

# CITY OF NORCO CALIFORNIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
JUNE 30, 2007



**CITY OF NORCO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Prepared by the Fiscal and Support Services Department

**CITY OF NORCO, CALIFORNIA  
Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2007**

**Table of Contents**

|  | PAGE |
|--|------|
| <b>INTRODUCTORY SECTION:</b>   |      |
| Letter of Transmittal  | i    |
| Organizational Chart   | vi   |
| Directory of City Officials  | vii  |
| GFOA Certificate of Achievement for Excellence in Financial Reporting  | viii |
| <b>FINANCIAL SECTION:</b>  |      |
| Independent Auditors' Report   | 1    |
| Management's Discussion and Analysis   | 3    |
| <b>Basic Financial Statements</b>  |      |
| <b>Government-Wide Financial Statements</b>  |      |
| Statement of Net Assets  | 14   |
| Statement of Activities  | 15   |
| <b>Fund Financial Statements</b>   |      |
| <b>Governmental Funds</b>  |      |
| Balance Sheet  | 17   |
| Reconciliation of the Balance Sheet of Governmental Funds to the<br>Statement of Net Assets  | 19   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances  | 20   |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the Statement of<br>Activities | 22   |
| <b>Proprietary Funds</b>   |      |
| Statement of Fund Net Assets   | 23   |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets  | 25   |
| Statement of Cash Flows  | 26   |
| <b>Agency Funds</b>  |      |
| Statement of Fiduciary Assets and Liabilities  | 28   |
| <b>Notes to the Basic Financial Statements</b>   | 29   |
| <b>Required Supplementary Information</b>  |      |
| Budgetary Comparison Schedules   |      |
| General Fund   | 58   |
| Redevelopment Special Revenue Fund   | 59   |
| Notes to Required Supplementary Information  | 60   |

**CITY OF NORCO, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2007**

**Table of Contents**

|   | PAGE |
|---|------|
| <b>Individual Fund Schedules and Combining Financial Statements</b>   |      |
| <b>Major Governmental Funds</b>   |      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance -<br>Budget and Actual                          |      |
| Redevelopment Agency Debt Service Fund  | 61   |
| Redevelopment Agency Capital Projects Fund  | 62   |
| <b>Nonmajor Governmental Funds</b>  |      |
| Fund Descriptions   | 63   |
| Combining Balance Sheet   | 66   |
| Combining Statement of Revenues, Expenditures, and Changes in Fund<br>Balances                                  | 74   |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance -<br>Budget and Actual - Special Revenue Funds  |      |
| Nonmajor Fund Budgetary Comparison Schedules  | 82   |
| Miscellaneous Grant Fund Special Revenue Fund   | 83   |
| Community Development Block Grant Special Revenue Fund  | 84   |
| Gas Tax Special Revenue Fund  | 85   |
| Measure A Special Revenue Fund  | 86   |
| NPDES Special Revenue Fund  | 87   |
| Air Quality Improvement Trust Special Revenue Fund  | 88   |
| Local Law Enforcement Block Grant Special Revenue Fund  | 89   |
| Supplemental Law Enforcement Block Grant Special Revenue Fund   | 90   |
| CLEEP Special Revenue Fund  | 91   |
| Office of Traffic Safety Special Revenue Fund   | 92   |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance -<br>Budget and Actual - Capital Projects Funds |      |
| Storm Drain Capital Projects Fund   | 93   |
| General Government Improvement Capital Projects Fund  | 94   |
| Fire Improvement Capital Projects Fund  | 95   |
| Trails Improvement Capital Projects Fund  | 96   |
| Street Improvement Capital Projects Fund  | 97   |
| Park Improvement Capital Projects Fund  | 98   |
| Public Library Capital Projects Fund  | 99   |
| Aquatics Center Capital Projects Fund   | 100  |
| Animal Control Capital Projects Fund  | 101  |
| Facility Improvement Capital Projects Fund  | 102  |
| <b>Internal Service Funds</b>   |      |
| Internal Service Funds  | 103  |
| Combining Statement of Net Assets - Internal Service Funds  | 104  |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net<br>Assets - Internal Service Funds           | 105  |
| Combining Statement of Cash Flows - Internal Service Funds  | 106  |

**CITY OF NORCO, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2007**

**Table of Contents**

|  | PAGE |
|--|------|
| <b>Agency Funds</b>  |      |
| Agency Funds   | 108  |
| Combining Statement of Fiduciary Assets and Liabilities                                      | 109  |
| Combining Statement of Changes in Fiduciary Assets and Liabilities                           | 111  |
| <br>   |      |
| <b>STATISTICAL SECTION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT):</b>                    |      |
| <br>   |      |
| Contents   | 114  |
| <br>   |      |
| Net Assets by Component - Last Five Fiscal Years   | 115  |
| Changes in Net Assets - Last Five Fiscal Years   | 116  |
| Fund Balances Governmental Funds - Last Ten Fiscal Years                                     | 118  |
| Changes in Fund Balances Governmental Funds - Last Ten Fiscal Years                          | 120  |
| Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years                  | 122  |
| Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years                            | 123  |
| Principal Property Tax Payers - Current Year and Nine Years Ago                              | 124  |
| Property Tax Levies and Collections - Last Ten Fiscal Years                                  | 126  |
| Ratio of Outstanding Debt by Type - Last Ten Fiscal Years                                    | 127  |
| Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years                             | 129  |
| Direct and Overlapping Activities Debt   | 131  |
| Legal Debt Margin Information - Last Ten Fiscal Years  | 132  |
| Pledged - Revenue Coverage - Last Ten Fiscal Years   | 134  |
| Demographic and Economic Statistics - Last Ten Fiscal Years                                  | 137  |
| Principal Employers - Current Year and Three Years Ago                                       | 138  |
| Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years | 140  |
| Operating Indicators by Function / Program - Last Five Fiscal Years                          | 142  |
| Capital Asset Statistics by Function / Program - Last Five Fiscal Years                      | 143  |

## INTRODUCTORY SECTION





# CITY of NORCO

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

December 3, 2007

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 City of Norco (City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007 (FY2007). This report provides a comprehensive view of the City's financial activities for the year and financial position at the end of the year. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for both the accuracy of the information presented in the CAFR as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in 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 of any material misstatements.

Management recognizes that internal control environment changes overtime due to changes in operation or personnel performing various duties. As a result, the internal control environment is continuous being assessed to ensure that adequate controls still exist within the City to achieve the City's objectives. 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 certified 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, 2007, are free of any material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the

overall presentation of the financial statements. Based upon their audit, the independent auditors concluded that there was a reasonable basis for rendering unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## CITY COUNCIL

HARVEY SULLIVAN  
Mayor

FRANK HALL  
Mayor Pro Tem

KATHY AZEVEDO  
Council Member

HAL CLARK  
Council Member

HERB HIGGINS  
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 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 27,263. 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 pedestrian and equestrian trails and 108 miles of streets. 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. Expenditures may not legally exceed appropriations at the fund level. 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 local economy which has experienced strong rate of growth over the last several years fueled by torrential construction activity is expected to slow down during fiscal year 2007-2008. With the slow down in the housing market, the economic growth is projected to grow at a slower pace with employment growth projected to fall between 3 and 3.5 percent. Unemployment in the region is projected to average 5.1 percent during the coming fiscal year.

Total civilian employment in this region continued to grow during the year exceeding 1.7 million with employment concentrated in industries such as manufacturing, retail 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 16% even though the median price for new homes fell slightly. 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 slower rate than the region due to high concentration in retail auto sales. 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 has adopted a philosophy that is designed to promote the City as an animal-keeping equestrian community ("Horsetown USA") and to attract economic development projects along the City's commercial corridors. The City's long-term financial planning incorporates the following City Council approved plans:

- Complete 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."
- Continued "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 a result of improvement in the interest rate environment and higher cash balances, revenues derived from investment earnings significantly increased. For the upcoming fiscal year, it is anticipated that revenues from investment earnings will likely decline due to anticipated reduction in short term interest rates by the Federal Reserve Bank.

**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. General liability claims are also quickly reviewed with a third party risk manager to formulate strategies for resolving the claims in the most cost efficient manner 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 8 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 43 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. However, with the scheduled implementation of GASB Statement No. 45, accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension, the City would be required, effective fiscal year 2008-2009 to recognize the cost of post employment healthcare on an accrual basis.

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.

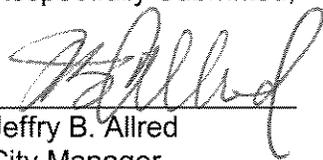
**Other Relevant Financial Issues:** The California Supreme Court recently decided in Bighorn-Desert View Water Agency v. Beringson that metered utility rates are subject to certain provisions of proposition 218. The ruling applies to water and sewer service charges as well as to refuse collection where 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.

### **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, 2005. 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.

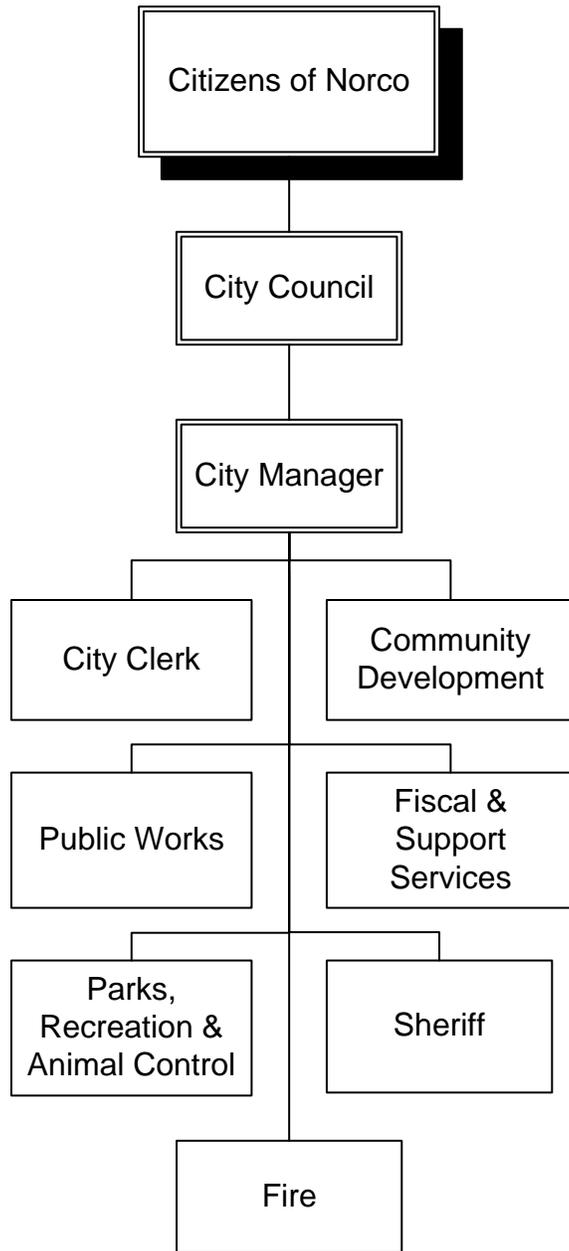
The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Fiscal and Support Services Department and our independent auditors, Rogers, Anderson, Malody & Scott, LLP. We would like to express our appreciation to all City staff who contributed to the preparation of this report. Special credit must also be given to the mayor and members of the City council for their direction and 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, 2007



**CITY OF NORCO**  
Directory of City Officials  
June 30, 2007

**MAYOR**

Harvey Sullivan

**CITY COUNCIL**

Frank Hall, Mayor Pro Tem  
Hal Clark  
Herb Higgins  
Kathy Azevedo

**CITY MANAGER**

Jeffry B. Allred

V. Andy Okoro  
**Director, Fiscal and Support Services/  
City Treasurer**

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

Brian Petree  
**Director, Parks, Recreation and  
Community Services**

Bill Thompson  
**Director, Public Works**

Debra L. McNay  
**City Clerk**

Brian Oulman  
**Director, Economic Development**

Jim Daniels  
**Director, Community  
Development**

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, 2006

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.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

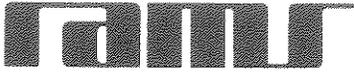
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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.  
MATTHEW B. WILSON, C.P.A.

LEENA SHANBHAG, C.P.A.  
NANCY O'RAFFERTY, C.P.A.  
SCOTT W. MANNO, C.P.A.  
BRAD A. WELEBIR, C.P.A.  
LYNN W. JENKINS, C.P.A.  
MARION M. HABERKORN, 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, 2007, 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, 2007, 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 December 3, 2007, 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  
Website: [www.ramscpa.net](http://www.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, Molloy & Scott, LLP*

December 3, 2007

## 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, 2007. Since the Management's Discussion and Analysis (MD&A) is designed to be condensed, we encourage readers to consider the 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 and the additional financial statement information beginning on page 14.

### Financial Highlights

- The assets of the City exceeded liabilities at the end of fiscal year 2007 by \$196.8 million. The difference between assets and liabilities is referred to as total net assets. Net assets of the City at June 30, 2007 include the cost of governmental activities' infrastructure assets.
- The City's total net assets increased by \$8.9 million during the year. Of this increase, \$4.4 million came from addition of assets contributed by property developers and \$4.5 million from revenues exceeding expenses.
- As of June 30, 2007, the City's governmental funds reported combined fund balances of \$84.2 million, a decrease of \$.9 million from prior fiscal year. Approximately \$63.1 million of the governmental funds' fund balances is unreserved.
- Unreserved fund balance for the general fund was \$8.4 million or 52.3 percent of total general fund expenditures in fiscal year 2007.
- The City's total long-term debt decreased by \$3.7 million during the fiscal year as a result of principal payment.

### 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 in net assets 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/economic development, 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 14-16 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 short-term receipts and disbursements of financial resources, as well as balance of financial resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The focus of governmental funds is more narrow than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and 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 balance 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 nonmajor governmental funds. Individual fund data for each of these nonmajor 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 17-22 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 devices 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 computer and related information systems. Because fleet and computer 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 23-27 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 28 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 29-57 of this report.

**Other information:** Required supplementary information consisting of budgetary comparison schedules for the General Fund and each major special revenue fund with an adopted budget can be found starting on page 58.

Combining statements for nonmajor governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. In addition, budget vs actual schedules for those nonmajor funds with an adopted budget are located here. These statements and schedules can be found on pages 66-113 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, 2007, City assets exceeded liabilities by \$196.8 million as summarized below:

| <b>City of Norco, California</b>                |                         |                       |                          |                      |                    |                       |
|---|-------------------------|-----------------------|--------------------------|----------------------|--------------------|-----------------------|
| <b>Statement of Net Assets</b>                  |                         |                       |                          |                      |                    |                       |
|   | Governmental activities |                       | Business-type activities |                      | Total              |                       |
|   | 2007                    | 2006                  | 2007                     | 2006                 | 2007               | 2006                  |
| <b>Assets:</b>                                  |                         |                       |                          |                      |                    |                       |
| Current and other assets                        | \$ 92,398,455           | \$ 92,216,925         | \$ 12,466,804            | \$ 16,008,429        | \$ 104,865,259     | \$ 108,225,354        |
| Capital assets (net of depreciation)            | 151,444,279             | 144,959,084           | 58,020,979               | 53,948,630           | 209,465,258        | 198,907,714           |
| <b>Total assets</b>                             | <b>243,842,734</b>      | <b>237,176,009</b>    | <b>70,487,783</b>        | <b>69,957,059</b>    | <b>314,330,517</b> | <b>307,133,068</b>    |
| <b>Liabilities:</b>                             |                         |                       |                          |                      |                    |                       |
| <b>Current and other</b>                        |                         |                       |                          |                      |                    |                       |
| Liabilities                                     | 7,483,095               | 7,051,794             | 2,873,774                | 2,261,133            | 10,356,869         | 9,312,927             |
| Long-term liabilities                           | 85,147,568              | 87,255,201            | 22,043,327               | 22,717,388           | 107,190,895        | 109,972,589           |
| <b>Total liabilities</b>                        | <b>92,630,663</b>       | <b>94,306,995</b>     | <b>24,917,101</b>        | <b>24,978,521</b>    | <b>117,547,764</b> | <b>119,285,516</b>    |
| <b>Net assets:</b>                              |                         |                       |                          |                      |                    |                       |
| Invested in capital assets, net of related debt | 151,388,100             | 144,879,068           | 36,930,507               | 35,602,853           | 188,318,607        | 180,481,921           |
| Restricted                                      | 55,995,625              | 57,107,710            | 8,718,561                | 12,935,528           | 64,714,186         | 70,043,238            |
| Unrestricted                                    | (56,171,654)            | (59,117,764)          | (78,386)                 | (3,559,843)          | (56,250,040)       | (62,677,607)          |
| <b>Total net assets</b>                         | <b>\$ 151,212,071</b>   | <b>\$ 142,869,014</b> | <b>\$ 45,570,682</b>     | <b>\$ 44,978,538</b> | <b>196,782,753</b> | <b>\$ 187,847,552</b> |

Net assets for the fiscal year ended June 30, 2007, 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 95.7 percent of the City's net assets for fiscal year ended June 30, 2007. 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, \$64.7 million for fiscal year 2007 and \$70 million for fiscal year 2006, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net assets), is negative \$56.2 million and negative \$62.7 million for fiscal years 2007 and 2006 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 the balance of bond proceeds that is restricted and cumulative operating expenses exceeding cumulative operating revenues in the Water Fund. The accumulated operating deficits will be gradually eliminated by a combination of rate increases and reduction of expenses.

