays	-	-	-	248
Due from other funds	-	179,762	179,762	-
Inventories	11,704	-	11,704	-
Increase (decrease) in liabilities:				
Accounts payable	173,426	487,462	660,888	8,583
Accrued wages	(1,210)	459	(751)	-
Deposits	2,048	2,161	4,209	-
Due to other funds	(531,052)	-	(531,052)	-
Retentions payable	-	12,885	12,885	-
Compensated absences	(9,481)	(8,850)	(18,331)	1,624
Net cash provided by operating activities	<u>\$ 155,341</u>	<u>\$ 1,101,386</u>	<u>\$ 1,256,727</u>	<u>\$ 429,576</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets from property owners	\$ 2,841,822	\$ 1,412,215	\$ 4,254,037	\$ -
Contributions of capital assets from government	-	-	-	66,844
Purchase of capital asset through capital lease	3,434	3,434	6,868	-

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

City of Norco
Statement of Fiduciary Assets and Liabilities
June 30, 2006

	Agency Funds
ASSETS	
Cash and investments	\$ 2,751,366
Cash and investments with fiscal agents	3,128,515
Receivables:	
Accounts	698,864
Interest	24,936
Due from other governments	204,542
Total assets	\$ 6,808,223
 LIABILITIES	
Accounts payable	\$ 746,899
Deposits payable	896,522
Due to bond holders	5,164,802
Total liabilities	\$ 6,808,223

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and 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 consist 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 units 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 these component units and the method of incorporating their financial information in the accompanying basic financial statements are summarized as follows:

Norco Community Redevelopment Agency

The Norco Community Redevelopment Agency (the Agency) was established on January, 1980 pursuant to the State of California Health and Safety Code, Section 33000. The primary purpose of the Agency is to improve the commercial environment, upgrade residential neighborhoods, provide new public improvements, strengthen the City of Norco's economic base, generate added employment opportunities, improve and expand the City's industrial use and encourage the private redevelopment of property. The Agency is presented as a blended component unit since its governing body is substantially the same as the City's. The financial activity of the Redevelopment Agency is reported in the City's financial statements as the Redevelopment Capital Projects Fund, the Redevelopment Debt Service Fund and the Redevelopment Special Revenue Fund. Separate financial statements for the Norco Community Redevelopment Agency can be obtained by contacting the City.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

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 Norco Community Redevelopment Agency formed the Authority by execution of the Joint Exercise of Powers Agreement. The purpose of the Authority is to provide financing to the Agency and the City for various project purposes. Separate financial statements were not prepared for the Norco Public Financing Authority.

The Authority is presented as a blended component unit since its governing board is substantially the same as the City's.

b. Government-wide and fund financial statements

The government-wide financial statements include a statement of net assets 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 assets 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

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 fund and fiduciary fund financial statements. 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 assets. The statement of activities presents changes in net assets. 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.

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 revenue susceptible to accrual includes sales tax, state gasoline taxes, 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.

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 *Redevelopment Special Revenue Fund* is used to account for the 20% set-aside for low and moderate-income projects. Monies in this fund are restricted to low and moderate-income projects.

The *Redevelopment Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for the City's Redevelopment project areas.

The *Redevelopment Capital Projects Fund* is used to account for transactions related to proceeds from bonds and other sources and their use to perform redevelopment activities within specific project areas of the City.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

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.

Additionally, the City reports the following fund types:

The *Internal Service Funds* are used by the City to account for data processing and fleet management services provided to other City departments or agencies on a cost reimbursement basis.

The *Agency Funds* are used to account for the receipt of assessments or 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 expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Other accounting policies

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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

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.

Investments

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

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 generally offset by fund balance reserve accounts.

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to the City's current operations.

Compensated absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee can not accrue more than two times his 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 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.

Use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

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

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.

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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. *Budgetary data*

General budget policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the STP/CMAQ Special Revenue Fund and Landscape Maintenance Districts #1, #2, #3, #4 and #5; the capital projects funds for Community Facilities Districts 93-1, 2002-1, 2001-1 and 97-1; and the Ingalls Park Grading.

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 two public hearings 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). Department heads can make transfers of appropriations within a department and fund. Transfer of appropriations between departments requires the approval of the City manager and transfers of appropriation between funds require council authority. At fiscal year-end all operating budget appropriations lapse.

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 are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 1: Organization and Summary of Significant Accounting Policies (continued)

b. Deficit fund balances

As of June 30, 2006 the following funds have deficit fund balances:

<i>Special Revenue Funds:</i>	<i>Amount</i>
NPDES (1)	\$ (86,752)
Office of Traffic Safety(1)	(5,633)
Landscape Maintenance District #5 (1)	(200)
 <i>Capital Projects Funds:</i>	
Ingalls Park Grading (1)	(55,801)

(1) = These deficits will be funded by future revenues or transfers from other funds.

c. Excess of expenditures over appropriations

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

<i>Fund</i>	<i>Expenditures</i>	<i>Appropriations</i>	<i>Excess</i>
<i>General fund:</i>			
Park maintenance	\$ 597,636	\$ 561,452	\$ (36,184)
Building maintenance	430,077	371,303	(58,774)
Public works inspection	121,304	108,637	(12,667)
Wee people	306,310	291,231	(15,079)
Paramedics	1,337,677	1,327,821	(9,856)
Law enforcement	4,744,364	4,711,097	(33,267)
Fire	2,896,876	2,834,860	(62,016)
Code enforcement	85,341	79,659	(5,682)
Engineering	325,778	279,407	(46,371)
Animal control	609,461	555,943	(53,518)
Capital outlay	11,154	9,000	(2,154)
 <i>Special revenue funds:</i>			
CLEEP	53	-	(53)
Office of traffic safety	155,649	148,750	(6,899)
AQMD	10,687	7,000	(3,687)
 <i>Debt service funds:</i>			
Redevelopment agency	6,874,449	5,253,964	(1,620,485)

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

III. DETAIL NOTES ON ALL FUNDS

Note 2: Cash and Investments

Cash and investments at June 30, 2006, consisted of the following:

Deposits with financial institutions and cash on hand	\$ (1,060,295)
Investments	<u>100,694,274</u>
Total cash and investments	<u>\$ 99,633,979</u>

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

<i>Statement of Net Assets</i>	
Cash and investments	\$ 61,192,414
Cash and investments with fiscal agents	32,561,684
 <i>Statement of Fiduciary Assets and Liabilities</i>	
Cash and investments	2,751,366
Cash and investments with fiscal agents	<u>3,128,515</u>
Total cash and investments	<u>\$ 99,633,979</u>

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, 2006

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	\$ 31,859,168	\$ 31,859,168	\$ -	\$ -	\$ -
Held by trustee:					
Money market funds	11,774,721	11,774,721	-	-	-
Investment contracts	8,401,116	-	-	-	8,401,116
Corporate debt securities	953,690	-	-	953,690	-
Federal agency securities	47,705,579	31,326,367	12,698,800	3,680,412	-
	<u>\$ 100,694,274</u>	<u>\$ 74,960,256</u>	<u>\$ 12,698,800</u>	<u>\$ 4,634,102</u>	<u>\$ 8,401,116</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

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	Not rated
State investment pool	\$ 31,859,168	N/A	-	\$ 31,859,168
Held by trustee:				
Money market funds	11,774,721	AAA/Aa	AAA	-
Investment contracts	8,401,116	N/A	-	8,401,116
Corporate debt securities:				
Bank of America Corp	953,690	A	Aa2, AA	-
Federal agency securities	47,705,579	N/A	AAA, Aaa	-
	<u>\$ 100,694,274</u>			<u>\$ 40,260,284</u>

Concentration of credit risk

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

Issuer	Investment type	Reported amount
Federal Home Loan Bank	Federal agency securities	\$ 37,042,001
Federal National Mortgage Association	Federal agency securities	10,663,578

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 2: Cash and Investments (continued)

Custodial credit risk

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.

As of June 30, 2006, \$363,064 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The Agency 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.

Note 3: Receivables

Deferred loans receivable

The City administers several deferred 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 financial statements as receivables.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 3: Receivables (continued)

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. Additionally, loans for nonrecurring closing costs up to 2% of purchase price are available. These are due and payable in five 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. Loans are due in 15 years or upon sale of property. For seniors and the disabled, the loan is not payable until sale of the property. Interest on all loans accrue at 0% to 3% per year, with 0% loans available for qualified seniors and handicapped disabled owner occupants. The 3% loan is available to qualified households without an age restriction. As of June 30, 2006, the loans amounted to \$1,521,364.

As of June 30, 2006 the total loans receivable were as follows:

Deferred loans	<u>\$ 1,521,364</u>
----------------	---------------------

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 is as follows:

	Redevelopment				Total
	General	Special Revenue	Capital Projects	Nonmajor	
Assessments	\$ -	\$ -	\$ -	\$ 29,536	\$ 29,536
Property taxes	141,725	29,104	56,927	-	227,756
Sales tax	783,700	-	-	-	783,700
Grants and contributions - restricted	-	-	-	576,020	576,020
Other	266,826	-	52,194	-	319,020
Totals	\$ 1,192,251	\$ 29,104	\$ 109,121	\$ 605,556	\$ 1,936,032

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 93,808,324	\$ 441,094	\$ -	\$ 94,249,418
Construction in progress	11,970,791	1,699,255	(1,233,492)	12,436,554
Total capital assets, not being depreciated	<u>105,779,115</u>	<u>2,140,349</u>	<u>(1,233,492)</u>	<u>106,685,972</u>
Capital assets, being depreciated:				
Buildings and improvements	12,153,081	58,968	-	12,212,049
Improvements other than buildings	96,679	183,455	-	280,134
Vehicles and equipment	5,267,441	316,086	(39,784)	5,543,743
Infrastructure	62,394,509	4,166,995	-	66,561,504
Total capital assets, being depreciated	<u>79,911,710</u>	<u>4,725,504</u>	<u>(39,784)</u>	<u>84,597,430</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,437,331)	(274,490)	-	(3,711,821)
Improvements other than buildings	(5,628)	(4,833)	-	(10,461)
Vehicles and equipment	(2,301,531)	(445,965)	31,882	(2,715,614)
Infrastructure	(38,021,928)	(1,864,494)	-	(39,886,422)
Total accumulated depreciation	<u>(43,766,418)</u>	<u>(2,589,782)</u>	<u>31,882</u>	<u>(46,324,318)</u>
Total capital assets, being depreciated, net	<u>36,145,292</u>	<u>2,135,722</u>	<u>(7,902)</u>	<u>38,273,112</u>
Governmental activities capital assets, net	<u>\$ 141,924,407</u>	<u>\$ 4,276,071</u>	<u>\$ (1,241,394)</u>	<u>\$ 144,959,084</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 353,613	\$ -	\$ -	\$ 353,613
Construction in progress	7,310,814	1,334,206	(50,000)	8,595,020
Total capital assets, not being depreciated	<u>7,664,427</u>	<u>1,334,206</u>	<u>(50,000)</u>	<u>8,948,633</u>
Capital assets, being depreciated:				
Buildings and improvements	1,021,350	-	-	1,021,350
Utility plant	6,746,865	50,000	-	6,796,865
Wastewater capacity rights	17,793,248	-	-	17,793,248
Pipelines	42,747,542	4,270,698	-	47,018,240
Vehicles and equipment	325,158	6,868	-	332,026
Total capital assets, being depreciated	<u>68,634,163</u>	<u>4,327,566</u>	<u>-</u>	<u>72,961,729</u>
Less accumulated depreciation for:				
Buildings and improvements	(420,888)	(21,766)	-	(442,654)
Utility plant	(2,166,690)	(148,567)	-	(2,315,257)
Wastewater capacity rights	(3,113,818)	(444,831)	-	(3,558,649)
Pipelines	(20,550,417)	(935,661)	-	(21,486,078)
Vehicles and equipment	(136,578)	(22,516)	-	(159,094)
Total accumulated depreciation	<u>(26,388,391)</u>	<u>(1,573,341)</u>	<u>-</u>	<u>(27,961,732)</u>
Total capital assets, being depreciated, net	<u>42,245,772</u>	<u>2,754,225</u>	<u>-</u>	<u>44,999,997</u>
Business-type activities capital assets, net	<u>\$ 49,910,199</u>	<u>\$ 4,088,431</u>	<u>\$ (50,000)</u>	<u>\$ 53,948,630</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 4: Capital Assets (continued)

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

Governmental activities:	
General government	\$ 40,239
Public safety	138,866
Streets and highways	1,613,218
Community development	62,374
Culture and leisure	397,822
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	337,263
Total depreciation expense - governmental activities	\$ 2,589,782
Business-type activities:	
Water	\$ 741,117
Sewer – depreciation	387,393
Sewer – amortization	444,831
Total depreciation amortization expense - business-type activities	\$ 1,573,341

Note 5: Retirement Plan

Plan description

The City contributes to the California Public Employees Retirements System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate 10.603% for non-safety employees and 9.327% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 5: Retirement Plan (continued)

Annual pension cost

For 2006, the City's annual pension cost of \$633,451 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method.

A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

Valuation date	June 30, 2003
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percent of Payroll
Average remaining period	17 years of the Valuation Date (16 years for safety)
Asset valuation method	3 years Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment (3.25% and 13.15% for safety)
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of .25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Each year, a single amortization base is created, using the net period for the multiple bases.

THREE YEAR TREND INFORMATION FOR PERS
(Amounts in Thousands)

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
6/30/04	\$ 208	100%	\$ -
6/30/05	\$ 534	100%	\$ -
6/30/06	\$ 610	100%	\$ -

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 5: Retirement Plan (continued)

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2004, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2004.

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan. The Side Fund for the City's plan as of the June 30, 2004, valuation was (\$1,031,438) for the Miscellaneous Plan and \$71,458 for the Safety Plan.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative Side Fund will cause the City's required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence of subsequent contract amendments or funding changes, the Side Fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2004, was 14 years for the Miscellaneous Plan and 19 years for the Safety Plan.

The valuation report of June 30, 2003 reflected both the final stand-alone and risk pool actuarial valuations for the City's Plan. As of June 30, 2004, the stand-alone actuarial valuation is no longer provided by the California Public Employees' Retirement System. The funding status for both the City's Stand-alone Plan and Risk Pool Plan funding progress schedule is provided to phase out the City's Stand-alone Plan and introduce the Risk Pool Plan information.

Note 6: Long-Term Debt

Governmental activities

a. Capital leases

Equipment

During 2005, the City entered into a capital lease to finance the purchase of two copy machines. The present value of the future lease payments at the commencement of the leases was \$93,824. Lease payments of \$2,135 are due on monthly basis and are due commencing February 2005. The equipment acquired with the lease has a net book value of \$93,824 at June 30, 2006.

During 2006, the City entered into a capital lease to finance the purchase of one copy machine. The present value of the future lease payments at the commencement of the lease was \$6,868. Lease payments of \$156 are due on a monthly basis and are due commencing May 2006. The equipment acquired with the lease has a net book value of \$6,639 at June 30, 2006.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

The following is a schedule by years of future payments to be made by the City.

Fiscal years ending June 30,	Capital leases
2007	\$ 27,491
2008	27,491
2009	27,491
2010	16,818
2011	1,875
Total minimum lease payments	101,166
Less: amount representing interest	(21,150)
Present value of minimum lease payments	\$ 80,016

b. Bonds

In November 1996, the Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 1996, in an aggregate amount of \$16,335,000. The Bonds are dated November 1, 1996 with interest paid at a rate from 5.70 percent to 5.80 percent semi-annually on March 1 and September 1 commencing March 1, 1997. These Bonds retired the \$12,000,000 of 1992 Subordinated Tax Allocation Notes issued in February 1992. These bonds were considered defeased as of June 30, 2006.

In December, 1997, the Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 1997, in an aggregate principal amount of \$3,460,000 to defease \$3,165,000 of the 1989 Tax Allocation Bonds. The Bonds are dated December 1, 1997 with interest payable at a rate from 3.70% to 4.50% annually commencing on March 1, 1998.

In June 2000, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Bonds, Issue of 2000, in the aggregate principal amount of \$2,425,000. The Bonds are dated June 1, 2000 with interest paid at a rate from 4.25% to 5.78% semi-annually on March 1 and September 1 in each year, commencing on March 1, 2001. The purpose of these Bonds was to fund projects undertaken for Redevelopment purposes.

In December 2001, the 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 5.125% payable semiannually 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

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 semiannually 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.

In July 2003, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Bonds, Issue of 2003, in an aggregate principal amount of \$21,500,000. The bonds are dated July 1, 2003 with interest paid at a rate from 2.00% to 4.75% semi-annually on March 1 and September 1 in each year, commencing on September 1, 2003. The purpose of these bonds was to fund projects undertaken for redevelopment purposes.

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, 2006. 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.

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 \$325,100. This amount is being netted against the new debt and 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

The following schedule illustrates the annual debt service requirements to maturity for Bonds outstanding as of June 30, 2006:

Fiscal years ending June 30,	Tax allocation bonds	
	Principal	Interest
2007	\$ 2,075,000	\$ 4,157,615
2008	2,135,000	4,093,740
2009	2,205,000	4,024,325
2010	2,285,000	3,944,032
2011	2,375,000	3,854,847
2012 - 2016	13,495,000	17,653,376
2017 - 2021	17,095,000	14,056,026
2022 - 2026	21,740,000	9,409,000
2027 - 2031	22,905,000	3,343,239
2032	1,025,000	51,250
Totals	<u>\$ 87,335,000</u>	<u>\$ 64,587,450</u>

c. Loans

During 1997, the City entered into an agreement with the Riverside County Transportation Commission (RCTC) for an advance of Measure A Local Streets and Roads Funds. The proceeds of the funds were used to finance the Interstate 15 and Yuma Road Interchange Project. For repayment of this obligation, the City has instructed RCTC to apply any amount due to the City portion of any local streets and roads funding, which would otherwise be distributed to the City under Measure A. The interest rate will be determined annually by RCTC based on RCTC's average interest rate on its commercial paper plus 1/2 percent. The original amount of the loan was \$2,100,000.

The following schedule illustrates the annual debt service requirements to maturity for the Measure A loan outstanding as of June 30, 2006:

Fiscal years ending June 30,	Measure A loan	
	Principal	Interest
2007	\$ 172,805	\$ 22,531
2008	213,853	20,548
2009	213,314	13,948
Totals	<u>\$ 599,972</u>	<u>\$ 57,027</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

d. Interfund loans

On October 17, 2001 the Agency entered into a Loan Agreement with the City, where the Agency was to advance up to \$500,000 to the City for site work at Ingalls Park. The Agreement was later amended to increase the advance to \$700,000. Interest shall accumulate on the unpaid loan principal at 5% from the date of the loan inception to June 30, 2004, and at that time annual payments are to begin from accumulated DAG Fees collected by the City during the development of the Norco Ridge Ranch Project. As of June 30, 2006, the loan balance was \$440,301.

e. Advances from other funds

In May, 1998, the Agency received a loan of \$2,139,068 from Riverside County Transportation Commission through the City of Norco. The Agency was originally responsible for repayment of construction costs related to the interchange as defined by the Right-of-Way Cooperative Agreement. Under the existing loan agreement, the City's General Fund will be negatively impacted by diversion of Measure A Funds for repayment of the loan. The Agency will be required to repay the City of Norco's annual debt principal and interest semi-annually on June 1 and December 1 at a rate from 3.75% to 4.75% commencing December 1, 1997 through June 1, 2009. At June 30, 2006 the loan amounts to \$599,972.

f. Accrued employee benefits and claims and judgments payable

The City's policy relating to compensated absences and claims and judgments are described in Note 1. For governmental activities, the short term portion of the compensated absences liability are reported in the statement of net assets and amount to \$256,051. The long-term portions are also recorded in the statement of net assets and amount to \$768,152.

For business-type activities, the utility funds report both the short-term and long-term portions on their balance sheet (statement of net assets). The short-term portions for the Water and Sewer Utility are \$23,875 and \$13,593, respectively. The long-term portions are \$71,624 and \$40,778, respectively.

Only the current portion \$460,280 of the claims and judgments liability is recorded in the General Fund. The current portion and the long-term portion of \$214,717 are recorded on the statement of net assets, governmental activities.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

Business-type Activities

a. Capital lease

Wastewater facility lease

During 1996, the Western Riverside County Regional Wastewater Authority issued \$25,400,000 of variable rate revenue bonds 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. The following is a schedule by years of future payments to be made by the City:

Fiscal years ending June 30,	Wastewater facility lease
2007	\$ 1,394,940
2008	1,370,139
2009	1,345,146
2010	1,394,552
2011	1,364,676
2012 - 2016	6,716,879
2017 - 2021	6,038,901
2022 - 2026	5,043,124
2027 - 2028	1,932,869
Total minimum lease payments	26,601,226
Less: amount representing interest	(12,218,887)
Present value of minimum lease payments	\$ 14,382,339

Interest payments on the bonds are due monthly. Variable interest rates are based on the rate of return on investments held by the trustee.

The assets acquired through this lease are as follows:

Wastewater capacity rights	\$ 17,793,248
Less: accumulated amortization	(3,558,649)
Total	\$ 14,234,599

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

Copier Lease

During 2006, the City entered into a capital lease to finance the purchase of one copy machine. The present value of the future lease payments at the commencement of the lease was \$6,868. Lease payments of \$156 are due on a monthly basis and are due commencing May 2006. The equipment acquired with the lease has a net book value of \$6,639 at June 30, 2006.

The following is a schedule by years of future payments to be made by the City.

Fiscal years ending June 30,	Capital leases
2007	\$ 1,875
2008	1,875
2009	1,875
2010	1,875
2011	1,875
Total minimum lease payments	9,375
Less: amount representing interest	(2,667)
Present value of minimum lease payments	\$ 6,708

b. Loan

During fiscal year 1978-79, the City received a loan from the Economic Development Administration 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, 2006 the balance due was \$900,652. Debt service requirements on this loan are as follows:

Fiscal years ending June 30,	Economic development administration loans	
	Principal	Interest
2007	\$ 65,164	\$ 40,584
2008	68,018	37,730
2009	71,014	34,734
2010	74,161	31,587
2011	77,464	28,284
2012 - 2016	442,954	85,786
2017	101,877	4,690
Totals	\$ 900,652	\$ 263,395

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

c. Certificates of participation

During July, 1998 the City issued \$9,410,000 Sewer and Water System Refunding Certificates of Participation to advance refund \$3,810,000 of outstanding 1994 Sewer and Water Revenue Bonds and to make certain improvements to the City's Sewer and Water System. The certificates dated October 1, 1998 through October 1, 2008 are serial certificates bearing interest of 3.6% to 4.5%. Additional term certificates dated October 1, 2028 bear interest of 5.125%. Interest is payable on all certificates semi-annually on April 1 and October 1 of each year commencing October 1, 1998. These certificates are shown in the Water and Sewer Fund and the debt service requirements are as follows:

Fiscal years ending June 30,	1998 Certificates of participation	
	Principal	Interest
2007	\$ 195,000	\$ 401,633
2008	200,000	392,894
2009	210,000	383,719
2010	220,000	373,356
2011	230,000	361,825
2012 - 2016	1,355,000	1,613,222
2017 - 2021	1,735,000	1,218,597
2022 - 2026	2,225,000	714,041
2027 - 2029	1,630,000	128,125
Totals	<u>\$ 8,000,000</u>	<u>\$ 5,587,412</u>

d. Loan - Internal service fund

On March 6, 2002 the Agency entered into a Loan Agreement with the City (Internal Service Fund) to loan the City \$250,000, for its purchase of new accounting and utility billing software and hardware. The Loan is at 3% and is payable in annual installments of \$48,945 beginning December 31, 2002 through December 31, 2006. The Loan balance as of June 30, 2006 is \$47,980.

Fiscal years ending June 30,	Loan-internal service fund	
	Principal	Interest
2007	\$ 47,980	\$ 965
Totals	<u>\$ 47,980</u>	<u>\$ 965</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

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, 2006:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Governmental activities:					
<i>Capital leases:</i>					
Copiers	\$ 88,218	\$ 6,868	\$ 15,070	\$ 80,016	\$ 17,127
Total capital leases	88,218	6,868	15,070	80,016	17,127
<i>Bonds payable:</i>					
1996 Refunding tax allocation bonds	16,265,000	-	16,265,000	-	-
1997 Refunding tax allocation bonds	50,000	-	50,000	-	-
2000 Tax allocation bonds	2,200,000	-	45,000	2,155,000	45,000
2001 Refunding tax allocation bonds	33,845,000	-	1,035,000	32,810,000	1,120,000
2001 Refunding tax allocation bonds (school district)	4,650,000	-	100,000	4,550,000	100,000
2003 Tax allocation bonds	20,415,000	-	510,000	19,905,000	525,000
2004 Tax allocation refunding bonds (school district pass-through)	11,115,000	-	225,000	10,890,000	230,000
2005 Refunding tax allocation bonds	-	17,245,000	220,000	17,025,000	55,000
Subtotal bonds payable	88,540,000	17,245,000	18,450,000	87,335,000	2,075,000
Plus/(less) deferred amounts:					
For deferred loss on refunding	(21,982)	(325,100)	(38,237)	(308,845)	-
For issuance premium	542,637	326,515	38,031	831,121	-
Total bonds payable	89,060,655	17,246,415	18,449,794	87,857,276	2,075,000
<i>Loans payable:</i>					
Riverside County Trans- portation Commission	797,810	-	197,838	599,972	172,805
Claims and judgments	581,430	284,970	191,403	674,997	460,280
Compensated absences	961,309	695,654	632,760	1,024,203	256,051
Governmental activity long-term liabilities	<u>\$ 91,489,422</u>	<u>\$ 18,233,907</u>	<u>\$ 19,486,865</u>	<u>\$ 90,236,464</u>	<u>\$ 2,981,263</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 6: Long-Term Debt (continued)

Business-type activities:	Beginning balance	Additions	Deletions	Ending balance	Due within one year
<i>Capital leases:</i>					
Wastewater facility	\$ 14,722,627	\$ -	\$ 340,288	\$ 14,382,339	\$ 423,495
Copier	-	6,868	160	6,708	1,053
<i>Certificates of participation payable:</i>					
1998 Certificates of participation	8,185,000	-	185,000	8,000,000	195,000
<i>Loan payable:</i>					
US Economic Development Administration	963,099	-	62,447	900,652	65,164
Compensated absences	168,201	50,890	69,222	149,869	37,468
Business-type activity long-term liabilities	<u>\$ 24,038,927</u>	<u>\$ 57,758</u>	<u>\$ 657,117</u>	<u>\$ 23,439,568</u>	<u>\$ 722,180</u>

Note 7: Defeasance of Debt

In prior years, the Agency defeased certain debt issues by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds and notes. Accordingly, the trust account assets and the liability for the defeased bonds and notes are not included in the City's financial statements. As of June 30, 2006 the 1985 Bond Issue of \$6,800,000, 1987 Notes of \$4,750,000, 1992 School District Capital Appreciation TAB's of \$19,730,000 and the 1996 Refunding Tax Allocation Bonds of \$16,535,000 are considered defeased.

Note 8: Other Special Obligations

The following issues of Bonds are not reflected in the City's statement of net assets because these are special obligations payable solely from the secured specific revenue sources described in the resolutions and official statements of the respective issue. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds:

Description	Date of issue	Original amount of issue
To finance the acquisition construction and improvement of the Third Street entry to the Norco Campus	January 1, 1991	\$ 1,915,000

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 9: Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2006, is as follows:

Due to/from other funds

Receivable fund	Payable fund	Amount
General Fund	Water Utility	\$ 2,155,091 (1)
	Nonmajor governmental funds	171,126 (1)
Nonmajor governmental funds	Nonmajor governmental funds	<u>370,146 (1)</u>
		<u>\$ 2,696,363</u>

(1) To cover deficit cash balances.

Interfund transfers

Fund receiving transfers	Fund making transfers	Amount
<i>General Fund</i>	Nonmajor funds	\$ 399,327 (1)
	Sewer Utility	127,223 (2)
	Water Utility	127,223 (2)
<i>Redevelopment Debt Service</i>	Redevelopment Capital Projects	4,041,680 (3)
	Redevelopment Special Revenue	309,267 (4)
<i>Redevelopment Special Revenue</i>	Redevelopment Debt Service	289,870 (3)
<i>Nonmajor funds</i>	Nonmajor fund	96,174 (1)
	General Fund	139,940 (1)
	Redevelopment Capital Projects	350,430 (4)
<i>Enterprise Funds</i>		
Water Utility	Nonmajor funds	233
<i>Internal Service Funds</i>	Sewer Utility	12,131
	General Fund	114,939 (5)
	Water Utility	12,131
	Redevelopment Capital Projects	<u>12,553</u>
Total transfers in		<u>\$ 6,033,121</u>

- (1) These transfers were made to provide funding for future costs.
- (2) These transfers were made to provide funding for future street repairs.
- (3) These transfers were made to pay debt service.
- (4) These transfers were made for capital project financing.
- (5) These transfers were made to finance future capital projects.