**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**

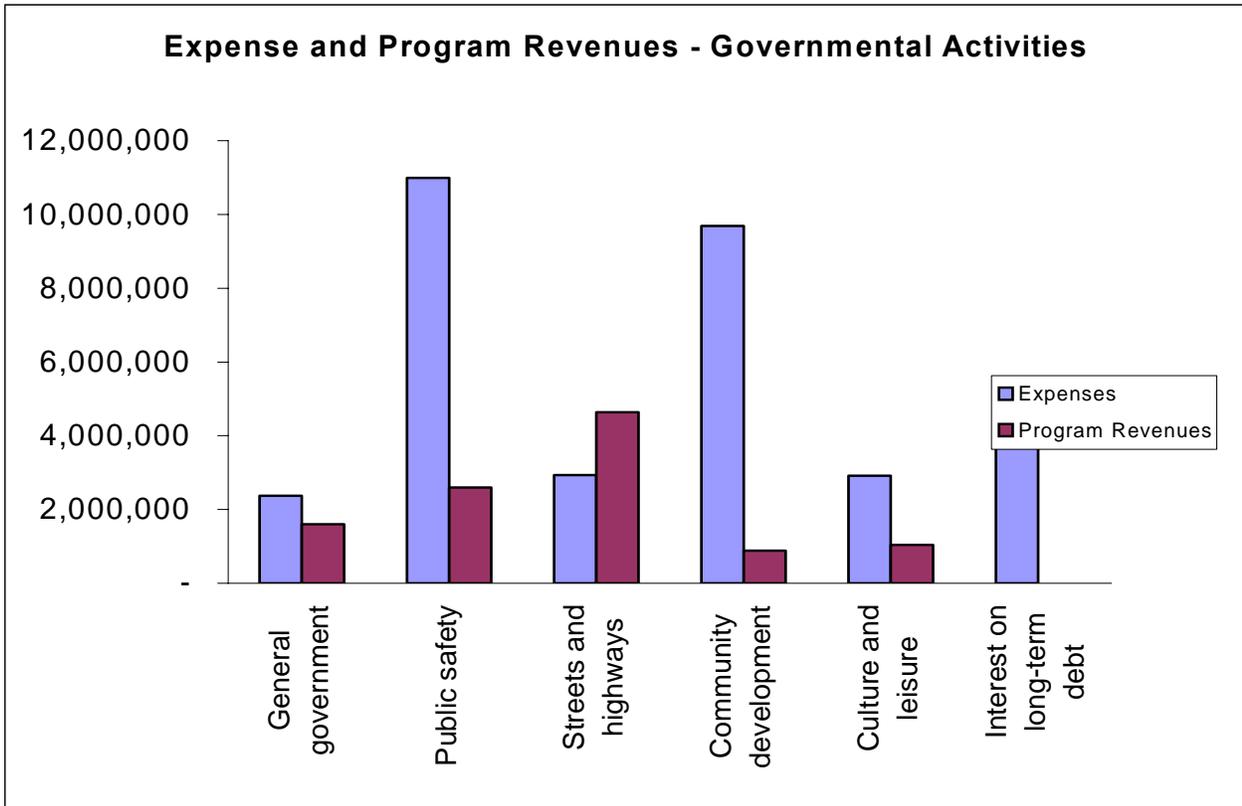
|                                       | Governmental activities |                       | Business-type activities |                      | Total                 |                       |
|---------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                       | 2007                    | 2006                  | 2007                     | 2006                 | 2007                  | 2006                  |
| Revenues:                             |                         |                       |                          |                      |                       |                       |
| Program Revenues:                     |                         |                       |                          |                      |                       |                       |
| Charges for services                  | \$ 4,660,181            | \$ 5,023,726          | \$ 9,722,486             | \$ 9,473,216         | \$ 14,382,667         | \$ 14,496,942         |
| Operating grants and contributions    | 3,099,986               | 2,448,984             | -                        | -                    | 3,099,986             | 2,448,984             |
| Capital grants and contributions      | 2,356,978               | 2,001,841             | 2,017,403                | 5,071,845            | 4,374,381             | 7,073,686             |
| General revenues                      | 31,029,335              | 27,123,945            | 49,544                   | 528,279              | 31,078,879            | 27,652,224            |
| <b>Total revenues</b>                 | <b>41,146,480</b>       | <b>36,598,496</b>     | <b>11,789,433</b>        | <b>15,073,340</b>    | <b>52,935,913</b>     | <b>51,671,836</b>     |
| Expenses:                             |                         |                       |                          |                      |                       |                       |
| General government                    | 2,369,307               | 2,444,678             | -                        | -                    | 2,369,307             | 2,444,678             |
| Public safety                         | 10,984,557              | 10,030,419            | -                        | -                    | 10,984,557            | 10,030,419            |
| Streets and highways                  | 2,931,992               | 2,667,196             | -                        | -                    | 2,931,992             | 2,667,196             |
| Community development                 | 9,682,225               | 9,661,594             | -                        | -                    | 9,682,225             | 9,661,594             |
| Culture and leisure                   | 2,915,016               | 2,575,970             | -                        | -                    | 2,915,016             | 2,575,970             |
| Interest on long-term debt            | 4,210,091               | 4,498,959             | -                        | -                    | 4,210,091             | 4,498,959             |
| Water                                 | -                       | -                     | 6,644,244                | 7,000,699            | 6,644,244             | 7,000,699             |
| Sewer                                 | -                       | -                     | 4,263,280                | 3,969,304            | 4,263,280             | 3,969,304             |
| <b>Total expenses</b>                 | <b>33,093,188</b>       | <b>31,878,816</b>     | <b>10,907,524</b>        | <b>10,970,003</b>    | <b>44,000,712</b>     | <b>42,848,819</b>     |
| Change in net assets before transfers | 8,053,292               | 4,719,680             | 881,909                  | 4,103,337            | 8,935,201             | 8,823,017             |
| Transfers                             | 289,765                 | 290,792               | (289,765)                | (290,792)            | -                     | -                     |
| Change in net assets                  | 8,343,057               | 5,010,472             | 592,144                  | 3,812,545            | 8,935,201             | 8,823,017             |
| Net assets, beginning                 | 142,869,014             | 137,858,542           | 44,978,538               | 41,165,993           | 187,847,552           | 179,024,535           |
| <b>Net assets, ending</b>             | <b>\$ 151,212,071</b>   | <b>\$ 142,869,014</b> | <b>\$ 45,570,682</b>     | <b>\$ 44,978,538</b> | <b>\$ 196,782,753</b> | <b>\$ 187,847,552</b> |

During the year, net assets increased by \$8.9 million. Further analyses are provided below.

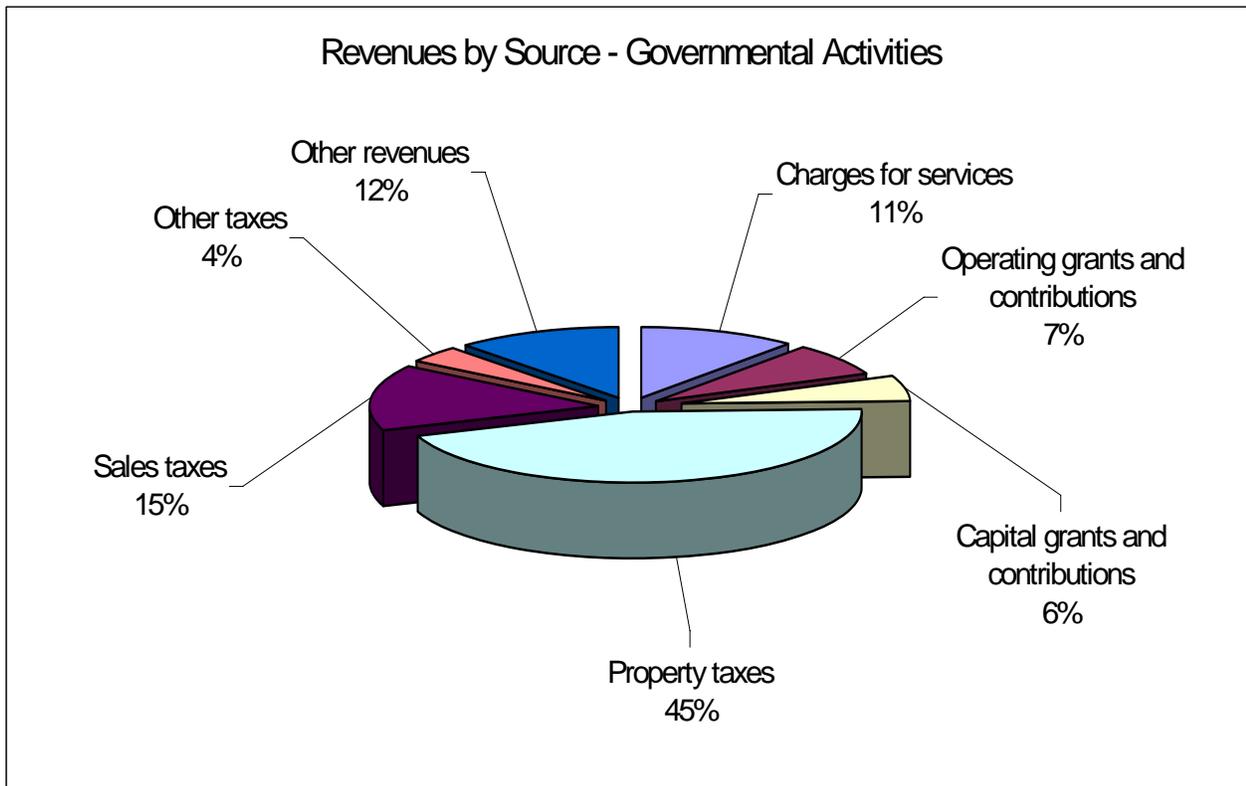
**Governmental activities:** Net assets from governmental activities increased by \$8.3 million or 93.4% of the total increase in City net assets. Some of the reasons for the increases are as follows:

- General fund revenues exceeded expenses by \$.6 million due to better than anticipated receipts from taxes, charges for services and investment earnings.
- Receipt of redevelopment revenues in the housing fund exceeded expenses by \$1.4 million while receipts in other governmental funds exceeded expenditures by \$1.9 million.
- Receipt of \$4.4 million in operating capital contributions from other governments and property developers.

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 below provides a graphic representation of governmental activities revenue by source.

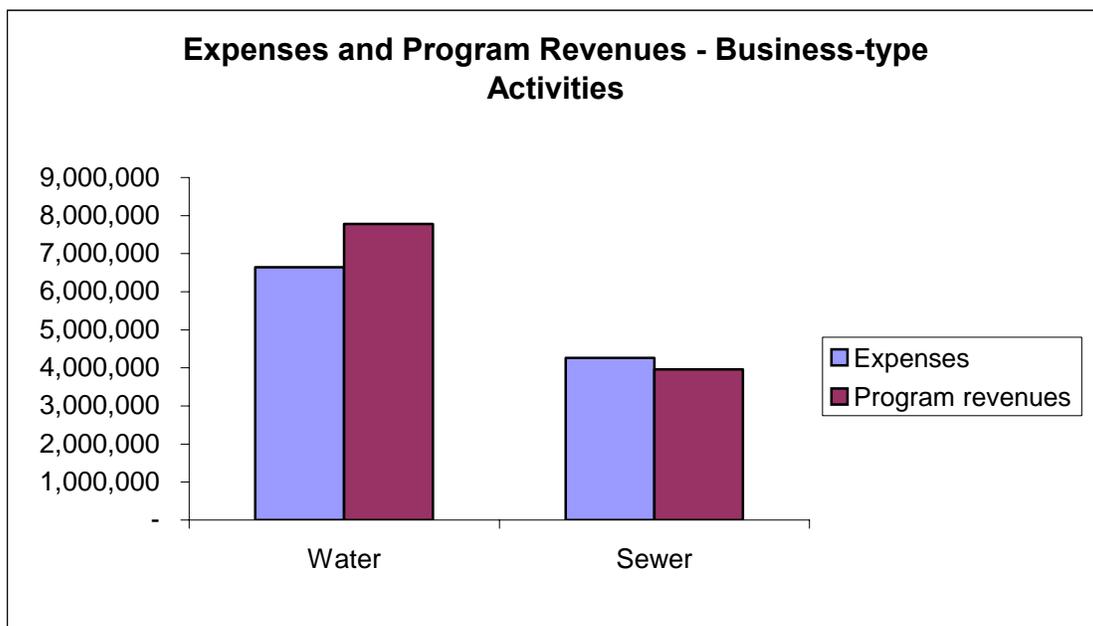


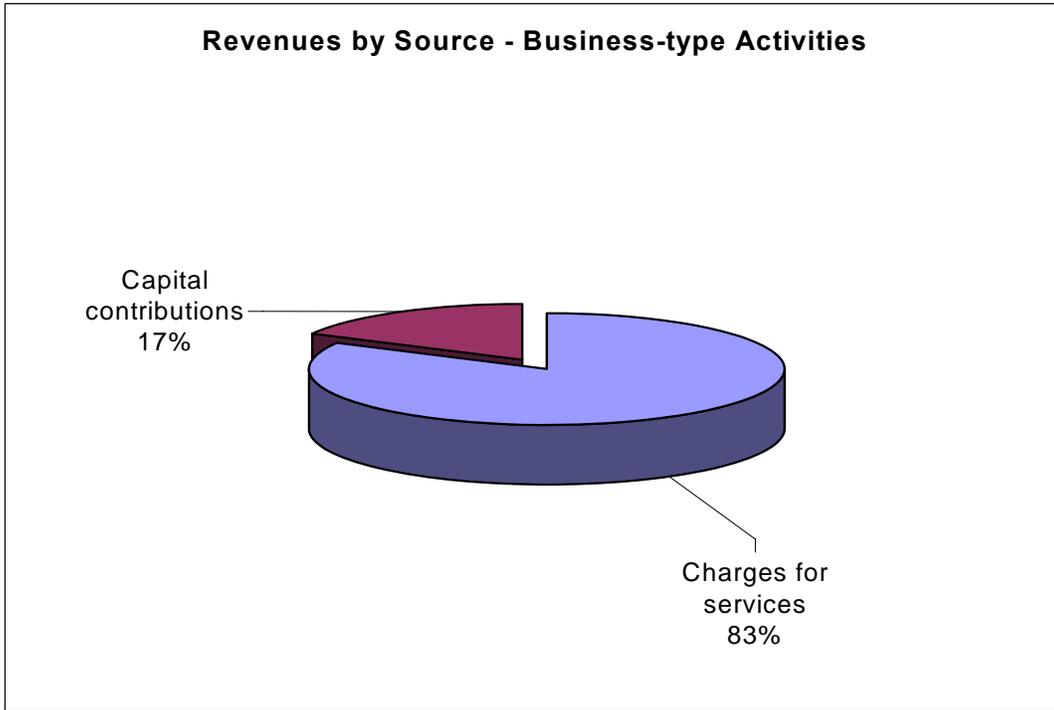
The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable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

Regarding the revenues by source chart, it is to be noted that nearly 80 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 \$.6 million during the fiscal year. Water Fund net assets increased by \$1.0 million while Sewer Fund net assets decreased by \$.4 million. The increase in the Water Fund came from operating income and capital contributions. The decrease in the net assets of the Sewer fund came from operating loss of \$.9 million and transfers out of \$.1 million offset by capital contributions of \$.6 million. The operating loss in the Sewer Fund came mainly from interest expense, depreciation and amortization of capital assets. The operating loss situation is being addressed by implementing rate adjustments that have been approved by the city council.

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 61 and 66 percent respectively of business-type activities. Sewer fund revenue and expenses make up the remaining 39 and 34 percent of expenses and revenues respectively. As shown on the revenues by source chart on page 10, charges for services represent 83% of business-type activities' revenue while capital contributions represent 17%.





**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 17-22 for more details on governmental funds.

As of June 30, 2007, the City’s governmental funds reported combined ending fund balances of \$84.2 million, a decrease of \$.9 million in comparison with the prior year. Of the \$84.2 million, \$63.1 million, or 75%, 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 expenditures exceeding revenues. Expenditures include \$6.7 million of capital outlay which is not capitalized in the fund financial statements and \$2.3 million of principal payments on capital debt. During the year, the fund balance increased by \$.6 million in the general fund, redevelopment special revenue fund balance increased by \$1.4 million and the fund balance for non-major governmental funds decreased by \$3.2 million. The increase in the redevelopment special revenue fund came from more than anticipated increase in tax increment revenues. The increase in general fund balance came from more than anticipated increase in property tax receipts. The redevelopment capital project fund had an increase of \$1.4 million in fund balance due to substantial increase in property tax increment receipts.

**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 \$3.2 million and the water fund amounted to (\$3.3) million. The negative unrestricted net assets in the water fund are due largely to accumulated operating deficits and investments in fixed assets needed to ensure ongoing delivery of water services. The operating deficit situation is being addressed through rate adjustments. During the fiscal year, the net assets of the Water Fund increased by \$1.0 million. This increase came from net operating income of \$.3 million and capital contributions from property developers of \$.7 million. On the other hand, the net assets of the sewer fund decreased by \$.4 million due to a net operating loss of \$1.1 million which was partially offset by capital contribution from developers of \$.7 million. Other factors concerning the finances of these funds have been previously addressed in the discussion of the business-type activities on page 9. Proprietary funds financial statements can be found on pages 23-27.

### **General Fund Financial and Budgetary Highlights**

The general fund is the chief operating fund of the City. At June 30, 2007, unreserved fund balance was \$8.4 million which includes the amount set aside for various purposes 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 51.6 percent of general fund expenditures. For the fiscal year, general fund balance increased by \$.6 million from prior year due to more than anticipated receipts from property taxes, investment earnings and fines and penalties. The differences between general fund budget and actual are summarized below

- General fund actual revenues exceeded final budget by \$.9 million mainly due to more than anticipated receipts from property tax, investment earnings, fines and penalties. During the year, total general fund revenue budgets were increased by \$.5 million. The budget revision was to property taxes and motor vehicles license fees.
- Overall, actual general fund expenditures were in line with the final budget. There were no material revisions to the general fund expenditures budget during the year.

### **Capital Assets and Debt Administration**

**Capital Assets:** City investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$209.5 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, \$6.5 million and \$4.1 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:

- Modernization of Fire Station number 821 at a cost of \$1.5 million.
- Improvements at Ingalls Park at the amount of \$1.5 million
- Construction of Pikes Peak Park at a cost of \$2.7 million.
- Construction of sewer mains on Norco Hills road in the amount of \$1.0 million
- Various reclaimed waterline projects totaling \$1.9 million
- Various lift station replacement projects totaling \$.9 million

Additional information on the City's capital assets can be found on pages 43-44 in the notes to the basic financial statements and a summary is provided below.

**City of Norco**  
**Capital Assets (net of depreciation)**  
**June 30, 2007**

|                           | <b>Governmental<br/>activities</b> | <b>Business-type<br/>activities</b> | <b>Total</b>          |
|---------------------------|------------------------------------|-------------------------------------|-----------------------|
| Land                      | \$ 94,196,378                      | \$ 773,307                          | \$ 94,969,685         |
| Building and improvements | 10,014,372                         | 572,249                             | 10,586,621            |
| Equipment and machinery   | 2,946,445                          | 44,814,386                          | 47,760,831            |
| Infrastructure            | 28,249,748                         | -                                   | 28,249,748            |
| Construction in progress  | 16,037,336                         | 11,861,037                          | 27,898,373            |
| Total capital assets, net | <u>\$ 151,444,279</u>              | <u>\$ 58,020,979</u>                | <u>\$ 209,465,258</u> |

**Long-term debt:** At the end of fiscal year 2007, the City's total long debt outstanding was \$107.2 million. Of this amount, \$83.8 million is debt of the redevelopment agency backed by pledge of tax increment revenues. Of the remaining \$23.4 million, \$22.0 million is the debt of the sewer and water funds while \$1.4 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 45-53 in the notes to basic financial statements.

**City of Norco**  
**Outstanding Long Term Debt**  
**June 30, 2007**

|                               | <b>Governmental<br/>activities</b> | <b>Business-type<br/>activities</b> | <b>Total</b>          |
|-------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Capital leases                | \$ 41,050                          | \$ 13,538,952                       | \$ 13,580,002         |
| Tax allocation bonds          | 83,625,500                         | -                                   | 83,625,500            |
| Notes/loans payable           | 170,181                            | 767,470                             | 937,651               |
| Certificates of participation | -                                  | 7,605,000                           | 7,605,000             |
| Compensated absences          | 850,557                            | 131,905                             | 982,462               |
| Claims and judgment           | 460,280                            | -                                   | 460,280               |
| Total long-term debt          | <u>\$ 85,147,568</u>               | <u>\$ 22,043,327</u>                | <u>\$ 107,190,895</u> |

**Economic Factors and Next Year's Budgets and Rates**

- Over 37% of general fund revenue is derived from sales tax and nearly 50% of sales tax revenues are generated by the top ten sales tax generators. Four 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 a significant weakness in auto sales across the state. As a result of the high concentration in auto sales, it is expected that the City's sales tax growth in FY08 will likely lag behind the growth rate in the county. To diversify sales tax revenue sources and ensure continued revenue growth, the City recently trade marked the name "Horsetown USA" and has embarked on a branding campaign to promote the City to the equestrian community with the goal of attracting retail businesses that complement the City's equestrian lifestyle.
- In the last three 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 as of June 30, 2007, it is projected that the City's property tax receipts would grow by 7% in FY08. Unfortunately, the recent downturn in the housing market is expected to significantly slow down the growth in sales tax receipts and may negatively impact property tax receipts in the years to come.

- In fiscal year 2007, the City Council approved multi-year water rate increases to offset the rising cost of purchasing, producing and delivering water to residents and businesses. Parts of the approved water rate increases are scheduled to be implemented during the upcoming fiscal year. 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 rate adjustments will be necessary in the future.
- During the fiscal year, the city reached a four year labor agreement with fire employees bargaining units to provide for annual adjustments to salaries and benefits based on market survey of selected cities in the area. The average adjustment as result of this agreement for fiscal year 2008 is 10% including salaries and benefits. Subsequent year adjustments are anticipated to be lower than the adjustments for fiscal year 2008.

### **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, 2007**

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                   |                            |                             |                       |
| Cash and investments                            | \$ 46,363,790              | \$ 6,306,755                | \$ 52,670,545         |
| Cash and investments with fiscal agents         | 25,174,212                 | 5,291,247                   | 30,465,459            |
| Receivables:                                    |                            |                             |                       |
| Accounts, net                                   | 159,103                    | 1,814,753                   | 1,973,856             |
| Interest  | 1,170,625                  | 86,729                      | 1,257,354             |
| Loans   | 8,181,396                  | -                           | 8,181,396             |
| Due from other governments                      | 2,403,933                  | -                           | 2,403,933             |
| Internal balances                               | 1,504,537                  | (1,504,537)                 | -                     |
| Inventories                                     | -                          | 100,614                     | 100,614               |
| Prepays   | 14,092                     | -                           | 14,092                |
| Land held for resale                            | 5,691,589                  | -                           | 5,691,589             |
| Deferred charges                                | 1,735,178                  | 371,243                     | 2,106,421             |
| Capital assets:                                 |                            |                             |                       |
| Land, improvements and construction in progress | 110,233,714                | 12,634,344                  | 122,868,058           |
| Other capital assets, net of depreciation       | 41,210,565                 | 45,386,635                  | 86,597,200            |
| <br>  |                            |                             |                       |
| Total assets                                    | <u>243,842,734</u>         | <u>70,487,783</u>           | <u>314,330,517</u>    |
| <b>LIABILITIES</b>                              |                            |                             |                       |
| Accounts payable                                | 2,789,219                  | 1,483,114                   | 4,272,333             |
| Accrued interest payable                        | 1,364,580                  | 99,336                      | 1,463,916             |
| Retentions payable                              | 436,026                    | 394,466                     | 830,492               |
| Unearned revenue                                | 17,933                     | -                           | 17,933                |
| Deposits payable                                | 2,282                      | 158,265                     | 160,547               |
| Noncurrent liabilities:                         |                            |                             |                       |
| Due within one year                             | 2,873,055                  | 738,593                     | 3,611,648             |
| Due in more than one year                       | 85,147,568                 | 22,043,327                  | 107,190,895           |
| <br>  |                            |                             |                       |
| Total liabilities                               | <u>92,630,663</u>          | <u>24,917,101</u>           | <u>117,547,764</u>    |
| <b>NET ASSETS</b>                               |                            |                             |                       |
| Invested in capital assets, net of related debt | 151,388,100                | 36,930,507                  | 188,318,607           |
| Restricted for:                                 |                            |                             |                       |
| Debt service                                    | 5,122,921                  | 602,144                     | 5,725,065             |
| Public safety                                   | 1,605,543                  | -                           | 1,605,543             |
| Capital projects                                | 30,997,589                 | 8,116,417                   | 39,114,006            |
| Community development                           | 18,269,572                 | -                           | 18,269,572            |
| Unrestricted                                    | (56,171,654)               | (78,386)                    | (56,250,040)          |
| <br>  |                            |                             |                       |
| Total net assets                                | <u>\$ 151,212,071</u>      | <u>\$ 45,570,682</u>        | <u>\$ 196,782,753</u> |

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

**City of Norco  
Statement of Activities  
For the Year Ended June 30, 2007**

| <b>Functions/Programs</b>          | <b>Expenses</b>      | <b>Program Revenues</b>    |   |   |
|------------------------------------|----------------------|----------------------------|---|---|
|                                    |                      | <b>Charges for Service</b> | <b>Operating Contributions and Grants</b> | <b>Capital Contributions and Grants</b> |
| <b>Governmental activities:</b>    |                      |                            |   |   |
| General government                 | \$ 2,369,307         | \$ 1,195,495               | \$ 394,242                                | \$ 5,516                                |
| Public safety                      | 10,984,557           | 1,184,179                  | 776,516                                   | -                                       |
| Streets and highways               | 2,931,992            | 502,427                    | 1,789,920                                 | 2,348,598                               |
| Community and economic development | 9,682,225            | 739,852                    | 139,308                                   | -                                       |
| Culture and leisure                | 2,915,016            | 1,038,228                  | -   | 2,864                                   |
| Interest in long-term debt         | 4,210,091            | -                          | -   | -                                       |
| Total governmental activities      | <u>33,093,188</u>    | <u>4,660,181</u>           | <u>3,099,986</u>                          | <u>2,356,978</u>                        |
| <b>Business-type activities:</b>   |                      |                            |   |   |
| Water                              | 6,644,244            | 6,804,540                  | -   | 972,334                                 |
| Sewer                              | 4,263,280            | 2,917,946                  | -   | 1,045,069                               |
| Total business-type activities     | <u>10,907,524</u>    | <u>9,722,486</u>           | <u>-</u>                                  | <u>2,017,403</u>                        |
| Total primary government           | <u>\$ 44,000,712</u> | <u>\$ 14,382,667</u>       | <u>\$ 3,099,986</u>                       | <u>\$ 4,374,381</u>                     |

General revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment Agency tax increment
- Transient occupancy tax
- Franchise tax
- Sales tax
- Sales tax in lieu
- Motor vehicle in lieu tax - unrestricted
- Public service taxes
- Unrestricted investment earnings
- Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (774,054)                       | \$ -                                | \$ (774,054)          |
| (9,023,862)                        | -                                   | (9,023,862)           |
| 1,708,953                          | -                                   | 1,708,953             |
| (8,803,065)                        | -                                   | (8,803,065)           |
| (1,873,924)                        | -                                   | (1,873,924)           |
| (4,210,091)                        | -                                   | (4,210,091)           |
| <u>(22,976,043)</u>                | <u>-</u>                            | <u>(22,976,043)</u>   |
| -                                  | 1,132,630                           | 1,132,630             |
| -                                  | (300,265)                           | (300,265)             |
| <u>-</u>                           | <u>832,365</u>                      | <u>832,365</u>        |
| 3,760,792                          | -                                   | 3,760,792             |
| 14,852,364                         | -                                   | 14,852,364            |
| 82,074                             | -                                   | 82,074                |
| 1,021,058                          | -                                   | 1,021,058             |
| 4,458,665                          | -                                   | 4,458,665             |
| 1,753,052                          | -                                   | 1,753,052             |
| 147,265                            | -                                   | 147,265               |
| 392,975                            | -                                   | 392,975               |
| 3,458,518                          | 43,886                              | 3,502,404             |
| 1,102,572                          | 5,658                               | 1,108,230             |
| 289,765                            | (289,765)                           | -                     |
| <u>31,319,100</u>                  | <u>(240,221)</u>                    | <u>31,078,879</u>     |
| 8,343,057                          | 592,144                             | 8,935,201             |
| <u>142,869,014</u>                 | <u>44,978,538</u>                   | <u>187,847,552</u>    |
| <u>\$ 151,212,071</u>              | <u>\$ 45,570,682</u>                | <u>\$ 196,782,753</u> |

## **FUND FINANCIAL STATEMENTS**

**City of Norco  
Balance Sheet  
Governmental Funds  
June 30, 2007**

|  | General              | Redevelopment<br>Special Revenue | Redevelopment<br>Debt Service |
|--|----------------------|----------------------------------|-------------------------------|
| <b>ASSETS</b>                            |                      |                                  |                               |
| Cash and investments                     | \$ 7,249,584         | \$ 2,585,998                     | \$ 8,155                      |
| Cash and investments with fiscal agents  | -                    | 5,905,653                        | 6,495,100                     |
| Receivables, net:                        |                      |                                  |                               |
| Accounts                                 | 144,026              | -                                | -                             |
| Interest                                 | 133,923              | 151,875                          | 104,165                       |
| Loans                                    | -                    | 8,181,396                        | -                             |
| Due from other governments               | 1,022,819            | 69,803                           | 683,495                       |
| Due from other funds                     | 1,675,158            | -                                | -                             |
| Land held for resale                     | -                    | 125,900                          | -                             |
|  | <u>\$ 10,225,510</u> | <u>\$ 17,020,625</u>             | <u>\$ 7,290,915</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>     |                      |                                  |                               |
| Liabilities:                             |                      |                                  |                               |
| Accounts payable and accrued liabilities | \$ 1,333,623         | \$ 37,736                        | \$ -                          |
| Retentions payable                       | -                    | 15,351                           | -                             |
| Deposits payable                         | -                    | -                                | -                             |
| Due to other funds                       | -                    | -                                | -                             |
| Loan payable                             | -                    | -                                | -                             |
| Deferred revenues                        | -                    | -                                | -                             |
| Claims and judgments                     | 460,280              | -                                | -                             |
|  | <u>1,793,903</u>     | <u>53,087</u>                    | <u>-</u>                      |
| Fund balances:                           |                      |                                  |                               |
| Reserved                                 | -                    | 8,307,296                        | 6,487,501                     |
| Unreserved:                              |                      |                                  |                               |
| Designated                               | 5,486,587            | -                                | -                             |
| Undesignated, reported in:               |                      |                                  |                               |
| General fund                             | 2,945,020            | -                                | -                             |
| Special revenue funds                    | -                    | 8,660,242                        | -                             |
| Debt service funds                       | -                    | -                                | 803,414                       |
| Capital projects funds                   | -                    | -                                | -                             |
|  | <u>8,431,607</u>     | <u>16,967,538</u>                | <u>7,290,915</u>              |
| Total fund balances                      | <u>8,431,607</u>     | <u>16,967,538</u>                | <u>7,290,915</u>              |
| Total liabilities and fund balances      | <u>\$ 10,225,510</u> | <u>\$ 17,020,625</u>             | <u>\$ 7,290,915</u>           |

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

| Redevelopment<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--|--------------------------------|
| \$ 16,988,478                     | \$ 16,817,687                              | \$ 43,649,902                  |
| 12,202,001                        | 571,458                                    | 25,174,212                     |
| -                                 | 15,077                                     | 159,103                        |
| 522,090                           | 223,925                                    | 1,135,978                      |
| 300,634                           | 389,215                                    | 8,871,245                      |
| 229,885                           | 397,931                                    | 2,403,933                      |
| -                                 | -  | 1,675,158                      |
| 5,565,689                         | -  | 5,691,589                      |
| <u>\$ 35,808,777</u>              | <u>\$ 18,415,293</u>                       | <u>\$ 88,761,120</u>           |
| <br>                              |  |                                |
| \$ 215,512                        | \$ 1,168,290                               | \$ 2,755,161                   |
| 32,118                            | 388,557                                    | 436,026                        |
| 2,282                             | -  | 2,282                          |
| -                                 | 170,621                                    | 170,621                        |
| 389,215                           | 300,634                                    | 689,849                        |
| -                                 | 46,486                                     | 46,486                         |
| -                                 | -  | 460,280                        |
| <u>639,127</u>                    | <u>2,074,588</u>                           | <u>4,560,705</u>               |
| <br>                              |  |                                |
| 5,866,323                         | 389,215                                    | 21,050,335                     |
| -                                 | -  | 5,486,587                      |
| -                                 | -  | 2,945,020                      |
| -                                 | 3,956,893                                  | 12,617,135                     |
| -                                 | -  | 803,414                        |
| 29,303,327                        | 11,994,597                                 | 41,297,924                     |
| <u>35,169,650</u>                 | <u>16,340,705</u>                          | <u>84,200,415</u>              |
| <br>                              |  |                                |
| <u>\$ 35,808,777</u>              | <u>\$ 18,415,293</u>                       | <u>\$ 88,761,120</u>           |

**City of Norco**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2007**

|  |                  |                              |
|--|------------------|------------------------------|
| Fund balances of governmental funds  |                  | \$ 84,200,415                |
| 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.  |                  | 149,974,952                  |
| Internal service funds are used by management to charge the costs of equipment usage to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. |                  | 4,197,898                    |
| Certain assets are not available to pay for current-period expenditures and therefore are deferred in the funds.   |                  | 28,553                       |
| 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  | \$ (85,711,052)  |                              |
| Less: Deferred charge for issuance costs   | 1,735,178        |                              |
| Plus: Premium on issuance of debt  | (793,090)        |                              |
| Less: Deferred loss on refunding   | 292,590          |                              |
| Accrued interest payable   | (1,364,580)      |                              |
| Long-term compensated absences payable   | (1,134,076)      |                              |
| Long-term claims and judgments payable   | <u>(214,717)</u> | <u>(87,189,747)</u>          |
| Net assets of governmental activities  |                  | <u><u>\$ 151,212,071</u></u> |