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 10: Fund Equity

a. Reservation of fund balance

The City has established certain fund balance reserve accounts to report the amounts in the following funds which represent available spendable resources restricted for a specified purpose:

	Redevelopment Special Revenue	Redevelopment Debt Service	Redevelopment Capital Projects	Nonmajor Funds	Total
Reserved for:					
Long-term receivables	\$ 1,521,364	\$ -	\$ 488,281	\$ 599,972	\$ 2,609,617
Debt service	-	6,376,439	-	-	6,376,439
Land held for resale	285,006	-	5,565,689	-	5,850,695
	<u>285,006</u>	<u>-</u>	<u>5,565,689</u>	<u>-</u>	<u>5,850,695</u>
Total reservations	<u>\$ 1,806,370</u>	<u>\$ 6,376,439</u>	<u>\$ 6,053,970</u>	<u>\$ 599,972</u>	<u>\$ 14,836,751</u>

Unreserved - designations:

General Fund

Designated for self-insurance	\$ 500,000
Designated for future projects	850,000
Designated for emergencies	4,129,934
Designated for utility rate reserve	36,500
Designated for lease payments	75,087
Designated for facilities replacement	<u>100,000</u>
Total General Fund designations	<u>\$ 5,691,521</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 11: 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, 2006 the future assessment liability of property owners for amounts payable to bondholders for these Districts are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Assessment District 195	\$ 1,720,000	\$ 179,125	\$ 1,899,125
Community Facilities District			
97-1 Norco Hills Refunding	7,625,000	5,241,989	12,866,989
Community Facilities District			
2001-1 Norco Ridge Refunding	38,535,000	34,305,022	72,840,022
Community Facilities District			
2002-1 Norco 50	2,100,000	2,363,326	4,463,326
2004 Special Tax Refunding			
Community Facilities District 93-1	<u>1,895,000</u>	<u>832,695</u>	<u>2,727,695</u>
 Total	 <u>\$ 51,875,000</u>	 <u>\$ 42,922,157</u>	 <u>\$ 94,797,157</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 12: 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 17 California Cities, five 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 \$40,000,000 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 \$10,000,000.

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2006

Note 12: 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, 2006 the amount of these liabilities was \$674,997. The amount represents an estimate of \$588,892 for reported claims through June 30, 2006 and \$86,105 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 June 30, 2005 resulted from the following:

Year	Liability at beginning	Current year claims and changes in estimates	Claim payments	Liability at end
2005	\$ 468,354	\$ 195,104	\$ 82,028	\$ 581,430
2006	581,430	284,970	191,403	674,997

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2005 to 2006. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2003/04, 2004/05 and 2005/06.

Note 13: Post-Retirement Health Care

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City and have worked not less than five years with the City. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing those benefits by expensing the annual insurance premiums. The cost of providing those benefits for 42 retirees during the fiscal year was \$284,191.

As of year end, there were 42 employees who had retired that were receiving 100 percent health care premium-coverage benefit. For the year-ended June 30, 2006, the City payments for these benefits ranges from \$219 to \$1,146 per retiree, which was net of retiree contributions.

The provisions for these benefits were established by the City.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,137,414	\$ 8,374,139	\$ 9,048,395	\$ 674,256
Licenses and permits	836,697	743,197	754,346	11,149
Fines and forfeitures	479,819	479,819	502,036	22,217
Intergovernmental	1,623,259	1,991,212	2,275,986	284,774
Charges for services	1,981,245	2,071,721	1,974,505	(97,216)
Use of money and property	152,306	152,306	320,115	167,809
Reimbursements	51,972	2,000	6,574	4,574
Other	704,008	706,808	579,787	(127,021)
Total revenues	13,966,720	14,521,202	15,461,744	940,542
EXPENDITURES				
Current:				
General government	2,359,960	2,447,428	2,406,997	40,431
Public safety	9,589,656	9,560,498	9,707,609	(147,111)
Community and economic development	1,147,578	1,209,078	1,187,357	21,721
Culture and leisure	2,231,183	2,231,183	2,190,517	40,666
Debt service:				
Principal	-	-	161	(161)
Interest	-	-	151	(151)
Capital outlay:				
Other	9,000	9,000	11,154	(2,154)
Total expenditures	15,337,377	15,457,187	15,503,946	(46,759)
Excess (deficiency) of revenues over (under) expenditures	(1,370,657)	(935,985)	(42,202)	893,783
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	6,868	6,868
Transfers in	661,367	661,367	653,773	(7,594)
Transfers out	(139,940)	(139,940)	(139,940)	-
Total other financing sources (uses)	521,427	521,427	520,701	(726)
Net change in fund balance	(849,230)	(414,558)	478,499	893,057
Fund balance, beginning of year	7,313,336	7,313,336	7,313,336	-
Fund balance, end of year	<u>\$ 6,464,106</u>	<u>\$ 6,898,778</u>	<u>\$ 7,791,835</u>	<u>\$ 893,057</u>

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - Redevelopment Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,013,135	\$ 2,013,135	\$ 2,517,436	\$ 504,301
Use of money and property	400,000	400,000	457,103	57,103
Other	220,000	220,000	47,602	(172,398)
Total revenues	2,633,135	2,633,135	3,022,141	389,006
EXPENDITURES				
Current:				
Community and economic development	2,907,459	3,943,378	757,677	3,185,701
Debt service:				
Principal	330,000	330,000	362,000	(32,000)
Interest	713,182	713,182	658,365	54,817
Advance refunding escrow	-	-	289,645	(289,645)
Bond issuance costs	-	-	125,512	(125,512)
Total expenditures	3,950,641	4,986,560	2,193,199	2,793,361
Excess (deficiency) of revenues over (under) expenditures	(1,317,506)	(2,353,425)	828,942	3,182,367
OTHER FINANCING SOURCES (USES)				
Refunding bond issues	-	-	3,449,000	3,449,000
Premium on refunded bonds issued	-	-	65,303	65,303
Payment to refunded bond escrow agent	-	-	(3,090,773)	(3,090,773)
Transfers in	-	-	289,870	289,870
Transfers out	-	-	(309,267)	(309,267)
Total other financing sources (uses)	-	-	404,133	404,133
Net change in fund balance	(1,317,506)	(2,353,425)	1,233,075	3,586,500
Fund balance, beginning of year	14,321,809	14,321,809	14,321,809	-
Fund balance, end of year	<u>\$ 13,004,303</u>	<u>\$ 11,968,384</u>	<u>\$ 15,554,884</u>	<u>\$ 3,586,500</u>

Required Supplementary Information
City of Norco
Schedule of Funding Progress
Miscellaneous and Safety Plan of the California Public Employees Retirement System
For the Year Ended June 30, 2006

Stand alone

Miscellaneous Plan						
Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2002	\$12,154,287	\$13,036,422	\$ (882,135)	107.3%	\$ 3,794,907	(23.2)%
06/30/2003	\$14,005,633	\$13,226,627	\$ 739,006	94.7%	\$ 4,017,098	18.4%
06/30/2004			No longer available			

Safety Plan						
Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2002	\$ 7,347,103	\$ 7,438,995	\$ (91,892)	101.3%	\$ 1,630,202	(5.6)%
06/30/2003	\$ 7,668,706	\$ 7,804,333	\$ (135,627)	101.8%	\$ 1,654,351	(8.2)%
06/30/2004			No longer available			

Risk pool

Miscellaneous Plan						
Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,050,458	30.9%
06/30/2004	\$2,746,095,668	\$2,460,944,656	\$285,151,012	89.6%	\$743,691,970	38.3%
06/30/2005	\$2,891,460,651	\$2,588,713,000	\$302,747,651	89.5%	\$755,046,679	40.1%

Safety Plan						
Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2003	\$1,218,082,935	\$1,083,690,137	\$134,392,798	89.0%	\$184,098,257	73.0%
06/30/2004	\$ 996,203,370	\$ 885,549,650	\$ 110,653,720	88.9%	\$149,407,703	74.1%
06/30/2005	\$ 742,247,338	\$ 646,358,708	\$ 95,888,630	87.1%	\$115,062,920	83.3%

City of Norco
Notes to Required Supplementary Information
For the Year Ended June 30, 2006

Budget amounts presented in the Required Supplementary Information are prepared on a basis consistent with accounting principles generally accepted in the United States of America.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Debt Service Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 312,175	\$ 312,175
Intergovernmental	1,081,240	1,081,240	1,043,233	(38,007)
Total revenues	1,081,240	1,081,240	1,355,408	274,168
EXPENDITURES				
Debt Service:				
Principal	1,645,000	1,645,000	1,823,000	(178,000)
Interest	3,608,964	3,608,964	3,390,823	218,141
Advance refunding escrow	-	-	1,158,583	(1,158,583)
Bond issuance costs	-	-	502,043	(502,043)
Total expenditures	5,253,964	5,253,964	6,874,449	(1,620,485)
Excess (deficiency) of revenues over (under) expenditures	(4,172,724)	(4,172,724)	(5,519,041)	(1,346,317)
OTHER FINANCING SOURCES (USES)				
Refunding bond issued	-	-	13,796,000	13,796,000
Premium on refunded bonds issued	-	-	261,212	261,212
Payment to refunded bond escrow agent	-	-	(12,363,091)	(12,363,091)
Transfer in	5,253,964	5,253,964	4,350,947	(903,017)
Transfer out	-	-	(289,870)	(289,870)
Total other financing sources (uses)	5,253,964	5,253,964	5,755,198	501,234
Net change in fund balance	1,081,240	1,081,240	236,157	(845,083)
Fund balance, beginning of year	7,316,245	7,316,245	7,316,245	-
Fund balance, end of year	<u>\$ 8,397,485</u>	<u>\$ 8,397,485</u>	<u>\$ 7,552,402</u>	<u>\$ (845,083)</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Capital Projects Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,052,540	\$ 8,052,540	\$ 10,230,842	\$ 2,178,302
Use of money and property	806,061	806,061	1,009,769	203,708
Contributions	1,253,465	1,253,465	74,122	(1,179,343)
Other	-	-	59,195	59,195
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	10,112,066	10,112,066	11,373,928	1,261,862
EXPENDITURES				
Current:				
Community and economic development	6,101,863	7,171,642	7,561,644	(390,002)
Debt service:				
Principal	197,703	197,703	-	197,703
Interest	33,748	33,748	39,650	(5,902)
Capital outlay:				
Other	4,905,000	5,529,000	803,770	4,725,230
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	11,238,314	12,932,093	8,405,064	4,527,029
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	(1,126,248)	(2,820,027)	2,968,864	5,788,891
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,078,517)	(9,078,517)	(4,404,663)	4,673,854
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(9,078,517)	(9,078,517)	(4,404,663)	4,673,854
Net change in fund balance	(10,204,765)	(11,898,544)	(1,435,799)	10,462,745
Fund balance, beginning of year	36,122,196	36,122,196	36,122,196	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 25,917,431</u>	<u>\$ 24,223,652</u>	<u>\$ 34,686,397</u>	<u>\$ 10,462,745</u>

COMBINING NONMAJOR FUNDS

Nonmajor Governmental Funds 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.

STP/CMAQ Grants – to account for the Surface Transportation Program (STP) block grant program used for improvements on roads, bridge construction, or improvement projects, planning projects, and transit; also, the Congestion Mitigation and Air Quality Program Grant to reduce traffic congestion and mobile source air pollution.

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.

Local Law Enforcement Block Grant – to account for grant funds intended to underwrite projects to reduce crime and improve public safety.

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

California Law Enforcement Equipment Program (CLEEP) – to account for grant funds used for the purchase of equipment to assist law enforcement to prevent and reduce crime.

Office of Traffic Safety – to account for funds provided by this mini-grant to increase the level of seat belt enforcement hours on an overtime basis for first line supervisors, officers, and clerical staff.

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.

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.

Street Improvements – 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.

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.

Community Facilities District 2002-1 – to account for the construction of trail improvements and a traffic signal at 6th Street and California. Financing is through special assessments.

Community Facilities District 97-1 – to account for the grading, base, paving, construction of curb and gutter of various streets; also, the construction of sewer, water, and draining facilities, horse trails, and traffic signals. Financing is through special assessments.

Community Facilities District 2001-1 – to account for the off-site and in-tract improvements for sanitary sewer, water, storm drain, street, and neighborhood park in Norco Ridge Ranch. 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.

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.

Ingalls Park Grading – to account for the blasting and grading of Ingalls Park. Funding is provided by the sale of the decomposed granite generated by operations.

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
ASSETS			
Cash and investments	\$ 5,207	\$ -	\$ 141,724
Cash and investments with fiscal agents	-	-	-
Receivables, net:			
Accounts	-	-	-
Interest	-	-	-
Loans	-	-	-
Due from other governments	3,297	834	84,531
Due from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,504</u>	<u>\$ 834</u>	<u>\$ 226,255</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,495	\$ -	\$ 51,473
Retentions payable	-	-	-
Due to other funds	1,802	834	150,843
Loan payable	-	-	-
Deferred revenues	5,207	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,504</u>	<u>834</u>	<u>202,316</u>
Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	23,939
Capital projects funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>-</u>	<u>-</u>	<u>23,939</u>
	<u>\$ 8,504</u>	<u>\$ 834</u>	<u>\$ 226,255</u>

continued

Special Revenue Funds					
Measure A	STP/CMAQ	NPDES	Air Quality Improvement Trust	Local Law Enforcement Block Grant	Supplemental Law Enforcement Block Grant
\$ 2,910,758	\$ -	\$ -	\$ 45,498	\$ 10,408	\$ 101,322
389,639	-	-	-	-	-
8,124	-	-	-	-	-
36,933	-	-	476	113	1,125
599,972	-	-	-	-	-
115,942	219,302	23,194	8,040	-	-
-	-	-	-	-	-
<u>\$ 4,061,368</u>	<u>\$ 219,302</u>	<u>\$ 23,194</u>	<u>\$ 54,014</u>	<u>\$ 10,521</u>	<u>\$ 102,447</u>
\$ 152,394	\$ -	\$ 2,443	\$ 1,964	\$ -	\$ -
29,057	-	-	-	-	-
-	219,302	107,503	-	-	-
-	-	-	-	-	-
-	-	-	-	10,327	-
<u>181,451</u>	<u>219,302</u>	<u>109,946</u>	<u>1,964</u>	<u>10,327</u>	<u>-</u>
599,972	-	-	-	-	-
3,279,945	-	(86,752)	52,050	194	102,447
-	-	-	-	-	-
<u>3,879,917</u>	<u>-</u>	<u>(86,752)</u>	<u>52,050</u>	<u>194</u>	<u>102,447</u>
<u>\$ 4,061,368</u>	<u>\$ 219,302</u>	<u>\$ 23,194</u>	<u>\$ 54,014</u>	<u>\$ 10,521</u>	<u>\$ 102,447</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
ASSETS			
Cash and investments	\$ 4,731	\$ -	\$ 30,705
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts, net	-	-	-
Interest	51	29	326
Loans	-	-	-
Due from other governments	-	83,913	223
Due from other funds	-	-	-
	\$ 4,782	\$ 83,942	\$ 31,254
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 73,376	\$ 94
Retentions payable	-	-	-
Due to other funds	-	16,199	-
Loan payable	-	-	-
Deferred revenues	-	-	-
	-	89,575	94
Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	4,782	(5,633)	31,160
Capital projects funds	-	-	-
	4,782	(5,633)	31,160
Total fund balances	4,782	(5,633)	31,160
Total liabilities and fund balances	\$ 4,782	\$ 83,942	\$ 31,254