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

**City of Norco**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

|   | General             | Redevelopment<br>Special Revenue | Redevelopment<br>Debt Service |
|---|---------------------|----------------------------------|-------------------------------|
| <b>REVENUES</b>   |                     |                                  |                               |
| Taxes   | \$ 11,736,513       | \$ 2,920,961                     | \$ -                          |
| Assessments   | -                   | -                                | -                             |
| Licenses and permits                                      | 533,440             | -                                | -                             |
| Fines and forfeitures                                     | 709,921             | -                                | -                             |
| Development fees  | -                   | -                                | -                             |
| Intergovernmental   | 340,103             | -                                | 1,040,107                     |
| Charges for services                                      | 2,146,917           | -                                | -                             |
| Investment earnings                                       | 542,899             | 616,781                          | 320,300                       |
| Gain on sale of land held for resale                      | -                   | 106,723                          | -                             |
| Other   | 583,232             | 14,166                           | -                             |
| Total revenues  | <u>16,593,025</u>   | <u>3,658,631</u>                 | <u>1,360,407</u>              |
| <b>EXPENDITURES</b>                                       |                     |                                  |                               |
| Current:  |                     |                                  |                               |
| General government  | 2,327,377           | -                                | -                             |
| Public safety   | 10,375,540          | -                                | -                             |
| Streets and highways                                      | -                   | -                                | -                             |
| Community and economic development                        | 1,201,548           | 1,226,309                        | -                             |
| Culture and leisure                                       | 2,195,327           | -                                | -                             |
| Debt service:   |                     |                                  |                               |
| Principal   | 1,053               | 349,000                          | 1,726,000                     |
| Interest  | 822                 | 680,668                          | 3,470,710                     |
| Capital outlay:   |                     |                                  |                               |
| Other   | -                   | -                                | -                             |
| Total expenditures  | <u>16,101,667</u>   | <u>2,255,977</u>                 | <u>5,196,710</u>              |
| Excess (deficiency) of revenues over (under) expenditures | <u>491,358</u>      | <u>1,402,654</u>                 | <u>(3,836,303)</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                                  |                               |
| Proceeds from sale of asset                               | -                   | -                                | -                             |
| Transfers in  | 385,577             | 10,000                           | 3,584,816                     |
| Transfers out   | (237,163)           | -                                | (10,000)                      |
| Total other financing sources (uses)                      | <u>148,414</u>      | <u>10,000</u>                    | <u>3,574,816</u>              |
| Net change in fund balances                               | 639,772             | 1,412,654                        | (261,487)                     |
| Fund balances, beginning of year                          | <u>7,791,835</u>    | <u>15,554,884</u>                | <u>7,552,402</u>              |
| Fund balances, end of year                                | <u>\$ 8,431,607</u> | <u>\$ 16,967,538</u>             | <u>\$ 7,290,915</u>           |

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

| Redevelopment<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--|--------------------------------|
| \$ 11,931,403                     | \$ 1,032,015                               | \$ 27,620,892                  |
| -                                 | 428,045                                    | 428,045                        |
| -                                 | -  | 533,440                        |
| -                                 | -  | 709,921                        |
| -                                 | 1,166,958                                  | 1,166,958                      |
| -                                 | 1,543,209                                  | 2,923,419                      |
| -                                 | 105,807                                    | 2,252,724                      |
| 1,858,868                         | 1,010,138                                  | 4,348,986                      |
| -                                 | -  | 106,723                        |
| 22,015                            | -  | 619,413                        |
| <u>13,812,286</u>                 | <u>5,286,172</u>                           | <u>40,710,521</u>              |
| -                                 | -  | 2,327,377                      |
| -                                 | 449,919                                    | 10,825,459                     |
| -                                 | 1,464,876                                  | 1,464,876                      |
| 8,458,844                         | 175,306                                    | 11,062,007                     |
| -                                 | -  | 2,195,327                      |
| -                                 | 210,758                                    | 2,286,811                      |
| 26,586                            | 48,601                                     | 4,227,387                      |
| -                                 | 7,694,237                                  | 7,694,237                      |
| <u>8,485,430</u>                  | <u>10,043,697</u>                          | <u>42,083,481</u>              |
| <u>5,326,856</u>                  | <u>(4,757,525)</u>                         | <u>(1,372,960)</u>             |
| -                                 | 300,659                                    | 300,659                        |
| 402,917                           | 2,980,410                                  | 7,363,720                      |
| <u>(5,246,520)</u>                | <u>(1,679,250)</u>                         | <u>(7,172,933)</u>             |
| <u>(4,843,603)</u>                | <u>1,601,819</u>                           | <u>491,446</u>                 |
| 483,253                           | (3,155,706)                                | (881,514)                      |
| <u>34,686,397</u>                 | <u>19,496,411</u>                          | <u>85,081,929</u>              |
| <u>\$ 35,169,650</u>              | <u>\$ 16,340,705</u>                       | <u>\$ 84,200,415</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, 2007**

Net change in fund balances - total governmental funds \$ (881,514)

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. 6,674,456

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.

Principal payments on debt 2,286,811

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                       | \$ (107,159)  |           |
| Accrued interest on bonds                  | 21,292        |           |
| Amortization of deferred costs             | (80,483)      |           |
| Amortization of deferred loss on refunding | (16,255)      |           |
| Amortization of bond premium               | <u>38,031</u> | (144,574) |

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. 407,878

Change in net assets of governmental activities \$ 8,343,057

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

**City of Norco**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

|   | <b>Business-type Activities - Enterprise Funds</b> |                      |                   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</b> |
|---|--|----------------------|-------------------|---|
|   | <u>Water Utility</u>                               | <u>Sewer Utility</u> | <u>Total</u>      |   |
| <b>ASSETS</b>                           |  |                      |                   |   |
| Current assets:                         |  |                      |                   |   |
| Cash and investments                    | \$ 531,053   | \$ 5,775,702         | \$ 6,306,755      | \$ 2,713,888  |
| Cash and investments with fiscal agents | 5,291,247  | -                    | 5,291,247         | -   |
| Receivables:                            |  |                      |                   |   |
| Accounts, net                           | 1,309,959  | 504,794              | 1,814,753         | -   |
| Interest                                | 8,644  | 78,085               | 86,729            | 34,647  |
| Prepays                                 | -  | -                    | -                 | 14,092  |
| Inventories                             | 100,614  | -                    | 100,614           | -   |
|   | <u>7,241,517</u>                                   | <u>6,358,581</u>     | <u>13,600,098</u> | <u>2,762,627</u>  |
|   |  |                      |                   |   |
| Noncurrent assets:                      |  |                      |                   |   |
| Deferred charges                        | 219,033  | 152,210              | 371,243           | -   |
| Capital assets:                         |  |                      |                   |   |
| Land                                    | 773,307  | -                    | 773,307           | -   |
| Buildings and improvements              | 967,676  | 69,175               | 1,036,851         | -   |
| Utility plant                           | 6,037,343  | 804,999              | 6,842,342         | -   |
| Wastewater capacity rights              | -  | 17,793,248           | 17,793,248        | -   |
| Pipelines                               | 30,216,380   | 18,698,862           | 48,915,242        | -   |
| Vehicles and equipment                  | 307,303  | 24,723               | 332,026           | 3,885,800   |
| Construction in progress                | 3,959,547  | 7,901,490            | 11,861,037        | -   |
| Less accumulated amortization           | -  | (4,003,481)          | (4,003,481)       | -   |
| Less accumulated depreciation           | (17,217,299)                                       | (8,312,294)          | (25,529,593)      | (2,416,471)   |
|   | <u>25,263,290</u>                                  | <u>33,128,932</u>    | <u>58,392,222</u> | <u>1,469,329</u>  |
| Total noncurrent assets                 |  |                      |                   |   |
|   | <u>32,504,807</u>                                  | <u>39,487,513</u>    | <u>71,992,320</u> | <u>4,231,956</u>  |

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

**City of Norco**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

|   | <b>Business-type Activities - Enterprise Funds</b> |                      |               | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</b> |
|---|--|----------------------|---------------|---|
|   | <u>Water Utility</u>                               | <u>Sewer Utility</u> | <u>Total</u>  |   |
| <b>LIABILITIES</b>                              |  |                      |               |   |
| Current liabilities:                            |  |                      |               |   |
| Accounts payable and accrued liabilities        | \$ 661,657   | \$ 821,457           | \$ 1,483,114  | \$ 34,058   |
| Accrued interest                                | 58,608   | 40,728               | 99,336        | -   |
| Retentions payable                              | 84,545   | 309,921              | 394,466       | -   |
| Deposits payable                                | 102,559  | 55,706               | 158,265       | -   |
| Due to other funds                              | 1,504,537  | -                    | 1,504,537     | -   |
| Compensated absences                            | 27,611   | 16,358               | 43,969        | 6,766   |
| Capital lease payable - current                 | 606  | 426,000              | 426,606       | 19,572  |
| Loan payable - current                          | 68,018   | -                    | 68,018        | -   |
| Bonds payable - current                         | 118,000  | 82,000               | 200,000       | -   |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| Total current liabilities                       | 2,626,141  | 1,752,170            | 4,378,311     | 60,396  |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| Noncurrent liabilities:                         |  |                      |               |   |
| Compensated absences                            | 82,831   | 49,074               | 131,905       | 20,298  |
| Capital lease payable                           | 2,221  | 13,536,731           | 13,538,952    | 36,609  |
| Loan payable                                    | 767,470  | -                    | 767,470       | -   |
| Bonds payable                                   | 4,486,950  | 3,118,050            | 7,605,000     | -   |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| Total noncurrent liabilities                    | 5,339,472  | 16,703,855           | 22,043,327    | 56,907  |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| Total liabilities                               | 7,965,613  | 18,456,025           | 26,421,638    | 117,303   |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| <b>NET ASSETS</b>                               |  |                      |               |   |
| Invested in capital assets, net of related debt | 22,507,474   | 14,423,033           | 36,930,507    | 1,413,148   |
| Restricted for capital projects                 | 4,689,103  | 3,427,314            | 8,116,417     | -   |
| Restricted for debt service                     | 602,144  | -                    | 602,144       | -   |
| Unrestricted                                    | (3,259,527)  | 3,181,141            | (78,386)      | 2,701,505   |
|   | <hr/>  | <hr/>                | <hr/>         | <hr/>   |
| Total net assets                                | \$ 24,539,194                                      | \$ 21,031,488        | \$ 45,570,682 | \$ 4,114,653  |
|   | <hr/> <hr/>  | <hr/> <hr/>          | <hr/> <hr/>   | <hr/> <hr/>   |

*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, 2007**

|  | <b>Business-type Activities – Enterprise Fund</b> |                             |                             | <b>Governmental<br/>Activities –<br/>Internal</b> |
|--|---|-----------------------------|-----------------------------|---|
|  | <b>Water Utility</b>                              | <b>Sewer Utility</b>        | <b>Total</b>                | <b>Service Funds</b>                              |
| <b>OPERATING REVENUES</b>                    |   |                             |                             |   |
| Sales and charges for services               | \$ 6,804,641                                      | \$ 2,917,946                | \$ 9,722,587                | \$ 1,005,546                                      |
| Connection fees                              | 36,350  | 39,244                      | 75,594                      | -   |
| Miscellaneous                                | 1,136   | 4,421                       | 5,557                       | -   |
| Total operating revenues                     | <u>6,842,127</u>                                  | <u>2,961,611</u>            | <u>9,803,738</u>            | <u>1,005,546</u>                                  |
| <b>OPERATING EXPENSES</b>                    |   |                             |                             |   |
| General and administrative                   | 249,009   | 249,184                     | 498,193                     | 605,562   |
| Operations                                   | 5,326,707   | 2,484,645                   | 7,811,352                   | -   |
| Amortization                                 | -   | 444,831                     | 444,831                     | -   |
| Depreciation                                 | 727,293   | 399,217                     | 1,126,510                   | 350,369   |
| Total operating expenses                     | <u>6,303,009</u>                                  | <u>3,577,877</u>            | <u>9,880,886</u>            | <u>955,931</u>                                    |
| Operating income (loss)                      | <u>539,118</u>                                    | <u>(616,266)</u>            | <u>(77,148)</u>             | <u>49,615</u>                                     |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>  |   |                             |                             |   |
| Interest income                              | 255,741   | 407,775                     | 663,516                     | 135,298   |
| Interest and fiscal charges                  | (337,667)   | (678,155)                   | (1,015,822)                 | (965)   |
| Amortization of deferred charges             | (10,430)  | (7,248)                     | (17,678)                    | -   |
| Gain on disposal of assets                   | -   | -                           | -                           | 64,297  |
| Total nonoperating revenues<br>(expenses)    | <u>(92,356)</u>                                   | <u>(277,628)</u>            | <u>(369,984)</u>            | <u>198,630</u>                                    |
| Income before contributions<br>and transfers | <u>446,762</u>                                    | <u>(893,894)</u>            | <u>(447,132)</u>            | <u>248,245</u>                                    |
| Capital contributions                        | 680,243   | 641,936                     | 1,322,179                   | 60,655  |
| Transfers in                                 | -   | -                           | -                           | 98,978  |
| Transfers out                                | (143,016)   | (146,749)                   | (289,765)                   | -   |
| Change in net assets                         | 983,989   | (398,707)                   | 585,282                     | 407,878   |
| Net assets, beginning of year                | <u>23,555,205</u>                                 | <u>21,430,195</u>           | <u>44,985,400</u>           | <u>3,706,775</u>                                  |
| Net assets, end of year                      | <u><u>\$ 24,539,194</u></u>                       | <u><u>\$ 21,031,488</u></u> | <u><u>\$ 45,570,682</u></u> | <u><u>\$ 4,114,653</u></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, 2007**

|  | <b>Business-type Activities – Enterprise Funds</b> |                      |                      | <b>Governmental<br/>Activities –<br/>Internal<br/>Service Funds</b> |
|--|--|----------------------|----------------------|---|
|  | <u>Water Utility</u>                               | <u>Sewer Utility</u> | <u>Total</u>         |   |
| <b>Cash flows from operating activities:</b>                     |  |                      |                      |   |
| Cash received from customers                                     | \$ 6,209,321                                       | \$ 2,963,259         | \$ 9,172,580         | \$ -  |
| Cash received from interfund services provided                   | -  | -                    | -                    | 1,005,546   |
| Cash payments to suppliers                                       | (4,628,520)  | (1,837,661)          | (6,466,181)          | (425,975)   |
| Cash payments to employees for services                          | (776,054)  | (448,076)            | (1,224,130)          | (175,208)   |
| Net cash provided by operating activities                        | <u>804,747</u>                                     | <u>677,522</u>       | <u>1,482,269</u>     | <u>404,363</u>  |
| <b>Cash flows from noncapital financing activities:</b>          |  |                      |                      |   |
| Transfer from other funds  | -  | -                    | -                    | 98,978  |
| Transfer to other funds  | (143,016)  | (146,749)            | (289,765)            | -   |
| Net cash provided by (used for) noncapital financing activities  | <u>(143,016)</u>                                   | <u>(146,749)</u>     | <u>(289,765)</u>     | <u>98,978</u>   |
| <b>Cash flows from capital and related financing activities:</b> |  |                      |                      |   |
| Acquisition and construction of capital assets                   | (868,928)  | (3,844,486)          | (4,713,414)          | (201,720)   |
| Capital contributions  | 160,200  | 231,705              | 391,905              | -   |
| Proceeds from disposal of capital assets                         | -  | -                    | -                    | 180,839   |
| Principal payments - loans                                       | (65,163)   | -                    | (65,163)             | (47,980)  |
| Principal payments - capital lease                               | (527)  | (422,963)            | (423,490)            | (17,128)  |
| Principal payments - bonds                                       | (115,050)  | (79,950)             | (195,000)            | -   |
| Interest and fiscal charges                                      | (338,933)  | (679,034)            | (1,017,967)          | (965)   |
| Net cash (used for) capital and related financing activities     | <u>(1,228,401)</u>                                 | <u>(4,794,728)</u>   | <u>(6,023,129)</u>   | <u>(86,954)</u>   |
| <b>Cash flows from investing activities:</b>                     |  |                      |                      |   |
| Interest income  | 252,550  | 436,088              | 688,638              | 123,994   |
| Net cash provided by investing activities                        | <u>252,550</u>                                     | <u>436,088</u>       | <u>688,638</u>       | <u>123,994</u>  |
| Net increase (decrease) in cash and investments                  | (314,120)  | (3,827,867)          | (4,141,987)          | 540,381   |
| Cash and investments, beginning of year                          | <u>6,136,420</u>                                   | <u>9,603,569</u>     | <u>15,739,989</u>    | <u>2,173,507</u>  |
| Cash and investments, end of year                                | <u>\$ 5,822,300</u>                                | <u>\$ 5,775,702</u>  | <u>\$ 11,598,002</u> | <u>\$ 2,713,888</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, 2007**

|  | <b>Business-type Activities – Enterprise Funds</b> |                      |                      | <b>Governmental<br/>Activities –<br/>Internal<br/>Service Funds</b> |
|--|--|----------------------|----------------------|---|
|  | <u>Water Utility</u>                               | <u>Sewer Utility</u> | <u>Total</u>         |   |
| <b>Current assets:</b>   |  |                      |                      |   |
| Cash and investments   | \$ 531,053   | \$ 5,775,702         | \$ 6,306,755         | \$ 2,713,888  |
| Cash and investments with<br>fiscal agents   | 5,291,247  | -                    | 5,291,247            | -   |
| Total cash and investments   | <u>\$ 5,822,300</u>                                | <u>\$ 5,775,702</u>  | <u>\$ 11,598,002</u> | <u>\$ 2,713,888</u>   |
| <b>Reconciliation of operating<br/>income (loss) to net cash<br/>provided by operating<br/>activities:</b> |  |                      |                      |   |
| Operating income (loss)  | \$ 539,118   | \$ (616,266)         | \$ (77,148)          | \$ 49,615   |
| Adjustments to reconcile<br>operating income (loss) to net<br>cash provided by operating<br>activities:    |  |                      |                      |   |
| Amortization   | -  | 444,831              | 444,831              | -   |
| Depreciation   | 727,293  | 399,217              | 1,126,510            | 350,369   |
| (Increase) decrease in assets:   |  |                      |                      |   |
| Accounts receivable  | 15,831   | 333                  | 16,164               | -   |
| Prepays  | -  | -                    | -                    | 1,400   |
| Due from other funds   | -  | -                    | -                    | -   |
| Inventories  | (1,912)  | -                    | (1,912)              | -   |
| Increase (decrease) in<br>liabilities:   |  |                      |                      |   |
| Accounts payable   | 70,735   | 166,073              | 236,808              | (963)   |
| Accrued wages  | 2,832  | 1,096                | 3,928                | 1,228   |
| Deposits   | 1,917  | 1,315                | 3,232                | -   |
| Due to other funds   | (650,554)  | -                    | (650,554)            | -   |
| Retentions payable   | 84,544   | 269,862              | 354,406              | -   |
| Compensated absences   | 14,943   | 11,061               | 26,004               | 2,714   |
| Net cash provided by<br>operating activities   | <u>\$ 804,747</u>                                  | <u>\$ 677,522</u>    | <u>\$ 1,482,269</u>  | <u>\$ 404,363</u>   |
| <b>Noncash, investing, capital and<br/>financing activities:</b>   |  |                      |                      |   |
| Contributions of capital assets<br>from property owners  | \$ 520,043   | \$ 410,231           | \$ 930,274           | \$ -  |
| Contributions of capital assets<br>from government   | -  | -                    | -                    | 60,655  |