continued

Special Revenue Funds

Landscape Maintenance District #2	Landscape Maintenance District #3	Landscape Maintenance District #4	Landscape Maintenance District #5	Total Special Revenue Funds
\$ 190,315	\$ 111,454	\$ 403,465	\$ -	\$ 3,955,587
-	-	-	-	389,639
-	-	-	-	8,124
2,147	1,244	3,595	-	46,039
-	-	-	-	599,972
6,223	1,595	18,508	2,987	568,589
-	-	-	-	-
<u>\$ 198,685</u>	<u>\$ 114,293</u>	<u>\$ 425,568</u>	<u>\$ 2,987</u>	<u>\$ 5,567,950</u>
\$ 9,326	\$ 4,503	\$ 1,685	\$ 1,831	\$ 300,584
-	-	-	-	29,057
-	-	-	1,356	497,839
-	-	-	-	-
-	-	-	-	15,534
<u>9,326</u>	<u>4,503</u>	<u>1,685</u>	<u>3,187</u>	<u>843,014</u>
-	-	-	-	599,972
189,359	109,790	423,883	(200)	4,124,964
-	-	-	-	-
<u>189,359</u>	<u>109,790</u>	<u>423,883</u>	<u>(200)</u>	<u>4,724,936</u>
<u>\$ 198,685</u>	<u>\$ 114,293</u>	<u>\$ 425,568</u>	<u>\$ 2,987</u>	<u>\$ 5,567,950</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
ASSETS			
Cash and investments	\$ 503,890	\$ 5,543,371	\$ 1,390,072
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts, net	-	-	-
Interest	9,622	61,308	12,908
Loans	-	-	-
Due from other governments	-	-	-
Due from other funds	370,146	-	-
	<u>\$ 883,658</u>	<u>\$ 5,604,679</u>	<u>\$ 1,402,980</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,475	\$ 68,470	\$ 234,220
Retentions payable	10,490	-	54,804
Due to other funds	-	-	-
Loan payable	-	-	-
Deferred revenues	-	-	-
	<u>14,965</u>	<u>68,470</u>	<u>289,024</u>
Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	868,693	5,536,209	1,113,956
	<u>868,693</u>	<u>5,536,209</u>	<u>1,113,956</u>
Total fund balances	<u>868,693</u>	<u>5,536,209</u>	<u>1,113,956</u>
Total liabilities and fund balances	<u>\$ 883,658</u>	<u>\$ 5,604,679</u>	<u>\$ 1,402,980</u>

continued

Capital Projects Funds

<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>	<u>Community Facilities District 2002-1</u>	<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>
\$ 509,846	\$ 2,896,379	\$ 50,511	\$ -	\$ 703,185	\$ -
-	-	-	717,196	-	4,543
-	-	-	-	-	-
3,440	32,431	549	2,577	7,634	-
-	-	-	-	-	-
-	36,967	-	-	-	-
-	-	-	-	-	-
<u>\$ 513,286</u>	<u>\$ 2,965,777</u>	<u>\$ 51,060</u>	<u>\$ 719,773</u>	<u>\$ 710,819</u>	<u>\$ 4,543</u>
\$ -	\$ 42,707	\$ -	\$ 175,564	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,967	-	-	-	-
-	-	-	-	-	-
-	79,674	-	175,564	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
513,286	2,886,103	51,060	544,209	710,819	4,543
513,286	2,886,103	51,060	544,209	710,819	4,543
<u>\$ 513,286</u>	<u>\$ 2,965,777</u>	<u>\$ 51,060</u>	<u>\$ 719,773</u>	<u>\$ 710,819</u>	<u>\$ 4,543</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
ASSETS			
Cash and investments	\$ 2,641,369	\$ 7,913	\$ 22,024
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts, net	-	-	-
Interest	29,311	86	239
Loans	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
	<u>\$ 2,670,680</u>	<u>\$ 7,999</u>	<u>\$ 22,263</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 58,230	\$ -	\$ -
Retentions payable	-	-	-
Due to other funds	-	-	-
Loan payable	440,301	-	-
Deferred revenues	-	-	-
	<u>498,531</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:	-		
Long-term receivables		-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	2,172,149	7,999	22,263
	<u>2,172,149</u>	<u>7,999</u>	<u>22,263</u>
Total fund balances	<u>2,172,149</u>	<u>7,999</u>	<u>22,263</u>
	<u>\$ 2,670,680</u>	<u>\$ 7,999</u>	<u>\$ 22,263</u>

Capital Projects Funds				
Aquatics Center	Animal Control	Ingalls Park Grading	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 29,748	\$ 393,679	\$ 6,336	\$ 14,698,323	\$ 18,653,910
-	-	-	721,739	1,111,378
-	-	38,992	38,992	47,116
449	4,300	-	164,854	210,893
-	-	-	-	599,972
-	-	-	36,967	605,556
-	-	-	370,146	370,146
<u>\$ 30,197</u>	<u>\$ 397,979</u>	<u>\$ 45,328</u>	<u>\$ 16,031,021</u>	<u>\$ 21,598,971</u>
\$ 24,365	\$ 7,824	\$ 57,696	\$ 673,551	\$ 974,135
-	-	-	65,294	94,351
-	-	43,433	43,433	541,272
-	-	-	440,301	440,301
-	-	-	36,967	52,501
<u>24,365</u>	<u>7,824</u>	<u>101,129</u>	<u>1,259,546</u>	<u>2,102,560</u>
-	-	-	-	599,972
-	-	-	-	4,124,964
5,832	390,155	(55,801)	14,771,475	14,771,475
<u>5,832</u>	<u>390,155</u>	<u>(55,801)</u>	<u>14,771,475</u>	<u>19,496,411</u>
<u>\$ 30,197</u>	<u>\$ 397,979</u>	<u>\$ 45,328</u>	<u>\$ 16,031,021</u>	<u>\$ 21,598,971</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	30,560	24,970	624,000
Charges for services	-	-	-
Use of money and property	-	-	-
Contributions from property owners	-	-	-
Total revenues	<u>30,560</u>	<u>24,970</u>	<u>624,000</u>
EXPENDITURES			
Current:			
Public safety	2,359	-	-
Streets and highways	-	-	399,187
Community and economic development	3,249	8,444	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Special assessment	-	-	-
Other	-	-	19,511
Total expenditures	<u>5,608</u>	<u>8,444</u>	<u>418,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,952</u>	<u>16,526</u>	<u>205,302</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	96
Transfers out	(24,952)	(16,526)	-
Total other financing sources (uses)	<u>(24,952)</u>	<u>(16,526)</u>	<u>96</u>
Net change in fund balances	-	-	205,398
Fund balances, beginning of year	-	-	(181,459)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,939</u>

continued

Special Revenue Funds					
Measure A	STP/CMAQ	NPDES	Air Quality Improvement Trust	Local Law Enforcement Block Grant	Supplemental Law Enforcement Block Grant
\$ 986,117	\$ -	\$ 113,880	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	31,454	-	100,000
-	-	-	-	-	-
185,092	-	-	1,250	194	3,685
-	-	-	-	-	-
<u>1,171,209</u>	<u>-</u>	<u>113,880</u>	<u>32,704</u>	<u>194</u>	<u>103,685</u>
-	-	-	-	-	3,997
-	-	66,455	10,687	-	-
-	-	-	-	-	-
197,838	-	-	-	-	-
39,649	-	-	-	-	-
-	-	-	-	-	-
<u>1,850,781</u>	<u>-</u>	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,088,268</u>	<u>-</u>	<u>67,703</u>	<u>10,687</u>	<u>-</u>	<u>3,997</u>
<u>(917,059)</u>	<u>-</u>	<u>46,177</u>	<u>22,017</u>	<u>194</u>	<u>99,688</u>
-	-	25,000	-	-	-
-	-	-	(1,500)	-	-
-	-	<u>25,000</u>	<u>(1,500)</u>	-	-
<u>(917,059)</u>	<u>-</u>	<u>71,177</u>	<u>20,517</u>	<u>194</u>	<u>99,688</u>
<u>4,796,976</u>	<u>-</u>	<u>(157,929)</u>	<u>31,533</u>	<u>-</u>	<u>2,759</u>
<u>\$ 3,879,917</u>	<u>\$ -</u>	<u>\$ (86,752)</u>	<u>\$ 52,050</u>	<u>\$ 194</u>	<u>\$ 102,447</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	9,893
Development fees	-	-	-
Intergovernmental	-	147,691	-
Charges for services	-	-	-
Use of money and property	169	41	1,022
Contributions from property owners	-	-	-
Total revenues	<u>169</u>	<u>147,732</u>	<u>10,915</u>
EXPENDITURES			
Current:			
Public safety	53	155,649	-
Streets and highways	-	-	6,292
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Special assessment	-	-	-
Other	-	-	-
Total expenditures	<u>53</u>	<u>155,649</u>	<u>6,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116</u>	<u>(7,917)</u>	<u>4,623</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(1,600)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,600)</u>
Net change in fund balances	116	(7,917)	3,023
Fund balances, beginning of year	<u>4,666</u>	<u>2,284</u>	<u>28,137</u>
Fund balances, end of year	<u>\$ 4,782</u>	<u>\$ (5,633)</u>	<u>\$ 31,160</u>

continued

Special Revenue Funds

Landscape Maintenance District #2	Landscape Maintenance District #3	Landscape Maintenance District #4	Landscape Maintenance District #5	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,099,997
112,050	61,602	426,078	38,410	648,033
-	-	-	-	-
-	-	-	-	958,675
-	-	-	-	-
7,290	4,018	5,917	19	208,697
-	-	-	-	-
<u>119,340</u>	<u>65,620</u>	<u>431,995</u>	<u>38,429</u>	<u>2,915,402</u>
-	-	-	-	162,058
139,764	62,794	5,040	31,799	722,018
-	-	-	-	11,693
-	-	-	-	197,838
-	-	-	-	39,649
-	-	-	-	-
-	-	-	-	1,871,540
<u>139,764</u>	<u>62,794</u>	<u>5,040</u>	<u>31,799</u>	<u>3,004,796</u>
<u>(20,424)</u>	<u>2,826</u>	<u>426,955</u>	<u>6,630</u>	<u>(89,394)</u>
-	-	-	-	25,096
<u>(19,520)</u>	<u>(10,880)</u>	<u>(3,072)</u>	<u>(6,830)</u>	<u>(84,880)</u>
<u>(19,520)</u>	<u>(10,880)</u>	<u>(3,072)</u>	<u>(6,830)</u>	<u>(59,784)</u>
(39,944)	(8,054)	423,883	(200)	(149,178)
229,303	117,844	-	-	4,874,114
<u>\$ 189,359</u>	<u>\$ 109,790</u>	<u>\$ 423,883</u>	<u>\$ (200)</u>	<u>\$ 4,724,936</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	53,066	20,741	86,082
Intergovernmental	-	-	-
Charges for services	11,237	-	-
Use of money and property	39,965	207,505	45,990
Contributions from property owners	-	-	-
Total revenues	<u>104,268</u>	<u>228,246</u>	<u>132,072</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Special assessment	-	-	-
Other	563,172	79,631	360,320
Total expenditures	<u>563,172</u>	<u>79,631</u>	<u>360,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(458,904)</u>	<u>148,615</u>	<u>(228,248)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,002	-	252,943
Transfers out	(3,350)	(474,174)	(2,978)
Total other financing sources (uses)	<u>652</u>	<u>(474,174)</u>	<u>249,965</u>
Net change in fund balances	(458,252)	(325,559)	21,717
Fund balances, beginning of year	<u>1,326,945</u>	<u>5,861,768</u>	<u>1,092,239</u>
Fund balances, end of year	<u>\$ 868,693</u>	<u>\$ 5,536,209</u>	<u>\$ 1,113,956</u>

continued

Capital Projects Funds

<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>	<u>Community Facilities District 2002-1</u>	<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,893	559,317	-	-	-	-
173,366	-	-	-	-	-
-	-	-	-	-	-
8,558	105,332	1,804	25,063	27,044	305
-	-	-	-	387,381	-
<u>186,817</u>	<u>664,649</u>	<u>1,804</u>	<u>25,063</u>	<u>414,425</u>	<u>305</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	387,381	-
-	532,118	-	175,564	-	-
-	<u>532,118</u>	-	<u>175,564</u>	<u>387,381</u>	-
<u>186,817</u>	<u>132,531</u>	<u>1,804</u>	<u>(150,501)</u>	<u>27,044</u>	<u>305</u>
-	-	-	-	-	-
(1,420)	(7,170)	-	-	-	-
<u>(1,420)</u>	<u>(7,170)</u>	-	-	-	-
185,397	125,361	1,804	(150,501)	27,044	305
<u>327,889</u>	<u>2,760,742</u>	<u>49,256</u>	<u>694,710</u>	<u>683,775</u>	<u>4,238</u>
<u>\$ 513,286</u>	<u>\$ 2,886,103</u>	<u>\$ 51,060</u>	<u>\$ 544,209</u>	<u>\$ 710,819</u>	<u>\$ 4,543</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	165,812	3,164	8,806
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	100,239	255	711
Contributions from property owners	-	-	-
Total revenues	266,051	3,419	9,517
EXPENDITURES			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	74,011	-	-
Capital outlay:			
Special assessment	-	-	-
Other	477,855	-	-
Total expenditures	551,866	-	-
Excess (deficiency) of revenues over (under) expenditures	(285,815)	3,419	9,517
OTHER FINANCING SOURCES (USES)			
Transfers in	304,513	-	-
Transfers out	(24,394)	-	-
Total other financing sources (uses)	280,119	-	-
Net change in fund balances	(5,696)	3,419	9,517
Fund balances, beginning of year	2,177,845	4,580	12,746
Fund balances, end of year	\$ 2,172,149	\$ 7,999	\$ 22,263

continued

Capital Projects Funds				
Aquatics Center	Animal Control	Ingalls Park Grading	Total Capital Projects Funds	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,099,997
-	-	-	-	648,033
1,687	2,344	-	905,912	905,912
-	-	-	173,366	1,132,041
-	-	340,930	352,167	352,167
1,987	14,356	-	579,114	787,811
-	-	-	387,381	387,381
<u>3,674</u>	<u>16,700</u>	<u>340,930</u>	<u>2,397,940</u>	<u>5,313,342</u>
-	-	-	-	162,058
-	-	357,959	357,959	1,079,977
-	-	-	-	11,693
-	-	-	-	197,838
-	-	-	74,011	113,660
-	-	-	387,381	387,381
58,965	22,254	-	2,269,879	4,141,419
<u>58,965</u>	<u>22,254</u>	<u>357,959</u>	<u>3,089,230</u>	<u>6,094,026</u>
<u>(55,291)</u>	<u>(5,554)</u>	<u>(17,029)</u>	<u>(691,290)</u>	<u>(780,684)</u>
-	-	-	561,458	586,554
-	-	-	(513,486)	(598,366)
-	-	-	47,972	(11,812)
(55,291)	(5,554)	(17,029)	(643,318)	(792,496)
<u>61,123</u>	<u>395,709</u>	<u>(38,772)</u>	<u>15,414,793</u>	<u>20,288,907</u>
<u>\$ 5,832</u>	<u>\$ 390,155</u>	<u>\$ (55,801)</u>	<u>\$ 14,771,475</u>	<u>\$ 19,496,411</u>