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

**City of Norco**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2007**

|   | Agency Funds |
|---|--------------|
| <b>ASSETS</b>                           |              |
| Cash and investments                    | \$ 4,316,163 |
| Cash and investments with fiscal agents | 3,118,179    |
| Receivables:                            |              |
| Accounts                                | 390,111      |
| Interest                                | 116,870      |
| Due from other governments              | 318,418      |
| Total assets                            | \$ 8,259,741 |
| <br><b>LIABILITIES</b>                  |              |
| Accounts payable                        | \$ 2,153,652 |
| Deposits payable                        | 949,618      |
| Due to bond holders                     | 5,156,471    |
| Total liabilities                       | \$ 8,259,741 |

*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, 2007**

**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 consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component 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 in 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, 2007**

**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, 2007**

**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 revenues susceptible to accrual include sales tax, state gasoline tax, utility users tax, investment income, and certain other intergovernmental revenues. Reimbursable grant revenues are considered to be available if they are collected within six months of the end of the current fiscal period. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as unearned revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

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 and programs.

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, 2007**

**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, 2007**

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

**Other accounting policies**

***Interfund receivables and payables***

Activity between funds in the fund financial statements that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e, the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 1<sup>st</sup> to June 30<sup>th</sup>. All secured personal property taxes and one-half of the taxes on real property are due November 1<sup>st</sup>, the second installment is due February 1<sup>st</sup>. All taxes are delinquent, if unpaid, on December 10<sup>th</sup> and April 10<sup>th</sup> respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31<sup>st</sup>.

***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, 2007**

**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 and one half 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.

***Reclassifications***

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

***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, 2007**

**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, 2007**

**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 one public hearing to further review the proposed budget. At the conclusion of the public hearings, the budget is required to be adopted by a majority vote of the City council no later than June 30, which is the close of the City's fiscal year. The Council made several supplemental budgetary appropriations throughout the year, these supplemental appropriations were immaterial.

The appropriated budget is prepared by fund and department. Within each department, the budget is further detailed by expenditure type (e.g., salaries and benefits). 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, 2007**

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

**b. Deficit fund balances**

As of June 30, 2007, the following funds have deficit fund balances:

|                                |             |
|--------------------------------|-------------|
| <i>Special Revenue Funds:</i>  | Amount      |
| NPDES (1)                      | \$ (92,723) |
|                                |             |
| <i>Capital Projects Funds:</i> |             |
| Ingalls Park Grading (1)       | (60,282)    |

(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:

| Fund/Function                  | Expenditures  | Appropriations | Excess      |
|--------------------------------|---------------|----------------|-------------|
| <i>General fund:</i>           |               |                |             |
| Public safety                  | \$ 10,375,540 | \$ 10,352,793  | \$ (22,747) |
| Debt service                   | 1,875         | -              | (1,875)     |
|                                |               |                |             |
| <i>Special revenue funds:</i>  |               |                |             |
| Miscellaneous grants           | 89,693        | 81,074         | (8,619)     |
| Gas tax                        | 690,923       | 426,451        | (264,472)   |
| AQMD                           | 33,945        | 6,000          | (27,945)    |
| Local law enforcement grant    | 10,667        | 10,327         | (340)       |
|                                |               |                |             |
| <i>Capital projects funds:</i> |               |                |             |
| Trails improvement             | 106,899       | 104,100        | (2,799)     |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**III. DETAIL NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

Cash and investments at June 30, 2007, consisted of the following:

|   |                      |
|---|----------------------|
| Deposits with financial institutions and cash on hand | \$ 900,825           |
| Investments   | <u>89,669,521</u>    |
| Total cash and investments                            | <u>\$ 90,570,346</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                                     | \$ 51,876,638        |
| Cash and investments with fiscal agents                  | 31,259,366           |
| <br><i>Statement of Fiduciary Assets and Liabilities</i> |                      |
| Cash and investments                                     | 4,316,164            |
| Cash and investments with fiscal agents                  | <u>3,118,178</u>     |
| Total cash and investments                               | <u>\$ 90,570,346</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, 2007**

**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     | \$ 26,609,126        | \$ 26,609,126                  | \$ -                 | \$ -            | \$ -                |
| Held by trustee:          |                      |                                |                      |                 |                     |
| Money market funds        | 12,206,597           | 12,206,597                     | -                    | -               | -                   |
| Investment contracts      | 6,731,114            | -                              | -                    | -               | 6,731,114           |
| Corporate debt securities | 976,620              | -                              | 976,620              | -               | -                   |
| Federal agency securities | 43,146,064           | 25,151,790                     | 17,994,274           | -               | -                   |
| Total investments         | <u>\$ 89,669,521</u> | <u>\$ 63,967,513</u>           | <u>\$ 18,970,894</u> | <u>\$ -</u>     | <u>\$ 6,731,114</u> |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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      | \$ 26,609,126        | N/A                  | -                      | \$ 26,609,126        |
| Held by bond trustee:      |                      |                      |                        |                      |
| Money market funds         | 12,206,597           | AAA/Aa               | AAA                    | -                    |
| Investment contracts       | 6,731,114            | N/A                  | -                      | 6,731,114            |
| Corporate debt securities: |                      |                      |                        |                      |
| Bank of America Corp       | 976,620              | A                    | Aa2,AA                 | -                    |
| Federal agency securities  | 43,146,064           | N/A                  | AAA,Aaa                | -                    |
| <b>Total investments</b>   | <b>\$ 89,669,521</b> |                      |                        | <b>\$ 33,340,240</b> |

*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 | \$ 18,289,639   |
| Federal National Mortgage Association  | Federal agency securities | 19,764,785      |
| Federal Home Loan Mortgage Corporation | Federal agency securities | 5,091,687       |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007, \$1,180,577 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, 2007**

**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. Deferred loans are available to qualifying residents with a maximum loan amount of \$40,000, up to \$60,000 with executive approval. A 0% loan is available for seniors and the disabled and is not payable until sale or refinancing of the property. The 3% loan is available to qualified households without an age restriction and is due in 15 years or upon sale or refinancing of the property. As of June 30, 2007, the loans amount to \$3,081,396.

***Developer loans***

On May 22, 2007, the Agency entered into a Loan Agreement with a Developer to provide a loan of \$5,100,000 to provide a portion of the funds to finance the rehabilitation and conversion of eighty-six units of low-and very-low income housing units in Heritage Park Senior Citizen Apartment Complex. The financial assistance is in the form of a residual receipts loan which is to be repaid over a fifty-seven year affordability covenant period. The Loan is secured by a Second Debt of Trust against the property. The loan payments are 50% of the residual receipts with simple interest at 1%. The complex will remain as a low/moderate income senior housing complex over the entire term of the loan.

As of June 30, 2007 the total loans receivable were as follows:

|                        |                            |
|------------------------|----------------------------|
| Developer loans        | \$ 5,100,000               |
| Deferred loans         | <u>3,081,396</u>           |
| Total loans receivable | <u><u>\$ 8,181,396</u></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              |                         |                          |                          | Nonmajor                 | Total                      |
|--|----------------------------|-------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
|  | General                    | Special<br>revenue      | Debt<br>service          | Capital<br>projects      |                          |                            |
| Assessments                              | \$ -                       | \$ -                    | \$ -                     | \$ -                     | \$ 39,021                | \$ 39,021                  |
| Property taxes                           | 167,957                    | 69,803                  | -                        | 229,885                  | -                        | 467,645                    |
| Sales tax                                | 786,050                    | -                       | -                        | -                        | -                        | 786,050                    |
| Grants and contributions -<br>restricted | -                          | -                       | -                        | -                        | 358,910                  | 358,910                    |
| Other                                    | 68,812                     | -                       | 683,495                  | -                        | -                        | 752,307                    |
| Totals                                   | <u><u>\$ 1,022,819</u></u> | <u><u>\$ 69,803</u></u> | <u><u>\$ 683,495</u></u> | <u><u>\$ 229,885</u></u> | <u><u>\$ 397,931</u></u> | <u><u>\$ 2,403,933</u></u> |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 4: Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

|  | Beginning<br>balance  | Additions           | Deletions             | Ending<br>balance     |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| <b>Governmental activities:</b>              |                       |                     |                       |                       |
| Capital assets, not being depreciated:       |                       |                     |                       |                       |
| Land   | \$ 94,249,418         | \$ -                | \$ (53,040)           | \$ 94,196,378         |
| Construction in progress                     | 12,436,554            | 5,350,508           | (1,749,726)           | 16,037,336            |
| Total capital assets, not being depreciated  | <u>106,685,972</u>    | <u>5,350,508</u>    | <u>(1,802,766)</u>    | <u>110,233,714</u>    |
| Capital assets, being depreciated:           |                       |                     |                       |                       |
| Buildings and improvements                   | 12,212,049            | 1,787,584           | -                     | 13,999,633            |
| Improvements other than buildings            | 280,134               | 106,733             | -                     | 386,867               |
| Vehicles and equipment                       | 5,543,743             | 344,115             | (190,109)             | 5,697,749             |
| Infrastructure                               | 66,561,504            | 3,094,709           | -                     | 69,656,213            |
| Total capital assets, being depreciated      | <u>84,597,430</u>     | <u>5,333,141</u>    | <u>(190,109)</u>      | <u>89,740,462</u>     |
| Less accumulated depreciation for:           |                       |                     |                       |                       |
| Buildings and improvements                   | (3,711,821)           | (273,440)           | -                     | (3,985,261)           |
| Improvements other than buildings            | (10,461)              | (14,006)            | -                     | (24,467)              |
| Vehicles and equipment                       | (2,715,614)           | (471,657)           | 73,567                | (3,113,704)           |
| Infrastructure                               | (39,886,422)          | (1,520,043)         | -                     | (41,406,465)          |
| Total accumulated depreciation               | <u>(46,324,318)</u>   | <u>(2,279,146)</u>  | <u>73,567</u>         | <u>(48,529,897)</u>   |
| Total capital assets, being depreciated, net | <u>38,273,112</u>     | <u>3,053,995</u>    | <u>(116,542)</u>      | <u>41,210,565</u>     |
| Governmental activities capital assets, net  | <u>\$ 144,959,084</u> | <u>\$ 8,404,503</u> | <u>\$ (1,919,308)</u> | <u>\$ 151,444,279</u> |
| <b>Business-type activities:</b>             |                       |                     |                       |                       |
| Capital assets, not being depreciated:       |                       |                     |                       |                       |
| Land and improvements                        | \$ 773,307            | \$ -                | \$ -                  | \$ 773,307            |
| Construction in progress                     | 8,175,326             | 3,976,060           | (290,349)             | 11,861,037            |
| Total capital assets, not being depreciated  | <u>8,948,633</u>      | <u>3,976,060</u>    | <u>(290,349)</u>      | <u>12,634,344</u>     |
| Capital assets, being depreciated:           |                       |                     |                       |                       |
| Buildings and improvements                   | 1,021,350             | 15,501              | -                     | 1,036,851             |
| Utility plant                                | 6,796,865             | 45,477              | -                     | 6,842,342             |
| Wastewater capacity rights                   | 17,793,248            | -                   | -                     | 17,793,248            |
| Pipelines                                    | 47,018,240            | 1,897,002           | -                     | 48,915,242            |
| Vehicles and equipment                       | 332,026               | -                   | -                     | 332,026               |
| Total capital assets, being depreciated      | <u>72,961,729</u>     | <u>1,957,980</u>    | <u>-</u>              | <u>74,919,709</u>     |
| Less accumulated depreciation for:           |                       |                     |                       |                       |
| Buildings and improvements                   | (442,654)             | (21,948)            | -                     | (464,602)             |
| Utility plant                                | (2,315,257)           | (153,441)           | -                     | (2,468,698)           |
| Wastewater capacity rights                   | (3,558,650)           | (444,831)           | -                     | (4,003,481)           |
| Pipelines                                    | (21,486,078)          | (928,823)           | -                     | (22,414,901)          |
| Vehicles and equipment                       | (159,094)             | (22,298)            | -                     | (181,392)             |
| Total accumulated depreciation               | <u>(27,961,733)</u>   | <u>(1,571,341)</u>  | <u>-</u>              | <u>(29,533,074)</u>   |
| Total capital assets, being depreciated, net | <u>44,999,996</u>     | <u>386,639</u>      | <u>-</u>              | <u>45,386,635</u>     |
| Business-type activities capital assets, net | <u>\$ 53,948,629</u>  | <u>\$ 4,362,699</u> | <u>\$ (290,349)</u>   | <u>\$ 58,020,979</u>  |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 4: Capital Assets (continued)**

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

|  |                            |
|--|----------------------------|
| Governmental activities:   |                            |
| General government   | \$ 44,297                  |
| Public safety  | 154,722                    |
| Streets and highways   | 1,284,253                  |
| Community development  | 91,557                     |
| Culture and leisure  | 353,948                    |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>350,369</u>             |
| Total depreciation expense - governmental activities   | <u><u>\$ 2,279,146</u></u> |
| Business-type activities:  |                            |
| Water  | \$ 727,293                 |
| Sewer – amortization   | 444,831                    |
| Sewer – depreciation   | <u>399,217</u>             |
| Total depreciation expense - business-type activities  | <u><u>\$ 1,571,341</u></u> |

**Note 5: Retirement Plan**

*Plan description*

The City contributes to the California Public Employees Retirements System (PERS), a cost sharing 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 8% (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 10.802% for non-safety employees and 10.148% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS. The City's contributions to PERS for the years ending June 30, 2005, 2006 and 2007 were \$534,000, \$610,000 and \$739,045 respectively, which were equal to the required contributions for each year.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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.

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, 2005 valuation was (\$2,476,648) for the Miscellaneous Plan and \$133,766 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 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, 2005, was 16 years for the Miscellaneous Plan and 18 years for the Safety Plan.

**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 \$21,892 at June 30, 2007.

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 \$5,037 at June 30, 2007.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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 |
|---|----------------|
| 2008                                    | \$ 27,491      |
| 2009                                    | 27,491         |
| 2010                                    | 16,818         |
| 2011                                    | 1,875          |
| Total minimum lease payments            | 73,675         |
| Less: amount representing interest      | (11,840)       |
| Present value of minimum lease payments | \$ 61,835      |

**b. Bonds**

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.

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.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 6: Long-Term Debt (continued)**

In November 2004, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2004, in the aggregate principal of \$11,250,000. The bonds are dated November 22, 2004 with interest paid at a rate from 1.75% to 4.50% semi-annually on March 1 and September 1 each year, commencing on March 1, 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.

The following schedule illustrates the annual debt service requirements to maturity for Bonds outstanding as of June 30, 2007:

| Fiscal years ending June 30, | Tax allocation bonds |                      |
|------------------------------|----------------------|----------------------|
|                              | Principal            | Interest             |
| 2008                         | \$ 2,135,000         | \$ 4,093,740         |
| 2009                         | 2,205,000            | 4,024,325            |
| 2010                         | 2,285,000            | 3,944,031            |
| 2011                         | 2,375,000            | 3,854,848            |
| 2012                         | 2,470,000            | 3,759,059            |
| 2013 - 2017                  | 14,120,000           | 17,026,386           |
| 2018 - 2022                  | 17,935,000           | 13,218,589           |
| 2023 - 2027                  | 22,890,000           | 8,324,312            |
| 2028 - 2032                  | 18,845,000           | 2,184,544            |
| Totals                       | <u>\$ 85,260,000</u> | <u>\$ 60,429,834</u> |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 6: Long-Term Debt (continued)**

**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, 2007:

| Fiscal years ending June 30, | Measure A loan |           |
|------------------------------|----------------|-----------|
|                              | Principal      | Interest  |
| 2008                         | \$ 219,034     | \$ 18,488 |
| 2009                         | 170,181        | 8,084     |
| Totals                       | \$ 389,215     | \$ 26,572 |

**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, 2007, the loan balance was \$300,634.

**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, 2007, the loan amounts to \$389,215.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 6: Long-Term Debt (continued)**

**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 \$283,519. The long-term portions are also recorded in the statement of net assets and amount to \$850,557.