City of Norco
For the Year Ended June 30, 2006
Nonmajor Fund Budgetary Comparison Schedules

Budgetary comparison statements are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as provided for by GASB Statement No. 34. The budgetary comparison 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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 24,843	\$ 24,843	\$ 30,560	\$ 5,717
Total revenues	24,843	24,843	30,560	5,717
EXPENDITURES				
Current:				
Public safety	-	-	2,359	(2,359)
Community and economic development	7,000	7,000	3,249	3,751
Total expenditures	7,000	7,000	5,608	1,392
Excess of revenues over expenditures	17,843	17,843	24,952	7,109
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,843)	(17,843)	(24,952)	(7,109)
Total other financing sources (uses)	(17,843)	(17,843)	(24,952)	(7,109)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 403,742	\$ 403,742	\$ 24,970	\$ (378,772)
Total revenues	403,742	403,742	24,970	(378,772)
EXPENDITURES				
Current:				
Community and economic development	10,200	10,200	8,444	1,756
Capital outlay:				
Other	376,761	376,761	-	376,761
Total expenditures	386,961	386,961	8,444	378,517
Excess of revenues over expenditures	16,781	16,781	16,526	255
OTHER FINANCING SOURCES (USES)				
Transfers out	(16,781)	(16,781)	(16,526)	255
Total other financing sources (uses)	(16,781)	(16,781)	(16,526)	255
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 516,000	\$ 516,000	\$ 624,000	\$ 108,000
Total revenues	516,000	516,000	624,000	108,000
EXPENDITURES				
Current:				
Streets and highways	389,796	411,906	399,187	12,719
Capital outlay:				
Other	15,000	15,000	19,511	(4,511)
Total expenditures	404,796	426,906	418,698	8,208
Excess of revenues over expenditures	111,204	89,094	205,302	116,208
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	96	96
Total other financing sources (uses)	-	-	96	96
Net change in fund balance	111,204	89,094	205,398	116,304
Fund balance, beginning of year	(181,459)	(181,459)	(181,459)	-
Fund balance, end of year	<u>\$ (70,255)</u>	<u>\$ (92,365)</u>	<u>\$ 23,939</u>	<u>\$ 116,304</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 904,600	\$ 904,600	\$ 986,117	\$ 81,517
Use of money and property	108,673	108,673	185,092	76,419
Total revenues	<u>1,013,273</u>	<u>1,013,273</u>	<u>1,171,209</u>	<u>157,936</u>
EXPENDITURES				
Debt service:				
Principal	-	-	197,838	(197,838)
Interest	-	-	39,649	(39,649)
Capital outlay:				
Other	<u>2,798,300</u>	<u>3,264,100</u>	<u>1,850,781</u>	<u>1,413,319</u>
Total expenditures	<u>2,798,300</u>	<u>3,264,100</u>	<u>2,088,268</u>	<u>1,175,832</u>
Net change in fund balance	(1,785,027)	(2,250,827)	(917,059)	1,333,768
Fund balance, beginning of year	<u>4,796,976</u>	<u>4,796,976</u>	<u>4,796,976</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,011,949</u></u>	<u><u>\$ 2,546,149</u></u>	<u><u>\$ 3,879,917</u></u>	<u><u>\$ 1,333,768</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 56,000	\$ 56,000	\$ 113,880	\$ 57,880
Total revenues	56,000	56,000	113,880	57,880
EXPENDITURES				
Current:				
Streets and highways	99,608	99,608	66,455	33,153
Capital outlay:				
Other	7,500	7,500	1,248	6,252
Total expenditures	107,108	107,108	67,703	39,405
Excess (deficiency) of revenues over (under) expenditures	(51,108)	(51,108)	46,177	97,285
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net change in fund balance	(26,108)	(26,108)	71,177	97,285
Fund balance, beginning of year	(157,929)	(157,929)	(157,929)	-
Fund balance, end of year	<u>\$ (184,037)</u>	<u>\$ (184,037)</u>	<u>\$ (86,752)</u>	<u>\$ 97,285</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 22,200	\$ 22,200	\$ 31,454	\$ 9,254
Use of money and property	-	-	1,250	1,250
Total revenues	22,200	22,200	32,704	10,504
EXPENDITURES				
Current:				
Streets and highways	7,000	7,000	10,687	(3,687)
Total expenditures	7,000	7,000	10,687	(3,687)
Excess of revenues over expenditures	15,200	15,200	22,017	6,817
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	(1,500)	1,500
Total Other Financing Sources (Uses)	(3,000)	(3,000)	(1,500)	1,500
Net change in fund balance	12,200	12,200	20,517	8,317
Fund balance, beginning of year	31,533	31,533	31,533	-
Fund balance, end of year	\$ 43,733	\$ 43,733	\$ 52,050	\$ 8,317

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Local Law Enforcement Block Grant Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,327	\$ 10,327	\$ -	\$ (10,327)
Use of money and property	-	-	194	194
Total revenues	10,327	10,327	194	(10,133)
EXPENDITURES				
Current:				
Public safety	10,327	10,327	-	10,327
Total expenditures	10,327	10,327	-	10,327
Net change in fund balance	-	-	194	10,521
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 194	\$ 194

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of money and property	-	-	3,685	3,685
Total revenues	100,000	100,000	103,685	3,685
EXPENDITURES				
Current:				
Public safety	100,000	100,000	3,997	96,003
Total expenditures	100,000	100,000	3,997	96,003
Net change in fund balance	-	-	99,688	99,688
Fund balance, beginning of year	2,759	2,759	2,759	-
Fund balance, end of year	\$ 2,759	\$ 2,759	\$ 102,447	\$ 99,688

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CLEEP Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 169	\$ 169
Total revenues	-	-	169	169
EXPENDITURES				
Current:				
Public safety	-	-	53	(53)
Total expenditures	-	-	53	(53)
Net change in fund balance	-	-	116	116
Fund balance, beginning of year	4,666	4,666	4,666	-
Fund balance, end of year	\$ 4,666	\$ 4,666	\$ 4,782	\$ 116

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Office of Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 33,252	\$ 148,750	\$ 147,691	\$ (1,059)
Use of money and property	-	-	41	41
Total revenues	<u>33,252</u>	<u>148,750</u>	<u>147,732</u>	<u>(1,018)</u>
EXPENDITURES				
Current:				
Public safety	<u>33,252</u>	<u>148,750</u>	<u>155,649</u>	<u>(6,899)</u>
Total expenditures	<u>33,252</u>	<u>148,750</u>	<u>155,649</u>	<u>(6,899)</u>
Net change in fund balance	-	-	(7,917)	(7,917)
Fund balance, beginning of year	<u>2,284</u>	<u>2,284</u>	<u>2,284</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,284</u>	<u>\$ 2,284</u>	<u>\$ (5,633)</u>	<u>\$ (7,917)</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 210,042	\$ 210,042	\$ 53,066	\$ (156,976)
Intergovernmental	525,700	525,700	-	(525,700)
Charges for services	-	-	11,237	11,237
Use of money and property	41,373	41,373	39,965	(1,408)
Total revenues	777,115	777,115	104,268	(672,847)
EXPENDITURES				
Capital outlay:				
Other	1,405,700	1,468,207	563,172	905,035
Total expenditures	1,405,700	1,468,207	563,172	905,035
Excess (deficiency) of revenues over (under) expenditures	(628,585)	(691,092)	(458,904)	232,188
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,002	4,002
Transfers out	(3,350)	(3,350)	(3,350)	-
Total other financing sources (uses)	(3,350)	(3,350)	652	4,002
Net change in fund balance	(631,935)	(694,442)	(458,252)	236,190
Fund balance, beginning of year	1,326,945	1,326,945	1,326,945	-
Fund balance, end of year	<u>\$ 695,010</u>	<u>\$ 632,503</u>	<u>\$ 868,693</u>	<u>\$ 236,190</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 80,725	\$ 80,725	\$ 20,741	\$ (59,984)
Use of money and property	174,359	174,359	207,505	33,146
Total revenues	255,084	255,084	228,246	(26,838)
EXPENDITURES				
Debt service:				
Principal	133,017	133,017	-	133,017
Interest	74,010	74,010	-	74,010
Capital outlay:				
Other	412,150	412,150	79,631	332,519
Total expenditures	619,177	619,177	79,631	539,546
Excess (deficiency) of revenues over (under) expenditures	(364,093)	(364,093)	148,615	512,708
OTHER FINANCING SOURCES (USES)				
Transfers out	(657,147)	(1,784,563)	(474,174)	1,310,389
Total other financing sources (uses)	(657,147)	(1,784,563)	(474,174)	1,310,389
Net change in fund balance	(1,021,240)	(2,148,656)	(325,559)	1,823,097
Fund balance, beginning of year	5,861,768	5,861,768	5,861,768	-
Fund balance, end of year	\$ 4,840,528	\$ 3,713,112	\$ 5,536,209	\$ 1,823,097

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 299,821	\$ 299,821	\$ 86,082	\$ (213,739)
Use of money and property	32,488	32,488	45,990	13,502
Total revenues	<u>332,309</u>	<u>332,309</u>	<u>132,072</u>	<u>(200,237)</u>
EXPENDITURES				
Capital outlay:				
Other	<u>566,000</u>	<u>1,529,401</u>	<u>360,320</u>	<u>1,169,081</u>
Total expenditures	<u>566,000</u>	<u>1,529,401</u>	<u>360,320</u>	<u>1,169,081</u>
Excess (deficiency) of revenues over expenditures	<u>(233,691)</u>	<u>(1,197,092)</u>	<u>(228,248)</u>	<u>968,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	252,943	(247,057)
Transfers out	<u>(2,978)</u>	<u>(2,978)</u>	<u>(2,978)</u>	<u>-</u>
Total other financing sources (uses)	<u>497,022</u>	<u>497,022</u>	<u>249,965</u>	<u>(247,057)</u>
Net change in fund balance	263,331	(700,070)	21,717	721,787
Fund balance, beginning of year	<u>1,092,239</u>	<u>1,092,239</u>	<u>1,092,239</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,355,570</u></u>	<u><u>\$ 392,169</u></u>	<u><u>\$ 1,113,956</u></u>	<u><u>\$ 721,787</u></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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 32,853	\$ 32,853	\$ 4,893	\$ (27,960)
Intergovernmental	425,000	425,000	173,366	(251,634)
Use of money and property	9,176	9,176	8,558	(618)
Total revenues	<u>467,029</u>	<u>467,029</u>	<u>186,817</u>	<u>(280,212)</u>
EXPENDITURES				
Capital outlay:				
Other	<u>505,100</u>	<u>505,100</u>	<u>-</u>	<u>505,100</u>
Total expenditures	<u>505,100</u>	<u>505,100</u>	<u>-</u>	<u>505,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,071)</u>	<u>(38,071)</u>	<u>186,817</u>	<u>224,888</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,420)</u>	<u>(1,420)</u>	<u>(1,420)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,420)</u>	<u>(1,420)</u>	<u>(1,420)</u>	<u>-</u>
Net change in fund balance	(39,491)	(39,491)	185,397	224,888
Fund balance, beginning of year	<u>327,889</u>	<u>327,889</u>	<u>327,889</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 288,398</u></u>	<u><u>\$ 288,398</u></u>	<u><u>\$ 513,286</u></u>	<u><u>\$ 224,888</u></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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,827,610	\$ 1,827,610	\$ 559,317	\$ (1,268,293)
Intergovernmental	300,000	300,000	-	(300,000)
Use of money and property	85,662	85,662	105,332	19,670
Total revenues	<u>2,213,272</u>	<u>2,213,272</u>	<u>664,649</u>	<u>(1,548,623)</u>
EXPENDITURES				
Capital outlay:				
Other	<u>1,137,000</u>	<u>1,144,000</u>	<u>532,118</u>	<u>611,882</u>
Total expenditures	<u>1,137,000</u>	<u>1,144,000</u>	<u>532,118</u>	<u>611,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,076,272</u>	<u>1,069,272</u>	<u>132,531</u>	<u>(936,741)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	312,000	312,000	-	(312,000)
Transfers out	<u>(7,170)</u>	<u>(7,170)</u>	<u>(7,170)</u>	<u>-</u>
Total other financing sources (uses)	<u>304,830</u>	<u>304,830</u>	<u>(7,170)</u>	<u>(312,000)</u>
Net change in fund balance	1,381,102	1,374,102	125,361	(1,248,741)
Fund balance, beginning of year	<u>2,760,742</u>	<u>2,760,742</u>	<u>2,760,742</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,141,844</u></u>	<u><u>\$ 4,134,844</u></u>	<u><u>\$ 2,886,103</u></u>	<u><u>\$ (1,248,741)</u></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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 814,080	\$ 814,080	\$ 165,812	\$ (648,268)
Intergovernmental	718,902	718,902	-	(718,902)
Use of money and property	82,846	82,846	100,239	17,393
Total revenues	<u>1,615,828</u>	<u>1,615,828</u>	<u>266,051</u>	<u>(1,349,777)</u>
EXPENDITURES				
Debt service:				
Interest	-	-	74,011	(74,011)
Capital outlay:				
Other	<u>6,624,230</u>	<u>7,797,646</u>	<u>477,855</u>	<u>7,319,791</u>
Total expenditures	<u>6,624,230</u>	<u>7,797,646</u>	<u>551,866</u>	<u>7,245,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,008,402)</u>	<u>(6,181,818)</u>	<u>(285,815)</u>	<u>5,896,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,390,000	4,517,416	304,513	(4,212,903)
Transfers out	<u>(24,394)</u>	<u>(24,394)</u>	<u>(24,394)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,365,606</u>	<u>4,493,022</u>	<u>280,119</u>	<u>(4,212,903)</u>
Net change in fund balances	(1,642,796)	(1,688,796)	(5,696)	1,683,100
Fund balance, beginning of year	<u>2,177,845</u>	<u>2,177,845</u>	<u>2,177,845</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 535,049</u></u>	<u><u>\$ 489,049</u></u>	<u><u>\$ 2,172,149</u></u>	<u><u>\$ 1,683,100</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 21,244	\$ 21,244	\$ 3,164	\$ (18,080)
Use of money and property	136	136	255	119
Total revenues	<u>21,380</u>	<u>21,380</u>	<u>3,419</u>	<u>(17,961)</u>
EXPENDITURES				
Capital outlay:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	21,380	21,380	3,419	(17,961)
Fund balance, beginning of year	<u>4,580</u>	<u>4,580</u>	<u>4,580</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,960</u>	<u>\$ 25,960</u>	<u>\$ 7,999</u>	<u>\$ (17,961)</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ -	\$ -	\$ 8,806	\$ 8,806
Use of money and property	-	-	711	711
Total revenues	-	-	9,517	9,517
EXPENDITURES				
Capital outlay:	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	9,517	9,517
Fund balance, beginning of year	12,746	12,746	12,746	-
Fund balance, end of year	<u>\$ 12,746</u>	<u>\$ 12,746</u>	<u>\$ 22,263</u>	<u>\$ 9,517</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 11,327	\$ 11,327	\$ 1,687	\$ (9,640)
Use of money and property	1,820	1,820	1,987	167
Total revenues	<u>13,147</u>	<u>13,147</u>	<u>3,674</u>	<u>(9,473)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>58,965</u>	<u>58,965</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>58,965</u>	<u>58,965</u>	<u>-</u>
Net change in fund balance	13,147	(45,818)	(55,291)	(9,473)
Fund balance, beginning of year	<u>61,123</u>	<u>61,123</u>	<u>61,123</u>	<u>-</u>
Fund balance, end of year	<u>\$ 74,270</u>	<u>\$ 15,305</u>	<u>\$ 5,832</u>	<u>\$ (9,473)</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 11,040	\$ 11,040	\$ 2,344	\$ (8,696)
Use of money and property	11,781	11,781	14,356	2,575
Total revenues	22,821	22,821	16,700	(6,121)
EXPENDITURES				
Capital outlay:				
Other	390,000	390,000	22,254	367,746
Total expenditures	390,000	390,000	22,254	367,746
Net change in fund balance	(367,179)	(367,179)	(5,554)	361,625
Fund balance, beginning of year	395,709	395,709	395,709	-
Fund balance, end of year	\$ 28,530	\$ 28,530	\$ 390,155	\$ 361,625

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agencies 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 operations of the City's fleet of vehicles and the rolling stock.