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 \$27,611 and \$16,358, respectively. The long-term portions are \$82,831 and \$49,074, 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.

**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<br>facility lease |
|---|------------------------------|
| 2008                                    | \$ 1,370,139                 |
| 2009                                    | 1,345,147                    |
| 2010                                    | 1,394,552                    |
| 2011                                    | 1,364,676                    |
| 2012                                    | 1,334,801                    |
| 2013 - 2017                             | 6,691,207                    |
| 2018 - 2022                             | 5,806,788                    |
| 2023 - 2027                             | 4,907,905                    |
| 2028                                    | 991,077                      |
| Total minimum lease payments            | 25,206,292                   |
| Less: amount representing interest      | (11,246,389)                 |
| Present value of minimum lease payments | \$ 13,959,903                |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 6: Long-Term Debt (continued)**

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 | <u>(4,003,481)</u>          |
| Total                          | <u><u>\$ 13,789,767</u></u> |

*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 \$5,268 at June 30, 2007.

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

| Fiscal years ending June 30,            | Capital leases         |
|---|------------------------|
| 2008                                    | \$ 1,875               |
| 2009                                    | 1,875                  |
| 2010                                    | 1,875                  |
| 2011                                    | <u>1,875</u>           |
| Total minimum lease payments            | 7,500                  |
| Less: amount representing interest      | <u>(1,845)</u>         |
| Present value of minimum lease payments | <u><u>\$ 5,655</u></u> |

**b. Economic Development Administration Loan**

During fiscal year 1978-79, the City received a loan from the Economic Development Administration (EDA) to fund improvements to the City water system. The loan bears interest at a rate of 5% and was made in the original amount of \$1,632,000. The principal due on this loan is recorded in the Water Enterprise Fund and as of June 30, 2007 the balance due was \$835,488. Debt service requirements on this loan are as follows:

| Fiscal years ending June 30, | Principal                | Interest                 |
|------------------------------|--------------------------|--------------------------|
| 2008                         | \$ 68,018                | \$ 37,730                |
| 2009                         | 71,014                   | 34,734                   |
| 2010                         | 74,161                   | 31,587                   |
| 2011                         | 77,464                   | 28,284                   |
| 2012                         | 80,933                   | 24,815                   |
| 2013 - 2017                  | <u>463,898</u>           | <u>85,786</u>            |
| Totals                       | <u><u>\$ 835,488</u></u> | <u><u>\$ 242,936</u></u> |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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            |
| 2008                         | \$ 200,000                         | \$ 392,894          |
| 2009                         | 210,000                            | 383,719             |
| 2010                         | 220,000                            | 373,356             |
| 2011                         | 230,000                            | 361,825             |
| 2012                         | 245,000                            | 349,653             |
| 2013 - 2017                  | 1,425,000                          | 1,541,984           |
| 2018 - 2022                  | 1,820,000                          | 1,127,500           |
| 2023 - 2027                  | 2,340,000                          | 597,063             |
| 2028 - 2030                  | 1,115,000                          | 57,784              |
| Totals                       | <u>\$ 7,805,000</u>                | <u>\$ 5,185,778</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. During the current fiscal year, the loan was paid in full.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007:

|  | Beginning<br>balance | Additions         | Deletions           | Ending<br>balance    | Due within one<br>year |
|--|----------------------|-------------------|---------------------|----------------------|------------------------|
| <b>Governmental activities:</b>                                    |                      |                   |                     |                      |                        |
| <i>Capital leases:</i>   |                      |                   |                     |                      |                        |
| Copiers  | \$ 80,016            | \$ -              | \$ 18,181           | \$ 61,835            | \$ 20,785              |
| Total capital leases   | <u>80,016</u>        | <u>-</u>          | <u>18,181</u>       | <u>61,835</u>        | <u>20,785</u>          |
| <i>Bonds payable:</i>  |                      |                   |                     |                      |                        |
| 2000 Tax allocation bonds  | 2,155,000            | -                 | 45,000              | 2,110,000            | 50,000                 |
| 2001 Refunding tax allocation bonds                                | 32,810,000           | -                 | 1,120,000           | 31,690,000           | 1,160,000              |
| 2001 Refunding tax allocation bonds (school district)              | 4,550,000            | -                 | 100,000             | 4,450,000            | 105,000                |
| 2003 Tax allocation bonds  | 19,905,000           | -                 | 525,000             | 19,380,000           | 530,000                |
| 2004 Tax allocation refunding bonds (school district pass-through) | 10,890,000           | -                 | 230,000             | 10,660,000           | 235,000                |
| 2005 Refunding tax allocation bonds                                | <u>17,025,000</u>    | <u>-</u>          | <u>55,000</u>       | <u>16,970,000</u>    | <u>55,000</u>          |
| Subtotal bonds payable   | 87,335,000           | -                 | 2,075,000           | 85,260,000           | 2,135,000              |
| Plus/(less) deferred amounts:                                      |                      |                   |                     |                      |                        |
| For deferred loss on refunding                                     | (308,845)            | -                 | (16,255)            | (292,590)            | -                      |
| For issuance premium   | 831,121              | -                 | 38,031              | 793,090              | -                      |
| Total bonds payable  | <u>87,857,276</u>    | <u>-</u>          | <u>2,096,776</u>    | <u>85,760,500</u>    | <u>2,135,000</u>       |
| <i>Loans payable:</i>  |                      |                   |                     |                      |                        |
| Riverside County Transportation Commission                         | 599,972              | -                 | 210,757             | 389,215              | 219,034                |
| Claims and judgments   | 674,997              | -                 | -                   | 674,997              | 214,717                |
| Compensated absences   | <u>1,024,203</u>     | <u>706,381</u>    | <u>596,508</u>      | <u>1,134,076</u>     | <u>283,519</u>         |
| Governmental activity long-term liabilities                        | <u>\$ 90,236,464</u> | <u>\$ 706,381</u> | <u>\$ 2,922,222</u> | <u>\$ 88,020,623</u> | <u>\$ 2,873,055</u>    |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**Note 6: Long-Term Debt (continued)**

| <b>Business-type activities:</b>              | Beginning<br>balance | Additions         | Deletions         | Ending<br>balance    | Due within one<br>year |
|---|----------------------|-------------------|-------------------|----------------------|------------------------|
| <i>Capital leases:</i>                        |                      |                   |                   |                      |                        |
| Wastewater facility                           | \$ 14,382,339        | \$ -              | \$ 422,436        | \$ 13,959,903        | \$ 425,394             |
| Copier  | 6,708                | -                 | 1,053             | 5,655                | 1,212                  |
| <i>Certificates of participation payable:</i> |                      |                   |                   |                      |                        |
| 1998 Certificates of participation            | 8,000,000            | -                 | 195,000           | 7,805,000            | 200,000                |
| <i>Loan payable:</i>                          |                      |                   |                   |                      |                        |
| US Economic Development Administration        | 900,652              | -                 | 65,164            | 835,488              | 68,018                 |
| Compensated absences                          | 149,869              | 118,533           | 92,528            | 175,874              | 43,969                 |
| Business-type activity long-term liabilities  | <u>\$ 23,439,568</u> | <u>\$ 118,533</u> | <u>\$ 776,181</u> | <u>\$ 22,781,920</u> | <u>\$ 738,593</u>      |

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

**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, 2007, 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<br>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, 2007**

**Note 9: Interfund Receivables, Payables and Transfers**

The composition of interfund balances at June 30, 2007, is as follows:

*Due to/from other funds*

| Receivable fund | Payable fund                  | Amount              |
|-----------------|-------------------------------|---------------------|
| General Fund    | Water Utility                 | \$ 1,504,537 (1)    |
|                 | Nonmajor governmental funds   | 170,621 (1)         |
|                 | Total due to/from other funds | <u>\$ 1,675,158</u> |

(1) To cover deficit cash balances.

*Interfund transfers*

| Fund receiving transfers              | Fund making transfers          | Amount              |
|---------------------------------------|--------------------------------|---------------------|
| <i>General Fund</i>                   | Nonmajor funds                 | \$ 120,074 (1)      |
|                                       | Sewer Utility                  | 134,618 (2)         |
|                                       | Water Utility                  | 130,885 (2)         |
| <i>Redevelopment Debt Service</i>     | Redevelopment Capital Projects | 3,584,816 (3)       |
| <i>Redevelopment Special Revenue</i>  | Redevelopment Debt Service     | 10,000              |
| <i>Redevelopment Capital Projects</i> | Nonmajor funds                 | 402,918 (4)         |
| <i>Nonmajor funds</i>                 | Nonmajor funds                 | 1,156,258 (4)       |
|                                       | General Fund                   | 175,000             |
|                                       | Redevelopment Capital Projects | 1,649,152 (4)       |
| <i>Internal Service Funds</i>         | Sewer Utility                  | 12,131              |
|                                       | General Fund                   | 62,163              |
|                                       | Water Utility                  | 12,131              |
|                                       | Redevelopment Capital Projects | 12,553              |
|                                       | Total transfers in             | <u>\$ 7,462,699</u> |

- (1) Transfers made to reimburse expenditures/expenses.
- (2) Transfers made to provide funding for future street repairs.
- (3) Transfers made to pay debt service.
- (4) Transfers made for capital project financing.

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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<br>Special<br>Revenue | Redevelopment<br>Debt Service | Redevelopment<br>Capital Projects | Nonmajor<br>Funds | Total                |
|-----------------------|-------------------------------------|-------------------------------|-----------------------------------|-------------------|----------------------|
| Reserved for:         |                                     |                               |                                   |                   |                      |
| Long-term receivables | \$ 8,181,396                        | \$ -                          | \$ 300,634                        | \$ 389,215        | \$ 8,871,245         |
| Debt service          | -                                   | 6,487,501                     | -                                 | -                 | 6,487,501            |
| Land held for resale  | 125,900                             | -                             | 5,565,689                         | -                 | 5,691,589            |
|                       | <u>8,307,296</u>                    | <u>6,487,501</u>              | <u>5,866,323</u>                  | <u>389,215</u>    | <u>21,050,335</u>    |
| Total reservations    | <u>\$ 8,307,296</u>                 | <u>\$ 6,487,501</u>           | <u>\$ 5,866,323</u>               | <u>\$ 389,215</u> | <u>\$ 21,050,335</u> |

Unreserved - designations:

General Fund

|                                     |                     |
|-------------------------------------|---------------------|
| Designated for self-insurance       | \$ 500,000          |
| Designated for future projects      | 850,000             |
| Designated for emergencies          | 4,025,000           |
| Designated for utility rate reserve | 36,500              |
| Designated for lease payments       | <u>75,087</u>       |
| Total General Fund designations     | <u>\$ 5,486,587</u> |

**City of Norco**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007, 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            | \$ 1,330,000         | \$ 103,215           | \$ 1,433,215         |
| Community Facilities District      |                      |                      |                      |
| 97-1 Norco Hills Refunding         | 7,395,000            | 4,906,331            | 12,301,331           |
| Community Facilities District      |                      |                      |                      |
| 2001-1 Norco Ridge Refunding       | 37,955,000           | 32,972,203           | 70,927,203           |
| Community Facilities District      |                      |                      |                      |
| 2002-1 Norco 50                    | 2,065,000            | 2,231,323            | 4,296,323            |
| 2004 Special Tax Refunding         |                      |                      |                      |
| Community Facilities District 93-1 | <u>1,805,000</u>     | <u>741,320</u>       | <u>2,546,320</u>     |
| <br>                               |                      |                      |                      |
| Totals                             | <u>\$ 50,550,000</u> | <u>\$ 40,954,392</u> | <u>\$ 91,504,392</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 18 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, 2007**

**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, 2007, the amount of these liabilities was \$674,997. The amount represents an estimate of \$610,969 for reported claims through June 30, 2007 and \$64,028 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, 2006 resulted from the following:

| Year | Liability at beginning | Current year claims and changes in estimates | Claim payments | Liability at end |
|------|------------------------|--|----------------|------------------|
| 2006 | \$ 581,430             | \$ 284,970                                   | \$ 191,403     | \$ 674,997       |
| 2007 | 674,997                | 97,822                                       | 97,822         | 674,997          |

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2005 to 2007. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2004/05, 2005/06 and 2006/07.

**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 43 retirees during the fiscal year was \$307,993.

As of year-end, there were 43 employees who had retired that were receiving 100 percent health care premium-coverage benefit. For the year-ended June 30, 2007, the City payments for these benefits ranges from \$272 to \$1,562 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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Taxes  | \$ 11,166,936       | \$ 11,334,936       | \$ 11,736,513       | \$ 401,577                    |
| Licenses and permits   | 758,012             | 758,012             | 533,440             | (224,572)                     |
| Fines and forfeitures  | 447,548             | 469,548             | 709,921             | 240,373                       |
| Intergovernmental  | 4,259               | 302,376             | 340,103             | 37,727                        |
| Charges for services   | 1,961,712           | 1,996,712           | 2,146,917           | 150,205                       |
| Investment earnings  | 233,994             | 233,994             | 542,899             | 308,905                       |
| Other  | 584,166             | 584,166             | 583,232             | (934)                         |
| <b>Total revenues</b>  | <b>15,156,627</b>   | <b>15,679,744</b>   | <b>16,593,025</b>   | <b>913,281</b>                |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| General government   | 2,437,680           | 2,462,887           | 2,327,377           | 135,510                       |
| Public safety  | 10,359,791          | 10,352,793          | 10,375,540          | (22,747)                      |
| Community and economic<br>Development                        | 1,244,299           | 1,264,902           | 1,201,548           | 63,354                        |
| Culture and leisure  | 2,340,834           | 2,350,532           | 2,195,327           | 155,205                       |
| Debt service:  |                     |                     |                     |                               |
| Principal  | -                   | -                   | 1,053               | (1,053)                       |
| Interest   | -                   | -                   | 822                 | (822)                         |
| <b>Total expenditures</b>                                    | <b>16,382,604</b>   | <b>16,431,114</b>   | <b>16,101,667</b>   | <b>329,447</b>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | (1,225,977)         | (751,370)           | 491,358             | 1,242,728                     |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                     |                               |
| Transfers in   | 419,971             | 425,738             | 385,577             | (40,161)                      |
| Transfers out  | (137,131)           | (137,131)           | (237,163)           | (100,032)                     |
| <b>Total other financing<br/>sources (uses)</b>              | <b>282,840</b>      | <b>288,607</b>      | <b>148,414</b>      | <b>(140,193)</b>              |
| Net change in fund balance                                   | (943,137)           | (462,763)           | 639,772             | 1,102,535                     |
| Fund balance, beginning of year                              | 7,791,835           | 7,791,835           | 7,791,835           | -                             |
| Fund balance, end of year                                    | <u>\$ 6,848,698</u> | <u>\$ 7,329,072</u> | <u>\$ 8,431,607</u> | <u>\$ 1,102,535</u>           |

**Required Supplementary Information**  
**City of Norco**  
**Budgetary Comparison Schedule - Redevelopment Special Revenue Fund**  
**For the Year Ended June 30, 2007**

|   | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
|   | Original             | Final                |                      |                               |
| <b>REVENUES</b>   |                      |                      |                      |                               |
| Taxes   | \$ 2,387,880         | \$ 2,387,880         | \$ 2,920,961         | \$ 533,081                    |
| Investment earnings                                       | 185,400              | 185,400              | 616,781              | 431,381                       |
| Gain on sale of land                                      | -                    | -                    | 106,723              | 106,723                       |
| Other   | 75,000               | 75,000               | 14,166               | (60,834)                      |
| <b>Total revenues</b>                                     | <b>2,648,280</b>     | <b>2,648,280</b>     | <b>3,658,631</b>     | <b>1,010,351</b>              |
| <b>EXPENDITURES</b>                                       |                      |                      |                      |                               |
| Current:  |                      |                      |                      |                               |
| Community and economic development                        | 5,834,114            | 5,903,674            | 1,226,309            | 4,677,365                     |
| Debt service:   |                      |                      |                      |                               |
| Principal   | 349,000              | 349,000              | 349,000              | -                             |
| Interest  | 681,916              | 681,916              | 680,668              | 1,248                         |
| <b>Total expenditures</b>                                 | <b>6,865,030</b>     | <b>6,934,590</b>     | <b>2,255,977</b>     | <b>4,678,613</b>              |
| Excess (deficiency) of revenues over (under) expenditures | (4,216,750)          | (4,286,310)          | 1,402,654            | 5,688,964                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                      |                      |                      |                               |
| Transfers in  | -                    | -                    | 10,000               | 10,000                        |
| Transfers out   | -                    | -                    | -                    | -                             |
| <b>Total other financing sources (uses)</b>               | <b>-</b>             | <b>-</b>             | <b>10,000</b>        | <b>10,000</b>                 |
| Net change in fund balance                                | (4,216,750)          | (4,286,310)          | 1,412,654            | 5,698,964                     |
| Fund balance, beginning of year                           | 15,554,884           | 15,554,884           | 15,554,884           | -                             |
| Fund balance, end of year                                 | <b>\$ 11,338,134</b> | <b>\$ 11,268,574</b> | <b>\$ 16,967,538</b> | <b>\$ 5,698,964</b>           |

**City of Norco**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2007**

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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Investment earnings  | \$ -                | \$ -                | \$ 320,300          | \$ 320,300                    |
| Intergovernmental  | 1,106,568           | 1,106,568           | 1,040,107           | (66,461)                      |
| Total revenues   | 1,106,568           | 1,106,568           | 1,360,407           | 253,839                       |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Debt Service:  |                     |                     |                     |                               |
| Principal  | 1,726,000           | 1,726,000           | 1,726,000           | -                             |
| Interest   | 3,475,700           | 3,475,700           | 3,470,710           | 4,990                         |
| Total expenditures   | 5,201,700           | 5,201,700           | 5,196,710           | 4,990                         |
| Excess (deficiency) of revenues<br>over (under) expenditures | (4,095,132)         | (4,095,132)         | (3,836,303)         | 258,829                       |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                     |                               |
| Transfer in  | 5,201,700           | 5,201,700           | 3,584,816           | (1,616,884)                   |
| Transfer out   | -                   | -                   | (10,000)            | (10,000)                      |
| Total other financing<br>sources (uses)                      | 5,201,700           | 5,201,700           | 3,574,816           | (1,626,884)                   |
| Net change in fund balance                                   | 1,106,568           | 1,106,568           | (261,487)           | (1,368,055)                   |
| Fund balance, beginning of<br>Year                           | 7,552,402           | 7,552,402           | 7,552,402           | -                             |
| Fund balance, end of year                                    | <u>\$ 8,658,970</u> | <u>\$ 8,658,970</u> | <u>\$ 7,290,915</u> | <u>\$ (1,368,055)</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, 2007**

|   | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
|   | Original             | Final                |                      |                               |
| <b>REVENUES</b>   |                      |                      |                      |                               |
| Taxes   | \$ 10,198,384        | \$ 10,198,384        | \$ 11,931,403        | \$ 1,733,019                  |
| Investment earnings                                       | 782,507              | 782,507              | 1,858,868            | 1,076,361                     |
| Other   | 210,628              | 210,628              | 22,015               | (188,613)                     |
| <b>Total revenues</b>                                     | <b>11,191,519</b>    | <b>11,191,519</b>    | <b>13,812,286</b>    | <b>2,620,767</b>              |
| <b>EXPENDITURES</b>                                       |                      |                      |                      |                               |
| Current:  |                      |                      |                      |                               |
| Community and economic development                        | 13,026,869           | 13,229,928           | 8,458,844            | 4,771,084                     |
| Debt service:   |                      |                      |                      |                               |
| Principal   | 197,703              | 197,703              | -                    | 197,703                       |
| Interest  | 33,748               | 33,748               | 26,586               | 7,162                         |
| <b>Total expenditures</b>                                 | <b>13,258,320</b>    | <b>13,461,379</b>    | <b>8,485,430</b>     | <b>4,975,949</b>              |
| Excess (deficiency) of revenues over (under) expenditures | (2,066,801)          | (2,269,860)          | 5,326,856            | 7,596,716                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                      |                      |                      |                               |
| Transfers in  | -                    | -                    | 402,917              | 402,917                       |
| Transfers out   | (4,755,757)          | (11,905,115)         | (5,246,520)          | 6,658,595                     |
| <b>Total other financing sources (uses)</b>               | <b>(4,755,757)</b>   | <b>(11,905,115)</b>  | <b>(4,843,603)</b>   | <b>7,061,512</b>              |
| Net change in fund balance                                | (6,822,558)          | (14,174,975)         | 483,253              | 14,658,228                    |
| Fund balance, beginning of year                           | 34,686,397           | 34,686,397           | 34,686,397           | -                             |
| Fund balance, end of year                                 | <b>\$ 27,863,839</b> | <b>\$ 20,511,422</b> | <b>\$ 35,169,650</b> | <b>\$ 14,658,228</b>          |

## **COMBINING NONMAJOR FUNDS**

## **Nonmajor Governmental Funds Fund Descriptions**

### **Special Revenue Funds**

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

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

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

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

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

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

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

*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.

*Special Asset* – to account for the proceeds from the sale of assets that are legally restricted for specific use by a resolution of the governing body.

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

*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 6<sup>th</sup> 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.

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

*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, 2007**

|   | Special Revenue Funds       |   |                   |
|---|-----------------------------|---|-------------------|
|   | Miscellaneous<br>Grant Fund | Community<br>Development<br>Block Grant | Gas Tax           |
| <b>ASSETS</b>                           |                             |   |                   |
| Cash and investments                    | \$ 13,381                   | \$ -                                    | \$ 67,007         |
| Cash and investments with fiscal agents | -                           | -                                       | -                 |
| Receivables, net:                       |                             |   |                   |
| Accounts                                | -                           | -                                       | -                 |
| Interest                                | -                           | -                                       | 2,115             |
| Loans                                   | -                           | -                                       | -                 |
| Due from other governments              | -                           | 10,503                                  | 50,258            |
| Due from other funds                    | -                           | -                                       | -                 |
|   | <u>\$ 13,381</u>            | <u>\$ 10,503</u>                        | <u>\$ 119,380</u> |
| <b>LIABILITIES AND FUND BALANCES</b>    |                             |   |                   |
| Liabilities:                            |                             |   |                   |
| Accounts payable and accrued expenses   | \$ 3,862                    | \$ -                                    | \$ 77,272         |
| Retentions payable                      | -                           | -                                       | -                 |
| Due to other funds                      | -                           | 10,503                                  | -                 |
| Loan payable                            | -                           | -                                       | -                 |
| Deferred revenues                       | 9,519                       | -                                       | -                 |
|   | <u>13,381</u>               | <u>10,503</u>                           | <u>77,272</u>     |
| Fund balances:                          |                             |   |                   |
| Reserved for:                           |                             |   |                   |
| Long-term receivables                   | -                           | -                                       | -                 |
| Unreserved, reported in:                |                             |   |                   |
| Special revenue funds                   | -                           | -                                       | 42,108            |
| Capital projects funds                  | -                           | -                                       | -                 |
|   | <u>-</u>                    | <u>-</u>                                | <u>42,108</u>     |
| Total fund balances                     | <u>-</u>                    | <u>-</u>                                | <u>42,108</u>     |
| Total liabilities and fund balances     | <u>\$ 13,381</u>            | <u>\$ 10,503</u>                        | <u>\$ 119,380</u> |

| Special Revenue Funds |                  |                               |                                   |  |
|-----------------------|------------------|-------------------------------|-----------------------------------|--|
| Measure A             | NPDES            | Air Quality Improvement Trust | Local Law Enforcement Block Grant | Supplemental Law Enforcement Block Grant |
| \$ 2,997,824          | \$ -             | \$ 41,524                     | \$ 262                            | \$ 101,611                               |
| -                     | -                | -                             | -                                 | -  |
| 8,124                 | -                | -                             | -                                 | -  |
| 36,101                | -                | 470                           | 95                                | 2,228                                    |
| 389,215               | -                | -                             | -                                 | -  |
| 124,246               | 27,569           | 8,400                         | -                                 | -  |
| -                     | -                | -                             | -                                 | -  |
| <u>\$ 3,555,510</u>   | <u>\$ 27,569</u> | <u>\$ 50,394</u>              | <u>\$ 357</u>                     | <u>\$ 103,839</u>                        |
| \$ 405,381            | \$ 3,607         | \$ -                          | \$ -                              | \$ -                                     |
| 110,414               | -                | -                             | -                                 | -  |
| -                     | 116,685          | -                             | -                                 | -  |
| -                     | -                | -                             | -                                 | -  |
| -                     | -                | -                             | -                                 | -  |
| <u>515,795</u>        | <u>120,292</u>   | <u>-</u>                      | <u>-</u>                          | <u>-</u>                                 |
| 389,215               | -                | -                             | -                                 | -  |
| 2,650,500             | (92,723)         | 50,394                        | 357                               | 103,839                                  |
| -                     | -                | -                             | -                                 | -  |
| <u>3,039,715</u>      | <u>(92,723)</u>  | <u>50,394</u>                 | <u>357</u>                        | <u>103,839</u>                           |
| <u>\$ 3,555,510</u>   | <u>\$ 27,569</u> | <u>\$ 50,394</u>              | <u>\$ 357</u>                     | <u>\$ 103,839</u>                        |

**City of Norco  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

|  | Special Revenue Funds |                             |   |
|--|-----------------------|-----------------------------|---|
|  | CLEEP                 | Office of<br>Traffic Safety | Landscape<br>Maintenance<br>District #1 |
| <b>ASSETS</b>                              |                       |                             |   |
| Cash and investments                       | \$ 4,983              | \$ 14,820                   | \$ 32,570                               |
| Cash and investments with fiscal agents    | -                     | -                           | -                                       |
| Receivables, net:                          |                       |                             |   |
| Accounts                                   | -                     | -                           | -                                       |
| Interest                                   | 64                    | -                           | 415                                     |
| Loans                                      | -                     | -                           | -                                       |
| Due from other governments                 | -                     | 100,967                     | 120                                     |
| Due from other funds                       | -                     | -                           | -                                       |
|  | <b>\$ 5,047</b>       | <b>\$ 115,787</b>           | <b>\$ 33,105</b>                        |
| <b>LIABILITIES AND FUND BALANCES</b>       |                       |                             |   |
| Liabilities:                               |                       |                             |   |
| Accounts payable and accrued expenses      | \$ -                  | \$ 115,787                  | \$ 210                                  |
| Retentions payable                         | -                     | -                           | -                                       |
| Due to other funds                         | -                     | -                           | -                                       |
| Loan payable                               | -                     | -                           | -                                       |
| Deferred revenues                          | -                     | -                           | -                                       |
|  | -                     | 115,787                     | 210                                     |
| Fund balances:                             |                       |                             |   |
| Reserved for:                              |                       |                             |   |
| Long-term receivables                      | -                     | -                           | -                                       |
| Unreserved, reported in:                   |                       |                             |   |
| Special revenue funds                      | 5,047                 | -                           | 32,895                                  |
| Capital projects funds                     | -                     | -                           | -                                       |
|  | 5,047                 | -                           | 32,895                                  |
| <b>Total fund balances</b>                 | <b>5,047</b>          | <b>-</b>                    | <b>32,895</b>                           |
| <b>Total liabilities and fund balances</b> | <b>\$ 5,047</b>       | <b>\$ 115,787</b>           | <b>\$ 33,105</b>                        |

Special Revenue Funds

| Landscape Maintenance District #2 | Landscape Maintenance District #3 | Landscape Maintenance District #4 | Landscape Maintenance District #5 | Special Asset     | Total Special Revenue Funds |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|-----------------------------|
| \$ 144,586                        | \$ 93,981                         | \$ 564,630                        | \$ 3,159                          | \$ 304,774        | \$ 4,385,112                |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 8,124                       |
| 1,883                             | 1,202                             | 7,031                             | 6                                 | 3,919             | 55,529                      |
| -                                 | -                                 | -                                 | -                                 | -                 | 389,215                     |
| 10,774                            | 5,676                             | 22,445                            | 5,482                             | -                 | 366,440                     |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| <u>\$ 157,243</u>                 | <u>\$ 100,859</u>                 | <u>\$ 594,106</u>                 | <u>\$ 8,647</u>                   | <u>\$ 308,693</u> | <u>\$ 5,204,420</u>         |
| \$ 1,182                          | \$ 640                            | \$ 2,259                          | \$ 991                            | \$ -              | \$ 611,191                  |
| -                                 | -                                 | -                                 | -                                 | -                 | 110,414                     |
| -                                 | -                                 | -                                 | -                                 | -                 | 127,188                     |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 9,519                       |
| <u>1,182</u>                      | <u>640</u>                        | <u>2,259</u>                      | <u>991</u>                        | <u>-</u>          | <u>858,312</u>              |
| -                                 | -                                 | -                                 | -                                 | -                 | 389,215                     |
| 156,061                           | 100,219                           | 591,847                           | 7,656                             | 308,693           | 3,956,893                   |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| <u>156,061</u>                    | <u>100,219</u>                    | <u>591,847</u>                    | <u>7,656</u>                      | <u>308,693</u>    | <u>4,346,108</u>            |
| <u>\$ 157,243</u>                 | <u>\$ 100,859</u>                 | <u>\$ 594,106</u>                 | <u>\$ 8,647</u>                   | <u>\$ 308,693</u> | <u>\$ 5,204,420</u>         |

**City of Norco  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

|   | Capital Projects Funds |                                      |                     |
|---|------------------------|--------------------------------------|---------------------|
|   | Storm Drain            | General<br>Government<br>Improvement | Fire<br>Improvement |
| <b>ASSETS</b>                           |                        |                                      |                     |
| Cash and investments                    | \$ 617,122             | \$ 4,411,316                         | \$ 1,141,571        |
| Cash and investments with fiscal agents | -                      | -                                    | -                   |
| Receivables, net:                       |                        |                                      |                     |
| Accounts                                | -                      | -                                    | -                   |
| Interest                                | 8,141                  | 60,981                               | 15,258              |
| Loans                                   | -                      | -                                    | -                   |
| Due from other governments              | -                      | -                                    | -                   |
| Due from other funds                    | -                      | -                                    | -                   |
|   |                        |                                      |                     |
| Total assets                            | \$ 625,263             | \$ 4,472,297                         | \$ 1,156,829        |
| <b>LIABILITIES AND FUND BALANCES</b>    |                        |                                      |                     |
| Liabilities:                            |                        |                                      |                     |
| Accounts payable and accrued expenses   | \$ -                   | \$ 8,148                             | \$ 4,325            |
| Retentions payable                      | -                      | -                                    | -                   |
| Due to other funds                      | -                      | -                                    | -                   |
| Loan payable                            | -                      | -                                    | -                   |
| Deferred revenues                       | -                      | -                                    | -                   |
|   |                        |                                      |                     |
| Total liabilities                       | -                      | 8,148                                | 4,325               |
| Fund balances:                          |                        |                                      |                     |
| Reserved for:                           |                        |                                      |                     |
| Long-term receivables                   | -                      | -                                    | -                   |
| Unreserved, reported in:                |                        |                                      |                     |
| Special revenue funds                   | -                      | -                                    | -                   |
| Capital projects funds                  | 625,263                | 4,464,149                            | 1,152,504           |
|   |                        |                                      |                     |
| Total fund balances                     | 625,263                | 4,464,149                            | 1,152,504           |
|   |                        |                                      |                     |
| Total liabilities and fund balances     | \$ 625,263             | \$ 4,472,297                         | \$ 1,156,829        |

continued

Capital Projects Funds

| <u>Trails<br/>Improvement</u> | <u>Street<br/>Improvement</u> | <u>Community<br/>Facilities<br/>District 93-1</u> | <u>Community<br/>Facilities<br/>District 2002-1</u> | <u>Community<br/>Facilities<br/>District 97-1</u> | <u>Community<br/>Facilities<br/>District 2001-1</u> |
|-------------------------------|-------------------------------|---|---|---|---|
| \$ 430,277                    | \$ 3,582,346                  | \$ 53,206   | \$ -  | \$ 740,701  | \$ -  |
| -                             | -                             | -   | 566,915   | -   | 4,543   |
| -                             | -                             | -   | -   | -   | -   |
| 5,530                         | 47,128                        | 684   | -   | 9,526   | -   |
| -                             | -                             | -   | -   | -   | -   |
| -                             | 36,967                        | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| <u>\$ 435,807</u>             | <u>\$ 3,666,441</u>           | <u>\$ 53,890</u>                                  | <u>\$ 566,915</u>                                   | <u>\$ 750,227</u>                                 | <u>\$ 4,543</u>                                     |
| \$ -                          | \$ 303,404                    | \$ -  | \$ -  | \$ -  | \$ -  |
| -                             | 6,217                         | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| -                             | 36,967                        | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| -                             | 346,588                       | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| -                             | -                             | -   | -   | -   | -   |
| 435,807                       | 3,319,853                     | 53,890  | 566,915   | 750,227   | 4,543   |
| 435,807                       | 3,319,853                     | 53,890  | 566,915   | 750,227   | 4,543   |
| <u>\$ 435,807</u>             | <u>\$ 3,666,441</u>           | <u>\$ 53,890</u>                                  | <u>\$ 566,915</u>                                   | <u>\$ 750,227</u>                                 | <u>\$ 4,543</u>                                     |

**City of Norco  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

|  | Capital Projects Funds |                 |                   |
|--|------------------------|-----------------|-------------------|
|  | Park<br>Improvement    | Public Library  | Public<br>Meeting |
| <b>ASSETS</b>                            |                        |                 |                   |
| Cash and investments                     | \$ 922,031             | \$ 9,823        | \$ 27,337         |
| Cash and investments with fiscal agents  | -                      | -               | -                 |
| Receivables, net:                        |                        |                 |                   |
| Accounts                                 | 592                    | -               | -                 |
| Interest                                 | 10,690                 | 124             | 345               |
| Loans                                    | -                      | -               | -                 |
| Due from other governments               | -                      | -               | -                 |
| Due from other funds                     | -                      | -               | -                 |
|  | <b>\$ 933,313</b>      | <b>\$ 9,947</b> | <b>\$ 27,682</b>  |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                        |                 |                   |
| Liabilities:                             |                        |                 |                   |
| Accounts payable and accrued expenses    | \$ 217,297             | \$ -            | \$ -              |
| Retentions payable                       | 271,926                | -               | -                 |
| Due to other funds                       | -                      | -               | -                 |
| Loan payable                             | 300,634                | -               | -                 |
| Deferred revenues                        | -                      | -               | -                 |
|  | <b>789,857</b>         | <b>-</b>        | <b>-</b>          |
| <br>Fund balances:                       |                        |                 |                   |
| Reserved for:                            |                        |                 |                   |
| Long-term receivables                    | -                      | -               | -                 |
| Unreserved, reported in:                 |                        |                 |                   |
| Special revenue funds                    | -                      | -               | -                 |
| Capital projects funds                   | 143,456                | 9,947           | 27,682            |
|  | <b>143,456</b>         | <b>9,947</b>    | <b>27,682</b>     |
| <br>Total liabilities and fund balances  | <b>\$ 933,313</b>      | <b>\$ 9,947</b> | <b>\$ 27,682</b>  |