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 Assets
Internal Service Funds
June 30, 2006

	<u>Fleet Management</u>	<u>Information Management</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,000,689	\$ 172,818	\$ 2,173,507
Receivables, net:			
Interest	21,580	1,763	23,343
Prepays	-	15,492	15,492
Total current assets	<u>2,022,269</u>	<u>190,073</u>	<u>2,212,342</u>
Noncurrent assets:			
Capital assets:			
Vehicles and equipment	3,458,661	354,874	3,813,535
Less accumulated depreciation	<u>(1,909,786)</u>	<u>(229,884)</u>	<u>(2,139,670)</u>
Total noncurrent assets	<u>1,548,875</u>	<u>124,990</u>	<u>1,673,865</u>
Total assets	<u>3,571,144</u>	<u>315,063</u>	<u>3,886,207</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,066	6,152	28,218
Accrued payroll	-	5,575	5,575
Compensated absences	-	6,088	6,088
Capital lease payable	-	17,127	17,127
Loan payable - current	-	47,980	47,980
Total current liabilities	<u>22,066</u>	<u>82,922</u>	<u>104,988</u>
Noncurrent liabilities:			
Compensated absences	-	18,262	18,262
Capital lease payable	-	56,182	56,182
Total noncurrent liabilities	<u>-</u>	<u>74,444</u>	<u>74,444</u>
Total liabilities	<u>22,066</u>	<u>157,366</u>	<u>179,432</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,548,875	3,701	1,552,576
Unrestricted	<u>2,000,203</u>	<u>153,996</u>	<u>2,154,199</u>
Total net assets	<u>\$ 3,549,078</u>	<u>\$ 157,697</u>	<u>\$ 3,706,775</u>

City of Norco
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Management	Information Management	Total
OPERATING REVENUES			
Sales and charges for services	\$ 627,431	\$ 355,100	\$ 982,531
Total operating revenues	627,431	355,100	982,531
OPERATING EXPENSES			
Administration	252,081	311,329	563,410
Depreciation	275,258	62,005	337,263
Total operating expenses	527,339	373,334	900,673
Operating income (loss)	100,092	(18,234)	81,858
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	67,194	4,739	71,933
Interest and fiscal charges	-	(13,216)	(13,216)
Gain on disposal of assets	1,154	-	1,154
Total nonoperating revenues (expenses)	68,348	(8,477)	59,871
Income before contributions and transfers	168,440	(26,711)	141,729
Capital contributions	66,844	-	66,844
Transfers in	2,809	148,945	151,754
Change in net assets	238,093	122,234	360,327
Net assets, beginning of year	3,310,985	35,463	3,346,448
Net assets, end of year	<u>\$ 3,549,078</u>	<u>\$ 157,697</u>	<u>\$ 3,706,775</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Management	Information Management	Total
Cash flows from operating activities:			
Cash received from customers	\$ 627,431	\$ 355,100	\$ 982,531
Cash payments to employees	-	(168,508)	(168,508)
Cash payments to suppliers	(240,080)	(144,367)	(384,447)
Net cash provided by operating activities	<u>387,351</u>	<u>42,225</u>	<u>429,576</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	<u>2,809</u>	<u>148,945</u>	<u>151,754</u>
Net cash provided by noncapital financing activities	<u>2,809</u>	<u>148,945</u>	<u>151,754</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(200,812)	-	(200,812)
Proceeds from sale of capital assets	9,056	-	9,056
Principal payments - loans	-	(46,437)	(46,437)
Principal payments - capital lease	-	(14,908)	(14,908)
Interest and fiscal charges	-	(13,216)	(13,216)
Net cash (used for) capital and related financing activities	<u>(191,756)</u>	<u>(74,561)</u>	<u>(266,317)</u>
Cash flows from investing activities:			
Investment earnings received	<u>57,595</u>	<u>3,274</u>	<u>60,869</u>
Net cash provided by investing activities	<u>57,595</u>	<u>3,274</u>	<u>60,869</u>
Net increase in cash and investments	255,999	119,883	375,882
Cash and investments, beginning of year	<u>1,744,690</u>	<u>52,935</u>	<u>1,797,625</u>
Cash and investments, end of year	<u>\$ 2,000,689</u>	<u>\$ 172,818</u>	<u>\$ 2,173,507</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Fleet Management	Information Management	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 100,092	\$ (18,234)	\$ 81,858
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	275,258	62,005	337,263
(Increase) decrease in assets:			
Prepays	-	248	248
Increase (decrease) in liabilities:			
Accounts payable	12,001	(3,418)	8,583
Compensated absences	-	1,624	1,624
Net cash provided by operating activities	\$ 387,351	\$ 42,225	\$ 429,576
Noncash, investing, capital and financing activities:			
Contributions of capital assets from government	\$ 66,844	\$ -	\$ 66,844

AGENCY FUNDS

Agency Funds

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.

Assessment District 195 – - To account for receipts of assessments from the District located to the east-west of 6th Street from Interstate 15. The City has a fiduciary responsibility to pay debt service and administrative costs for the District.

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
June 30,2006

	General Trust	Western Waste	Assessment District 195	Community Facilities District 93-1
ASSETS				
Cash and investments	\$ 951,664	\$ 21,983	\$ 75,749	\$ 32,349
Cash and investments with fiscal agents	-	-	358,230	326,145
Receivables:				
Accounts	336,209	362,655	-	-
Interest	-	-	1,287	1,743
Due from other governments	-	-	24,918	1,664
 Total assets	 <u>\$ 1,287,873</u>	 <u>\$ 384,638</u>	 <u>\$ 460,184</u>	 <u>\$ 361,901</u>
LIABILITIES				
Accounts payable	\$ 416,785	\$ 330,114	\$ -	\$ -
Deposits payable	871,088	25,434	-	-
Due to bondholders	-	29,090	460,184	361,901
 Total liabilities	 <u>\$ 1,287,873</u>	 <u>\$ 384,638</u>	 <u>\$ 460,184</u>	 <u>\$ 361,901</u>

Community Facilities District 97-1	Community Facilities District 2001-1	Community Facilities District 2002-1	Total
\$ 476,756	\$ 1,137,155	\$ 55,710	\$ 2,751,366
564,885	1,708,332	170,923	3,128,515
-	-	-	698,864
6,307	14,787	812	24,936
31,340	130,310	16,310	204,542
<u>\$ 1,079,288</u>	<u>\$ 2,990,584</u>	<u>\$ 243,755</u>	<u>\$ 6,808,223</u>
\$ -	\$ -	\$ -	\$ 746,899
-	-	-	896,522
1,079,288	2,990,584	243,755	5,164,802
<u>\$ 1,079,288</u>	<u>\$ 2,990,584</u>	<u>\$ 243,755</u>	<u>\$ 6,808,223</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
GENERAL TRUST				
Assets				
Cash and investments	\$ 819,592	\$ 907,920	\$ 775,848	\$ 951,664
Accounts receivable	450	335,759	-	336,209
Total assets	<u>\$ 820,042</u>	<u>\$ 1,243,679</u>	<u>\$ 775,848</u>	<u>\$ 1,287,873</u>
Liabilities				
Accounts payable	\$ 5,562	\$ 1,064,753	\$ 653,530	\$ 416,785
Deposits payable	814,480	178,926	122,318	871,088
Total liabilities	<u>\$ 820,042</u>	<u>\$ 1,243,679</u>	<u>\$ 775,848</u>	<u>\$ 1,287,873</u>
WESTERN WASTE				
Assets				
Cash and investments	\$ 34,974	\$ 3,736,407	\$ 3,749,398	\$ 21,983
Accounts receivable	346,126	3,612,552	3,596,023	362,655
Total assets	<u>\$ 381,100</u>	<u>\$ 7,348,959</u>	<u>\$ 7,345,421</u>	<u>\$ 384,638</u>
Liabilities				
Accounts payable	\$ 336,471	\$ 3,456,061	\$ 3,462,418	\$ 330,114
Deposits payable	15,518	26,309	16,393	25,434
Due to bondholders	29,111	3,866,589	3,866,610	29,090
Total liabilities	<u>\$ 381,100</u>	<u>\$ 7,348,959</u>	<u>\$ 7,345,421</u>	<u>\$ 384,638</u>
ASSESSMENT DISTRICT 195				
Assets				
Cash and investments	\$ 76,176	\$ 520,102	\$ 520,529	\$ 75,749
Cash and investments with fiscal agent	346,313	491,235	479,318	358,230
Interest receivable	676	1,287	676	1,287
Due from other governments	26,419	24,918	26,419	24,918
Total assets	<u>\$ 449,584</u>	<u>\$ 1,037,542</u>	<u>\$ 1,026,942</u>	<u>\$ 460,184</u>
Liabilities				
Accounts payable	\$ 2,713	\$ 20,131	\$ 22,844	\$ -
Due to bondholders	446,871	1,017,411	1,004,098	460,184
Total liabilities	<u>\$ 449,584</u>	<u>\$ 1,037,542</u>	<u>\$ 1,026,942</u>	<u>\$ 460,184</u>

continued

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
CFD 93-1				
Assets				
Cash and investments	\$ 21,700	\$ 210,237	\$ 199,588	\$ 32,349
Cash and investments with fiscal agent	321,595	183,423	178,873	326,145
Interest receivable	936	1,743	936	1,743
Due from other governments	-	1,664	-	1,664
Total assets	<u>\$ 344,231</u>	<u>\$ 397,067</u>	<u>\$ 379,397</u>	<u>\$ 361,901</u>
Liabilities				
Accounts payable	\$ 10	\$ 9,267	\$ 9,277	\$ -
Due to bondholders	344,221	387,800	370,120	361,901
Total liabilities	<u>\$ 344,231</u>	<u>\$ 397,067</u>	<u>\$ 379,397</u>	<u>\$ 361,901</u>
CFD 97-1				
Assets				
Cash and investments	\$ 353,783	\$ 581,380	\$ 458,407	\$ 476,756
Cash and investments with fiscal agent	564,530	8,077,289	8,076,934	564,885
Interest receivable	10,134	6,307	10,134	6,307
Due from other governments	34,134	31,340	34,134	31,340
Total assets	<u>\$ 962,581</u>	<u>\$ 8,696,316</u>	<u>\$ 8,579,609</u>	<u>\$ 1,079,288</u>
Liabilities				
Accounts payable	\$ 555	\$ 8,249	\$ 8,804	\$ -
Due to bondholders	962,026	8,688,067	8,570,805	1,079,288
Total liabilities	<u>\$ 962,581</u>	<u>\$ 8,696,316</u>	<u>\$ 8,579,609</u>	<u>\$ 1,079,288</u>
CDF 2001-1				
Assets				
Cash and investments	\$ 957,690	\$ 2,193,433	\$ 2,013,968	\$ 1,137,155
Cash and investments with fiscal agent	2,456,759	40,611,250	41,359,677	1,708,332
Interest receivable	34,276	14,787	34,276	14,787
Due from other governments	80,770	130,310	80,770	130,310
Total assets	<u>\$ 3,529,495</u>	<u>\$ 42,949,780</u>	<u>\$ 43,488,691</u>	<u>\$ 2,990,584</u>
Liabilities				
Accounts payable	\$ 362	\$ 13,076	\$ 13,438	\$ -
Due to bondholders	3,529,133	42,936,704	43,475,253	2,990,584
Total liabilities	<u>\$ 3,529,495</u>	<u>\$ 42,949,780</u>	<u>\$ 43,488,691</u>	<u>\$ 2,990,584</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
CFD 2002-1				
Assets				
Cash and investments	\$ 59,412	\$ 363,139	\$ 366,841	\$ 55,710
Cash and investments with fiscal agent	170,596	168,608	168,281	170,923
Interest receivable	484	812	484	812
Due from other governments	15,960	16,310	15,960	16,310
Total assets	<u>\$ 246,452</u>	<u>\$ 548,869</u>	<u>\$ 551,566</u>	<u>\$ 243,755</u>
Liabilities				
Accounts payable	\$ 87	\$ 184,845	\$ 184,932	\$ -
Due to bondholders	246,365	364,024	366,634	243,755
Total liabilities	<u>\$ 246,452</u>	<u>\$ 548,869</u>	<u>\$ 551,566</u>	<u>\$ 243,755</u>
 TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 2,323,327	\$ 8,512,618	\$ 8,084,579	\$ 2,751,366
Cash and investments with fiscal agent	3,859,793	49,531,805	50,263,083	3,128,515
Accounts receivable	346,576	3,948,311	3,596,023	698,864
Interest receivable	46,506	24,936	46,506	24,936
Due from other governments	157,283	204,542	157,283	204,542
Total assets	<u>\$ 6,733,485</u>	<u>\$ 62,222,212</u>	<u>\$ 62,147,474</u>	<u>\$ 6,808,223</u>
Liabilities				
Accounts payable	\$ 345,760	\$ 4,756,382	\$ 4,355,243	\$ 746,899
Deposits payable	829,998	205,235	138,711	896,522
Due to bondholders	5,557,727	57,260,595	57,653,520	5,164,802
Total liabilities	<u>\$ 6,733,485</u>	<u>\$ 62,222,212</u>	<u>\$ 62,147,474</u>	<u>\$ 6,808,223</u>

STATISTICAL SECTION



City of Norco
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 24,062,715	\$ 28,910,663	\$ 141,829,990	\$ 144,879,068
Restricted	55,699,255	62,724,936	58,521,550	57,107,710
Unrestricted	<u>(54,759,688)</u>	<u>(61,502,408)</u>	<u>(62,492,997)</u>	<u>(59,117,764)</u>
Total governmental activities net assets	<u>\$ 25,002,282</u>	<u>\$ 30,133,191</u>	<u>\$ 137,858,543</u>	<u>\$ 142,869,014</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 15,513,017	\$ 20,521,154	\$ 30,722,040	\$ 35,602,853
Restricted	11,034,551	13,867,717	13,627,054	12,935,528
Unrestricted	<u>(275,585)</u>	<u>(2,734,265)</u>	<u>(3,183,101)</u>	<u>(3,559,843)</u>
Total business-type activities net assets	<u>\$ 26,271,983</u>	<u>\$ 31,654,606</u>	<u>\$ 41,165,993</u>	<u>\$ 44,978,538</u>
Primary government				
Invested in capital assets, net of related debt	\$ 39,575,732	\$ 49,431,817	\$ 172,552,030	\$ 180,481,921
Restricted	66,733,806	76,592,653	72,148,604	70,043,238
Unrestricted	<u>(55,035,273)</u>	<u>(64,236,673)</u>	<u>(65,676,098)</u>	<u>(62,677,607)</u>
Total primary government net assets	<u>\$ 51,274,265</u>	<u>\$ 61,787,797</u>	<u>\$ 179,024,536</u>	<u>\$ 187,847,552</u>

Source: City's financial statements

City of Norco
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 3,024,963	\$ 1,880,302	\$ 2,628,746	\$ 2,444,678
Public safety	7,858,483	8,173,624	9,185,614	10,030,419
Streets and highways	8,259,305	4,714,230	4,762,105	2,667,196
Community development	4,699,041	5,434,051	13,727,059	9,661,594
Culture & leisure	1,807,224	2,020,202	2,486,747	2,575,970
Interest in long-term debt	3,358,673	4,222,757	4,367,389	4,498,959
Total governmental activities expenses	<u>29,007,689</u>	<u>26,445,166</u>	<u>37,157,660</u>	<u>31,878,816</u>
Business-type activities:				
Water	4,853,365	5,443,482	6,192,775	7,000,699
Sewer	2,817,455	3,100,970	3,729,579	3,969,304
Total business-type activities expenses	<u>7,670,820</u>	<u>8,544,452</u>	<u>9,922,354</u>	<u>10,970,003</u>
Total primary government expenses	<u>\$ 36,678,509</u>	<u>\$ 34,989,618</u>	<u>47,080,014</u>	<u>\$ 42,848,819</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 226,087	\$ 844,047	\$ 1,017,412	\$ 1,206,368
Public safety	479,705	408,968	845,785	938,458
Public works	265,307	881,982	843,209	1,119,874
Community development	1,863,415	2,175,706	1,177,608	919,325
Culture & leisure	416,570	739,122	815,751	839,701
Operating grants and contributions	1,706,282	2,054,746	2,206,575	2,448,984
Capital grants and contributions	32,651,906	6,553,575	3,603,044	2,001,841
Total governmental activities program revenues	<u>37,609,272</u>	<u>13,658,146</u>	<u>10,509,384</u>	<u>9,474,551</u>
Business-type activities:				
Charges for services:				
Water	4,052,537	4,907,696	4,990,556	6,617,886
Sewer	2,047,143	2,487,983	2,791,789	2,855,330
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,963,586	901,809	1,219,879	5,071,845
Total business-type activities program revenues	<u>9,063,266</u>	<u>8,297,488</u>	<u>9,002,224</u>	<u>14,545,061</u>
Total primary government program revenues	<u>\$ 46,672,538</u>	<u>\$ 21,955,634</u>	<u>\$ 19,511,608</u>	<u>\$ 24,019,612</u>
Net(Expense)/Revenue				
Governmental activities	\$ 8,601,583	\$ (12,787,020)	\$ (26,648,276)	\$ (22,404,265)
Business-type activities	<u>1,392,446</u>	<u>(246,964)</u>	<u>(920,130)</u>	<u>3,575,058</u>
Total primary government net	<u>\$ 9,994,029</u>	<u>\$ (13,033,984)</u>	<u>(27,568,406)</u>	<u>\$ (18,829,207)</u>

City of Norco
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property tax, levied for general purpose	\$ 790,993	\$ 850,889	\$ 828,597	\$ 1,239,755
Property tax, Redevelopment City tax increment	8,349,246	8,718,625	10,900,008	12,748,278
Transient occupancy tax	47,320	70,081	68,565	87,306
Franchise tax	764,923	757,141	855,731	903,919
Sales tax	5,059,849	5,745,624	4,230,325	4,915,052
Sales tax in lieu	-	-	1,451,759	1,159,702
Motor vehicle in lieu tax	1,453,999	1,168,342	1,914,670	2,053,194
Public service taxes	372,059	459,308	538,106	492,305
Gain/(Loss) on sale of capital assets	(219,084)	148,193	469,783	-
Other taxes	18,513	3,842	4,293	41,735
Unrestricted investment earnings	861,905	1,452,106	1,394,518	2,209,818
Other	869,415	1,267,082	1,126,623	1,272,881
Transfers	(717,400)	(5,295,307)	(639,109)	290,792
Total governmental activities	<u>17,651,738</u>	<u>15,345,926</u>	<u>23,143,869</u>	<u>27,414,737</u>
Business-type activities:				
Gain/(Loss) on sale of capital assets	(45,206)	-	-	491,369
Unrestricted investment earnings	39,995	36,887	29,091	36,910
Other	11,404	297,393	19,245	-
Transfers	723,111	5,295,307	639,109	(290,792)
Total business-type activities	<u>729,304</u>	<u>5,629,587</u>	<u>687,445</u>	<u>237,487</u>
Total primary government	<u>\$ 18,381,042</u>	<u>\$ 20,975,513</u>	<u>\$ 23,831,314</u>	<u>\$ 27,652,224</u>
Change in Net Assets				
Governmental activities	\$ 26,253,321	\$ 2,558,906	\$ (3,504,407)	\$ 5,010,472
Business-type activities	2,121,750	5,382,623	(232,685)	3,812,545
Total primary government	<u>\$ 28,375,071</u>	<u>\$ 7,941,529</u>	<u>\$ (3,737,092)</u>	<u>\$ 8,823,017</u>

Source: City's financial statements

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

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved	\$ 2,367,233	\$ 951,668	\$ 140,907	\$ 199,557
Unreserved	1,849,789	3,431,898	4,212,982	4,484,063
Total general fund	<u>\$ 4,217,022</u>	<u>\$ 4,383,566</u>	<u>\$ 4,353,889</u>	<u>\$ 4,683,620</u>
All Other Governmental Funds				
Reserved	\$ 19,364,931	\$ 13,159,615	\$ 9,789,060	\$ 10,662,534
Unreserved, reported in:				
Special revenue funds	379,818	481,802	1,124,030	(885,949)
Capital projects funds	13,814,422	14,467,433	17,100,559	20,882,623
Debt service funds	8,404,098	9,231,044	7,211,467	10,269,608
Total all other governmental funds	<u>\$ 41,963,269</u>	<u>\$ 37,339,894</u>	<u>\$ 35,225,116</u>	<u>\$ 40,928,816</u>

Source: City's financial statements

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 364,055	\$ 214,003	\$ -	\$ -	\$ -	\$ -
4,823,436	4,015,642	4,191,414	6,208,159	7,313,336	7,791,835
<u>\$ 5,187,491</u>	<u>\$ 4,229,645</u>	<u>\$ 4,191,414</u>	<u>\$ 6,208,159</u>	<u>\$ 7,313,336</u>	<u>\$ 7,791,835</u>
\$ 7,185,131	\$ 16,356,234	\$ 21,222,500	\$ 29,431,509	\$ 14,506,168	\$ 14,836,751
(75,081)	352,726	3,973,650	3,739,360	17,224,928	17,873,478
21,016,851	28,378,019	35,380,191	43,274,103	45,303,565	43,403,902
12,723,509	8,129,789	332,518	2,121,337	1,014,496	1,175,963
<u>\$ 40,850,410</u>	<u>\$ 53,216,768</u>	<u>\$ 60,908,859</u>	<u>\$ 78,566,309</u>	<u>\$ 78,049,157</u>	<u>\$ 77,290,094</u>

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

	Fiscal Year			
	1997	1998	1999	2000
Revenues				
Taxes	\$ 6,614,864	\$ 7,237,866	\$ 8,188,742	\$ 10,139,302
Assessments	-	-	-	-
Licenses and permits	439,553	402,116	677,472	761,714
Fines and forfeitures	39,758	29,998	84,226	274,287
Development fees	21,365	18,145	30,636	30,945
Intergovernmental	2,474,808	3,085,587	3,318,169	3,557,484
Charges for services	1,609,453	1,382,456	1,986,909	2,715,976
Use of money and property	2,309,417	2,218,299	2,410,225	1,894,124
Reimbursements	-	-	-	-
Contributions from property owners	-	-	-	-
Gain on sale of land held for resale	-	-	-	-
Other	390,443	693,547	633,482	293,035
Total revenues	13,899,661	15,068,014	17,329,861	19,666,867
Expenditures				
Current:				
General government	1,675,117	2,100,826	2,244,966	2,703,405
Public safety	4,611,816	5,947,334	5,787,327	6,809,903
Public works	3,020,159	3,174,895	912,942	1,004,107
Community development	453,101	592,882	677,493	1,300,136
Culture and leisure	1,064,180	1,138,850	1,228,295	1,230,692
Pass through payments	66,806	80,923	-	1,169,890
ERAF payment	-	-	-	-
Capital outlay	7,399,007	5,834,982	1,088,684	3,971,711
Debt service:				
Principal	12,480,608	857,910	2,137,402	1,016,642
Interest	3,716,620	3,172,318	2,831,189	2,820,379
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	34,487,414	22,900,920	16,908,298	22,026,865
Excess (deficiency) of revenues over (under) expenditures	(20,587,753)	(7,832,906)	421,563	(2,359,998)
Other Financing Sources (Uses)				
Proceeds from the sale of property	(1,739,835)	-	-	-
Transfers in	21,714,500	8,283,379	6,474,291	1,430,252
Transfers out	(21,503,361)	(8,096,051)	(6,372,069)	(1,430,252)
Bond/loan proceeds	16,399,722	5,599,068	-	9,175,000
Capital leases	-	-	-	-
Other	2,495,574	(3,131,894)	390,443	(352,273)
Total other financial sources (uses)	17,366,600	2,654,502	492,665	8,822,727
Special Item				
Sale of park land	-	-	-	-
Net change in fund balances	\$ (3,221,153)	\$ (5,178,404)	\$ 914,228	\$ 6,462,729
Debt service as a percentage of noncapital expenditures	59.79%	23.62%	31.41%	21.25%
Source:	City's financial statements			

Fiscal Year

2001	2002	2003	2004	2005	2006
\$ 12,615,079	\$ 13,813,835	\$ 16,306,364	\$ 17,737,373	\$ 20,028,396	\$ 22,896,670
67,719	164,136	189,043	201,162	194,978	648,033
1,055,759	718,620	817,824	1,699,483	957,262	754,346
243,763	180,047	342,259	288,053	444,622	502,036
-	-	5,333,366	2,734,809	1,189,177	905,912
3,264,249	2,858,251	3,111,610	2,142,909	3,543,982	4,451,260
3,582,686	2,655,150	1,804,344	2,780,610	2,481,304	2,326,672
2,152,133	1,775,281	1,363,052	1,517,394	1,858,310	2,886,973
-	-	128,255	63,810	78,502	6,574
-	-	26,009,728	2,883,760	1,258,068	461,503
-	-	-	16,457	469,783	-
264,390	1,012,017	736,487	1,919,415	1,474,132	686,584
<u>23,245,778</u>	<u>23,177,337</u>	<u>56,142,332</u>	<u>33,985,235</u>	<u>33,978,516</u>	<u>36,526,563</u>
2,759,947	2,925,745	3,002,995	1,848,398	2,505,763	2,406,997
6,635,572	7,560,157	7,822,149	8,163,974	8,933,781	9,869,667
1,302,762	1,758,834	8,210,335	4,068,334	2,291,359	1,079,977
621,693	691,853	2,319,002	2,451,938	9,304,391	3,447,292
1,297,681	1,616,585	1,712,556	1,915,561	2,054,588	2,190,517
1,440,050	1,734,472	2,192,565	2,547,511	3,501,777	5,405,502
-	-	197,614	363,557	716,633	665,577
2,949,029	10,281,055	5,301,767	16,518,304	5,669,830	5,343,724
1,183,369	1,555,923	1,514,811	2,136,051	2,015,973	2,382,999
2,548,910	4,304,064	3,363,470	4,758,761	4,286,532	4,202,649
-	-	-	-	-	1,448,228
-	-	-	-	544,466	627,555
<u>20,739,013</u>	<u>32,428,688</u>	<u>35,637,264</u>	<u>44,772,389</u>	<u>41,825,093</u>	<u>39,070,684</u>
<u>2,506,765</u>	<u>(9,251,351)</u>	<u>20,505,068</u>	<u>(10,787,154)</u>	<u>(7,846,577)</u>	<u>(2,544,121)</u>
(2,623,734)	(889,580)	(219,084)	138,757	-	-
2,265,104	16,759,764	8,208,464	10,194,123	2,398,992	5,881,144
(2,265,104)	(16,516,291)	(7,454,996)	(9,776,083)	(1,718,281)	(5,742,106)
-	50,675,000	-	22,086,049	7,912,213	2,117,651
-	-	-	-	-	6,868
(23,230)	(27,216,847)	-	-	-	-
<u>(2,646,964)</u>	<u>22,812,046</u>	<u>534,384</u>	<u>22,642,846</u>	<u>8,592,924</u>	<u>2,263,557</u>
-	-	-	5,500,000	-	-
<u>\$ (140,199)</u>	<u>\$ 13,560,695</u>	<u>\$ 21,039,452</u>	<u>\$ 17,355,692</u>	<u>\$ 746,347</u>	<u>\$ (280,564)</u>

20.98%

26.46%

16.08%

24.40%

17.43%

19.53%

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

<u>Fiscal Year Ended June 30,</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
1997	938,011	27,817	965,828	1.00000%
1998	961,169	25,464	986,633	1.00000%
1999	965,888	29,024	994,912	1.00000%
2000	1,010,934	39,779	1,050,713	1.00000%
2001	1,163,250	46,389	1,209,639	1.00000%
2002	1,276,152	62,262	1,338,414	1.00000%
2003	1,439,248	70,217	1,509,465	1.00000%
2004	1,572,160	29,141	1,601,301	1.00000%
2005	1,794,787	75,419	1,870,207	1.00000%
2006	2,177,618	95,436	2,273,054	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
1997	1.00000%	1.00000%	0.00000%	0.00890%
1998	1.00000%	1.00000%	0.00000%	0.00890%
1999	1.00000%	1.00000%	0.23650%	0.00890%
2000	1.00000%	1.00000%	0.23650%	0.00890%
2001	1.00000%	1.00000%	0.23650%	0.00880%
2002	1.00000%	1.00000%	0.23650%	0.00770%
2003	1.00000%	1.00000%	0.23650%	0.00610%
2004	1.00000%	1.00000%	0.23650%	0.00580%
2005	1.00000%	1.00000%	0.01457%	0.00520%
2006	1.00000%	1.00000%	0.01457%	0.00520%

Source: Riverside County Office of Auditor-Controller

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

<u>Taxpayer</u>	2006		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Norco Corona Associates	\$ 16,801,974	1	0.74%
Grayburn Properties Inc	12,389,063	2	0.55%
Dayton Hudson Corporation	10,801,137	3	0.48%
Stewart Larry & Tammy	10,498,808	4	0.46%
H/H Properties	10,349,414	5	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%
Norco Ranch Inc.			
Cencom Cable Assoc. Inc.			
Norco Beacon Partners			
Hanzlik Howard			
Giurbino Michael A			
Leiserv, Inc.			
Chou Kang His			
Total	<u>\$ 98,642,174</u>		<u>5.50%</u>

Source: City of Norco Preliminary Property Tax Reports
Urban Futures, Inc.
Riverside County Assessor's Office

1997		
<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
		0.00%
		0.00%
2,601,098	6	0.27%
		0.00%
6,589,369	1	0.68%
		0.00%
		0.00%
		0.00%
5,505,337	2	0.57%
		0.00%
5,056,581	3	0.52%
3,065,835	4	0.32%
2,745,286	5	0.28%
2,600,000	7	0.27%
2,400,000	8	0.25%
2,400,000	9	0.25%
2,138,256	10	0.22%
<u>\$ 35,101,762</u>		<u>3.63%</u>

**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
1997	\$ 654,702	\$ 586,255	89.5%	\$ 24,242	\$ 610,497	93.2%
1998	658,999	618,755	93.9%	34,666	653,421	99.2%
1999	666,269	612,292	91.9%	16,868	629,160	94.4%
2000	671,041	628,169	93.6%	28,842	657,011	97.9%
2001	674,974	635,647	94.2%	8,182	643,829	95.4%
2002	703,781	669,123	95.1%	29,745	698,868	99.3%
2003	748,841	736,870	98.4%	35,182	772,053	103.1%
2004	788,186	779,765	98.9%	43,189	822,954	104.4%
2005	908,576	901,056	99.2%	34,772	935,828	103.0%
2006	1,148,464	1,081,042	94.1%	35,202	1,116,245	97.2%

Source: Riverside County Office of Auditor-Controller

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

Fiscal Year	Governmental Activities			
	RDA Bonds	Capital Leases	Special Assessment Bonds	Term Loan Payable
1997	\$ 42,398	\$ -	\$ 5,030	\$ -
1998	42,112	-	4,690	1,992
1999	41,491	-	4,075	1,845
2000	43,200	-	3,890	1,717
2001	42,390	85	3,570	1,557
2002	63,845	58	3,200	1,390
2003	62,730	183	46,460	1,902
2004	82,490	-	45,875	1,689
2005	88,540	88	45,270	1,371
2006	70,310	56	51,875	1,040

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

Business-Type Activities

Certificates of Participation	Capital Leases	Term Loan Payable	Total Primary Government	Percentage of Assessed Valuation	Per Capita¹
\$ 3,835	\$ 16,862	\$ 1,379	\$ 69,504	7.20%	\$ 2,837
3,810	16,862	1,334	70,800	7.18%	2,908
9,160	16,596	1,288	74,455	7.48%	3,109
9,015	16,331	1,239	75,392	7.18%	3,128
8,860	16,065	1,188	73,715	6.09%	3,021
8,700	15,800	1,135	94,128	7.03%	3,780
8,535	15,348	1,080	135,538	8.98%	5,368
8,365	15,039	1,023	153,781	9.60%	6,031
8,185	14,723	963	158,567	6.98%	5,939
8,000	14,382	901	146,564	6.45%	5,376

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding ⁽¹⁾</u>			<u>Debt Service Reserve</u>
	<u>General Obligation Bonds</u>	<u>RDA Bonds</u>	<u>Total</u>	
1997	\$ -	\$ -	\$ -	\$ -
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-

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”.

<u>Net General Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita⁽²⁾</u>
\$ -	0.00%	\$ -
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-
-	0.00%	-

**City of Norco
Direct and Overlapping Activities Debt
As of June 30, 2006**

2005-06 Assessed Valuation: \$ 2,273,054,272
 Redevelopment Incremental Valuation: (1,141,227,448)
 Adjusted Assessed Valuation: \$ 1,131,826,824

	% Applicable (1)	Debt
<u>Direct and Overlapping Tax and Assessment Debt:</u>		
Metropolitan Water District	0.077%	\$ 299,965
Riverside City Community College District	2.289	1,532,168
Alvord Unified School District	0.012	5,718
Corona-Norco Unified School District	6.543	3,565,256
City of Norco	100.000	-
City of Norco Community Facilities District No. 93-1	100.000	1,895,000
City of Norco Community Facilities District No. 97-1	100.000	7,625,000
City of Norco Community Facilities District No. 2001-1	100.000	38,535,000
City of Norco Community Facilities District No. 2002-1	100.000	2,100,000
Corona-Norco Unified School District Community Facilities District No. 88-1	10.663	413,724
City of Norco 1915 Act Bonds	100.000	1,720,000
Total Direct and Overlapping Tax and Assessment Debt		\$ 57,691,831
<u>Overlapping General Fund Obligation Debt:</u>		
Riverside County General Fund Obligations	0.917%	\$ 5,781,919
Riverside County Pension Obligations	0.917	3,639,069
Riverside County Board of Education Certificates of Participation	0.917	103,071
Alvord Unified School District Certificates of Participation	0.012	2,896
Corona-Norco Unified School District Certificates of Participation	6.543	5,455,881
Total Gross Overlapping General Fund Obligation Debt		14,982,836
Less: Riverside County self-supporting obligations		(179,650)
Total Net Overlapping General Fund Obligation Debt		\$ 14,803,186
Gross Combined Total Debt		\$ 72,674,667 (2)
Net Combined Total Debt		\$ 72,495,017

Ratios to 2005-06 Assessed Valuation:

Direct Debt 0.00%
 Total Direct and Overlapping Tax and Assessment Debt 2.54%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt 6.42%
 Net Combined Total Debt 6.41%

State School Building Aid Repayable as of 6/30/05: \$ -

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	1997	1998	1999	2000
Debt limit	\$ 144,874	\$ 147,995	\$ 149,237	\$ 157,607
Total net debt applicable to limit (1)	-	-	-	-
Legal debt margin	<u>\$ 144,874</u>	<u>\$ 147,995</u>	<u>\$ 149,237</u>	<u>\$ 157,607</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Source: City's Finance Department

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

Assessed value	\$ 2,273,054
Debt limit (15% of assessed value)	340,958
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 340,958</u>

Fiscal Year					
<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>
\$ 181,446	\$ 200,762	\$ 226,420	\$ 240,195	\$ 280,531	\$ 340,958
-	-	-	-	-	-
<u>\$ 181,446</u>	<u>\$ 200,762</u>	<u>\$ 226,420</u>	<u>\$ 240,195</u>	<u>\$ 280,531</u>	<u>\$ 340,958</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service			
				Principal	Interest		
1997	\$ 4,079	\$ 3,627	\$ 452	\$ 25	\$ 265	1.56%	
1998	3,744	3,336	408	25	264	1.41	
1999	4,511	2,405	2,106	250	115	5.77	
2000	5,253	3,218	2,035	145	453	3.40	
2001	6,004	4,578	1,426	155	447	2.37	
2002	6,217	5,436	781	160	441	1.30	
2003	6,440	5,827	613	165	435	1.02	
2004	7,766	6,762	1,004	170	425	1.69	
2005	7,881	7,604	277	180	418	0.46	
2006	9,532	8,402	1,130	185	410	1.90	

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

- (1) Operating expenses do not include interest, depreciation, or amortization expenses.
- (2) The City is not liable for Special Assessment District or Community Facility District defaults; collections and remittances are accounted for in an agency fund.
- (3) The Bonds are the limited obligation of the Agency, payable solely from facilities tax revenues.

Special Assessment Bonds ⁽²⁾

Special Assessment Collections	Debt Service		Coverage
	Principal	Interest	
\$ 701	\$ 260	\$ 497	0.93%
707	285	480	0.92
840	300	590	0.94
732	230	313	1.35
1,091	370	798	0.93
1,240	465	765	1.01
1,276	485	1,911	0.53
3,934	585	2,904	1.13
3,775	585	3,050	1.04
3,702	600	2,924	1.05

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

Fiscal Year	Property Tax Increment Bonds ⁽³⁾				
	Property Tax Increment	Debt Service		Coverage	
		Principal	Interest		
1997	\$ 3,341	\$ 480	\$ 2,335	1.19%	
1998	3,368	580	2,572	1.07	
1999	3,751	620	2,020	1.42	
2000	5,066	711	2,859	1.42	
2001	5,976	809	2,579	1.76	
2002	7,058	1,195	1,714	2.43	
2003	8,349	1,115	3,215	1.93	
2004	8,718	1,740	3,820	1.57	
2005	10,671	1,825	4,146	1.79	
2006	12,587	2,185	4,088	2.01	

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

(3) The Bonds are the limited obligation of the Redevelopment City, payable solely from pledged tax increment revenues.

**City of Norco
Demographic and Economic Statistics
Last Ten Fiscal Years**

Year	Estimated Population ⁽¹⁾	Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
1997	24,500	\$ 504,112	\$ 20,576	29,796	6.9
1998	24,350	534,507	21,951	31,464	6.2
1999	23,950	541,414	22,606	33,168	5.1
2000	24,100	571,893	23,730	35,148	4.2
2001	24,400	598,971	24,548	37,487	3.7
2002	24,900	617,869	24,814	39,614	4.4
2003	25,250	590,000	71,924	41,977	4.4
2004	25,500	628,000	75,481	43,998	4.2
2005	26,700	666,000	73,046	45,851	4.2
2006	27,263	**	**	50,209	4.0

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) Data is for total Corona-Norco Unified School District enrollment; source is 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 Three Years ago**

<u>Employer</u>	2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment ⁽¹⁾</u>
Corona-Norco Unified School District	3,792	1	29.40%
California Rehabilitation Center	1,200	2	9.30
Naval Surface Warfare Center	850	3	6.59
HCI, Inc.	600	4	4.65
Computer Science Corp. (formerly DynCorp)	325	5	2.52
Norco Ranch	289	6	2.24
Target Stores	233	7	1.81
Quickcrete Products Corp	230	8	1.78
Riverside Community College	131	9	1.02
Hemborg Ford	131	10	1.02
City of Norco SeGi			
Total	7,781		60.32%

Source: City's Economic Development Department

(1) Employment information obtained from State Employment Development Department, Labor Market Information Division.

2003

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment ⁽¹⁾</u>
4,996	1	33.53%
1,200	2	8.05
850	3	5.70
600	4	4.03
325	5	2.18
250	6	1.68
210	7	1.41
135	9	0.91
107	10	0.72
150	8	1.01
<u>8,823</u>		<u>59.21%</u>

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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30,			
	1997	1998	1999	2000
General government				
Administration	2	2	2	2
City clerk	2	2	2	2
Fiscal & support svcs.	11	11	11	11
Other	2	2	2	3
Public safety				
Police (Civilian)	-	-	-	-
Fire	20	20	20	22
Code enforcement	-	1	1	1
Animal control	5	6	6	7
Public works				5
Engineering	6	6	6	15
Maintenance	14	14	14	
Culture and leisure				9
Parks & recreation	8	9	9	
Community development				4
Planning	4	3	3	1
Building	3	3	4	6
Economic development	3	3	3	3
Total	80	82	83	90

Source: City's annual adopted budgets

2001	2002	2003	2004	2005	2006
2	2	2	2	3	3
2	2	3	3	3	3
11	13	16	16	15	15
3	3	3	3	-	-
-	1	1	1	1	1
22	28	28	28	29	30
1	1	1	1	1	1
7	5	5	5	5	5
5	5	5	5	5	2
15	15	16	16	15	17
9	11	12	12	12	13
5	7	6	5	4	4
6	6	6	7	7	9
3	3	3	3	1	1
91	102	107	107	101	104

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

<u>Function/Program</u>	Fiscal Year			
	2003	2004	2005	2006
Police				
UCR crime index total	1,019	1,023	1,095	1,171
Traffic collisions	433	527	487	553
Traffic violations	5,187	4,986	5,535	3,591
Fire				
Total number of responses	1,942	1,955	1,869	1,958
Fires extinguished	133	139	118	95
Water				
Number of service connections	6,950	7,085	7,174	7,500
Average daily consumption (in mil. of gallons)	7.5	8.1	7.9	8.3
Max. daily (groundwater wells) capacity (in mil. of gallons)	8.6	8.6	8.6	8.6
Max. daily import capacity (in mil. of gallons)	11.5	11.5	11.5	11.5
Storage capacity (in mil. of gallons)	10.2	10.2	10.2	10.2
Sewer				
Number of sewer connections	5,145	5,710	5,826	6,657
Average daily treatment (in mil. of gallons)	1.5	1.8	1.8	1.8
Max. daily capacity of treatment plans (in mil. of gallons)	2.2	2.2	2.2	2.2

Source: Various City's departments

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

<u>Function/Program</u>	Fiscal Year			
	2003	2004	2005	2006
Public safety				
Fire stations	2	2	2	2
Culture and leisure				
Parks	14	14	15	15
Park acreage	552	552	167.3	167.5
Open space acreage	451	451	835.3	835.3
Tennis court	1	1	1	1
Skate court	1	1	1	1
Public swimming pool	1	1	1	1
Community center	1	1	1	1
Public playgrounds/tot lots	6	6	8	8
Water				
Water mains (miles)	90.1	93.7	93.7	93.7
Fire hydrants	770	890	890	890
Sewer				
Sanitary sewers (miles)	82.0	85.3	85.3	85.3
Treatment plants	1	1	1	1

Source: Various City's departments