Capital Projects

| Aquatics<br>Center | Animal<br>Control | Facility<br>Improvement | Ingalls Park<br>Grading | Total Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------|-------------------|-------------------------|-------------------------|------------------------------------|--|
| \$ 6,664           | \$ 339,368        | \$ 150,098              | \$ 715                  | \$ 12,432,575                      | \$ 16,817,687                              |
| -                  | -                 | -                       | -                       | 571,458                            | 571,458                                    |
| -                  | -                 | -                       | 6,361                   | 6,953                              | 15,077                                     |
| 85                 | 4,428             | -                       | -                       | 162,920                            | 218,449                                    |
| -                  | -                 | -                       | -                       | -                                  | 389,215                                    |
| -                  | -                 | -                       | -                       | 36,967                             | 403,407                                    |
| -                  | -                 | -                       | -                       | -                                  | -  |
| <u>\$ 6,749</u>    | <u>\$ 343,796</u> | <u>\$ 150,098</u>       | <u>\$ 7,076</u>         | <u>\$ 13,210,873</u>               | <u>\$ 18,415,293</u>                       |
| \$ -               | \$ -              | \$ -                    | \$ 23,925               | \$ 557,099                         | \$ 1,168,290                               |
| -                  | -                 | -                       | -                       | 278,143                            | 388,557                                    |
| -                  | -                 | -                       | 43,433                  | 43,433                             | 170,621                                    |
| -                  | -                 | -                       | -                       | 300,634                            | 300,634                                    |
| -                  | -                 | -                       | -                       | 36,967                             | 46,486                                     |
| -                  | -                 | -                       | 67,358                  | 1,216,276                          | 2,074,588                                  |
| -                  | -                 | -                       | -                       | -                                  | 389,215                                    |
| -                  | -                 | -                       | -                       | -                                  | 3,956,893                                  |
| 6,749              | 343,796           | 150,098                 | (60,282)                | 11,994,597                         | 11,994,597                                 |
| 6,749              | 343,796           | 150,098                 | (60,282)                | 11,994,597                         | 16,340,705                                 |
| <u>\$ 6,749</u>    | <u>\$ 343,796</u> | <u>\$ 150,098</u>       | <u>\$ 7,076</u>         | <u>\$ 13,210,873</u>               | <u>\$ 18,415,293</u>                       |

**City of Norco**  
**Combining Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | Special Revenue Funds       |   |           |
|--|-----------------------------|---|-----------|
|  | Miscellaneous<br>Grant Fund | Community<br>Development<br>Block Grant | Gas Tax   |
| <b>REVENUES</b>  |                             |   |           |
| Taxes  | \$ -                        | \$ -                                    | \$ -      |
| Assessments  | -                           | -                                       | -         |
| Development fees   | -                           | -                                       | -         |
| Intergovernmental  | 110,529                     | 20,130                                  | 698,268   |
| Charges for services   | -                           | -                                       | -         |
| Investment earnings  | -                           | -                                       | 10,824    |
| Contributions from property owners                           | -                           | -                                       | -         |
| Total revenues   | 110,529                     | 20,130                                  | 709,092   |
| <b>EXPENDITURES</b>  |                             |   |           |
| Current:   |                             |   |           |
| General government   | -                           | -                                       | -         |
| Public safety  | 22,318                      | -                                       | -         |
| Streets and highways   | -                           | -                                       | 690,923   |
| Community and economic development                           | 67,375                      | 6,126                                   | -         |
| Culture and leisure  | -                           | -                                       | -         |
| Debt service:  |                             |   |           |
| Principal  | -                           | -                                       | -         |
| Interest   | -                           | -                                       | -         |
| Capital outlay:  |                             |   |           |
| Special assessment   | -                           | -                                       | -         |
| Other  | -                           | -                                       | -         |
| Total expenditures   | 89,693                      | 6,126                                   | 690,923   |
| Excess (deficiency) of revenues over<br>(under) expenditures | 20,836                      | 14,004                                  | 18,169    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |   |           |
| Proceeds from sale of asset                                  | -                           | -                                       | -         |
| Transfers in   | -                           | -                                       | -         |
| Transfers out  | (20,836)                    | (14,004)                                | -         |
| Total other financing sources (uses)                         | (20,836)                    | (14,004)                                | -         |
| Net change in fund balances                                  | -                           | -                                       | 18,169    |
| Fund balances, beginning of year                             | -                           | -                                       | 23,939    |
| Fund balances, end of year                                   | \$ -                        | \$ -                                    | \$ 42,108 |

continued

Special Revenue Funds

| Measure A           | NPDES              | Air Quality Improvement Trust | Local Law Enforcement Block Grant | Supplemental Law Enforcement Block Grant |
|---------------------|--------------------|-------------------------------|-----------------------------------|--|
| \$ 972,247          | \$ 59,768          | \$ -                          | \$ -                              | \$ -                                     |
| -                   | -                  | -                             | -                                 | -  |
| -                   | -                  | 32,265                        | 10,327                            | 100,000                                  |
| -                   | -                  | -                             | -                                 | -  |
| 192,990             | -                  | 1,524                         | 503                               | 8,860                                    |
| -                   | -                  | -                             | -                                 | -  |
| <u>1,165,237</u>    | <u>59,768</u>      | <u>33,789</u>                 | <u>10,830</u>                     | <u>108,860</u>                           |
| -                   | -                  | -                             | -                                 | -  |
| -                   | -                  | -                             | 10,667                            | 107,468                                  |
| -                   | 90,739             | 33,945                        | -                                 | -  |
| -                   | -                  | -                             | -                                 | -  |
| -                   | -                  | -                             | -                                 | -  |
| 210,758             | -                  | -                             | -                                 | -  |
| 26,586              | -                  | -                             | -                                 | -  |
| -                   | -                  | -                             | -                                 | -  |
| 1,365,178           | -                  | -                             | -                                 | -  |
| <u>1,602,522</u>    | <u>90,739</u>      | <u>33,945</u>                 | <u>10,667</u>                     | <u>107,468</u>                           |
| <u>(437,285)</u>    | <u>(30,971)</u>    | <u>(156)</u>                  | <u>163</u>                        | <u>1,392</u>                             |
| -                   | -                  | -                             | -                                 | -  |
| -                   | 25,000             | -                             | -                                 | -  |
| (402,917)           | -                  | (1,500)                       | -                                 | -  |
| <u>(402,917)</u>    | <u>25,000</u>      | <u>(1,500)</u>                | <u>-</u>                          | <u>-</u>                                 |
| (840,202)           | (5,971)            | (1,656)                       | 163                               | 1,392                                    |
| 3,879,917           | (86,752)           | 52,050                        | 194                               | 102,447                                  |
| <u>\$ 3,039,715</u> | <u>\$ (92,723)</u> | <u>\$ 50,394</u>              | <u>\$ 357</u>                     | <u>\$ 103,839</u>                        |

**City of Norco**  
**Combining Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | Special Revenue Funds |                             |   |
|--|-----------------------|-----------------------------|---|
|  | CLEEP                 | Office of<br>Traffic Safety | Landscape<br>Maintenance<br>District #1 |
| <b>REVENUES</b>  |                       |                             |   |
| Taxes  | \$ -                  | \$ -                        | \$ -                                    |
| Assessments  | -                     | -                           | 7,816                                   |
| Development fees   | -                     | -                           | -                                       |
| Intergovernmental  | -                     | 315,099                     | -                                       |
| Charges for services   | -                     | -                           | -                                       |
| Investment earnings  | 265                   | -                           | 1,670                                   |
| Contributions from property owners                           | -                     | -                           | -                                       |
| Total revenues   | <u>265</u>            | <u>315,099</u>              | <u>9,486</u>                            |
| <b>EXPENDITURES</b>  |                       |                             |   |
| Current:   |                       |                             |   |
| General government   | -                     | -                           | -                                       |
| Public safety  | -                     | 309,466                     | -                                       |
| Streets and highways   | -                     | -                           | 6,091                                   |
| Community and economic development                           | -                     | -                           | -                                       |
| Culture and leisure  | -                     | -                           | -                                       |
| Debt service:  |                       |                             |   |
| Principal  | -                     | -                           | -                                       |
| Interest   | -                     | -                           | -                                       |
| Capital outlay:  |                       |                             |   |
| Special assessment   | -                     | -                           | -                                       |
| Other  | -                     | -                           | -                                       |
| Total expenditures   | <u>-</u>              | <u>309,466</u>              | <u>6,091</u>                            |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>265</u>            | <u>5,633</u>                | <u>3,395</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                             |   |
| Proceeds from sale of asset                                  | -                     | -                           | -                                       |
| Transfers in   | -                     | -                           | -                                       |
| Transfers out  | -                     | -                           | (1,660)                                 |
| Total other financing sources (uses)                         | <u>-</u>              | <u>-</u>                    | <u>(1,660)</u>                          |
| Net change in fund balances                                  | 265                   | 5,633                       | 1,735                                   |
| Fund balances, beginning of year                             | <u>4,782</u>          | <u>(5,633)</u>              | <u>31,160</u>                           |
| Fund balances, end of year                                   | <u>\$ 5,047</u>       | <u>\$ -</u>                 | <u>\$ 32,895</u>                        |

Special Revenue Funds

| Landscape Maintenance District #2 | Landscape Maintenance District #3 | Landscape Maintenance District #4 | Landscape Maintenance District #5 | Special Asset     | Total Special Revenue Funds |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|-----------------------------|
| \$ -                              | \$ -                              | \$ -                              | \$ -                              | \$ -              | \$ 1,032,015                |
| 118,352                           | 69,490                            | 190,394                           | 41,993                            | -                 | 428,045                     |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 1,286,618                   |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| 8,035                             | 4,927                             | 26,893                            | 10                                | 8,034             | 264,535                     |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| <u>126,387</u>                    | <u>74,417</u>                     | <u>217,287</u>                    | <u>42,003</u>                     | <u>8,034</u>      | <u>3,011,213</u>            |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 449,919                     |
| 139,485                           | 72,728                            | 46,248                            | 31,647                            | -                 | 1,111,806                   |
| -                                 | -                                 | -                                 | -                                 | -                 | 73,501                      |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 210,758                     |
| -                                 | -                                 | -                                 | -                                 | -                 | 26,586                      |
| -                                 | -                                 | -                                 | -                                 | -                 | -                           |
| -                                 | -                                 | -                                 | -                                 | -                 | 1,365,178                   |
| <u>139,485</u>                    | <u>72,728</u>                     | <u>46,248</u>                     | <u>31,647</u>                     | <u>-</u>          | <u>3,237,748</u>            |
| (13,098)                          | 1,689                             | 171,039                           | 10,356                            | 8,034             | (226,535)                   |
| -                                 | -                                 | -                                 | -                                 | 300,659           | 300,659                     |
| -                                 | -                                 | -                                 | -                                 | -                 | 25,000                      |
| (20,200)                          | (11,260)                          | (3,075)                           | (2,500)                           | -                 | (477,952)                   |
| <u>(20,200)</u>                   | <u>(11,260)</u>                   | <u>(3,075)</u>                    | <u>(2,500)</u>                    | <u>300,659</u>    | <u>(152,293)</u>            |
| (33,298)                          | (9,571)                           | 167,964                           | 7,856                             | 308,693           | (378,828)                   |
| 189,359                           | 109,790                           | 423,883                           | (200)                             | -                 | 4,724,936                   |
| <u>\$ 156,061</u>                 | <u>\$ 100,219</u>                 | <u>\$ 591,847</u>                 | <u>\$ 7,656</u>                   | <u>\$ 308,693</u> | <u>\$ 4,346,108</u>         |

**City of Norco**  
**Combining Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | Capital Projects  |                                      |                     |
|--|-------------------|--------------------------------------|---------------------|
|  | Storm Drain       | General<br>Government<br>Improvement | Fire<br>Improvement |
| <b>REVENUES</b>  |                   |                                      |                     |
| Taxes  | \$ -              | \$ -                                 | \$ -                |
| Assessments  | -                 | -                                    | -                   |
| Development fees   | 67,944            | 32,480                               | 105,307             |
| Intergovernmental  | -                 | -                                    | -                   |
| Charges for services   | 8,483             | -                                    | -                   |
| Investment earnings  | 35,810            | 252,344                              | 67,733              |
| Contributions from property owners                           | -                 | -                                    | -                   |
| Total revenues   | <u>112,237</u>    | <u>284,824</u>                       | <u>173,040</u>      |
| <b>EXPENDITURES</b>  |                   |                                      |                     |
| Current:   |                   |                                      |                     |
| General government   | -                 | -                                    | -                   |
| Public safety  | -                 | -                                    | -                   |
| Streets and highways   | 353,070           | -                                    | -                   |
| Community and economic development                           | -                 | -                                    | -                   |
| Culture and leisure  | -                 | -                                    | -                   |
| Debt service:  |                   |                                      |                     |
| Principal  | -                 | -                                    | -                   |
| Interest   | -                 | -                                    | -                   |
| Capital outlay:  |                   |                                      |                     |
| Special assessment   | -                 | -                                    | -                   |
| Other  | -                 | 240,491                              | 1,234,643           |
| Total expenditures   | <u>353,070</u>    | <u>240,491</u>                       | <u>1,234,643</u>    |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(240,833)</u>  | <u>44,333</u>                        | <u>(1,061,603)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                                      |                     |
| Proceeds from sale of asset                                  | -                 | -                                    | -                   |
| Transfers in   | -                 | 40,957                               | 1,104,062           |
| Transfers out  | (2,597)           | (1,157,350)                          | (3,911)             |
| Total other financing sources (uses)                         | <u>(2,597)</u>    | <u>(1,116,393)</u>                   | <u>1,100,151</u>    |
| Net change in fund balances                                  | (243,430)         | (1,072,060)                          | 38,548              |
| Fund balances, beginning of year                             | <u>868,693</u>    | <u>5,536,209</u>                     | <u>1,113,956</u>    |
| Fund balances, end of year                                   | <u>\$ 625,263</u> | <u>\$ 4,464,149</u>                  | <u>\$ 1,152,504</u> |

Capital Projects

| Trails Improvement | Street Improvement  | Community Facilities District 93-1 | Community Facilities District 2002-1 | Community Facilities District 97-1 | Community Facilities District 2001-1 |
|--------------------|---------------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| \$ -               | \$ -                | \$ -                               | \$ -                                 | \$ -                               | \$ -                                 |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| 2,695              | 775,606             | -                                  | -                                    | -                                  | -                                    |
| -                  | 256,591             | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| 26,889             | 194,028             | 2,830                              | 22,706                               | 39,408                             | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| <u>29,584</u>      | <u>1,226,225</u>    | <u>2,830</u>                       | <u>22,706</u>                        | <u>39,408</u>                      | <u>-</u>                             |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| 106,899            | 762,396             | -                                  | -                                    | -                                  | -                                    |
| <u>106,899</u>     | <u>762,396</u>      | <u>-</u>                           | <u>-</u>                             | <u>-</u>                           | <u>-</u>                             |
| (77,315)           | 463,829             | 2,830                              | 22,706                               | 39,408                             | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| -                  | -                   | -                                  | -                                    | -                                  | -                                    |
| (164)              | (30,079)            | -                                  | -                                    | -                                  | -                                    |
| <u>(164)</u>       | <u>(30,079)</u>     | <u>-</u>                           | <u>-</u>                             | <u>-</u>                           | <u>-</u>                             |
| (77,479)           | 433,750             | 2,830                              | 22,706                               | 39,408                             | -                                    |
| 513,286            | 2,886,103           | 51,060                             | 544,209                              | 710,819                            | 4,543                                |
| <u>\$ 435,807</u>  | <u>\$ 3,319,853</u> | <u>\$ 53,890</u>                   | <u>\$ 566,915</u>                    | <u>\$ 750,227</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, 2007**

|  | Capital Projects    |                   |                   |
|--|---------------------|-------------------|-------------------|
|  | Park<br>Improvement | Public<br>Library | Public<br>Meeting |
| <b>REVENUES</b>  |                     |                   |                   |
| Taxes  | \$ -                | \$ -              | \$ -              |
| Assessments  | -                   | -                 | -                 |
| Development fees   | 174,005             | 1,470             | 4,089             |
| Intergovernmental  | -                   | -                 | -                 |
| Charges for services   | -                   | -                 | -                 |
| Investment earnings  | 82,295              | 478               | 1,330             |
| Contributions from property owners                           | -                   | -                 | -                 |
| Total revenues   | <u>256,300</u>      | <u>1,948</u>      | <u>5,419</u>      |
| <b>EXPENDITURES</b>  |                     |                   |                   |
| Current:   |                     |                   |                   |
| General government   | -                   | -                 | -                 |
| Public safety  | -                   | -                 | -                 |
| Streets and highways   | -                   | -                 | -                 |
| Community and economic development                           | -                   | -                 | -                 |
| Culture and leisure  | -                   | -                 | -                 |
| Debt service:  |                     |                   |                   |
| Principal  | -                   | -                 | -                 |
| Interest   | 22,015              | -                 | -                 |
| Capital outlay:  |                     |                   |                   |
| Special assessment   | -                   | -                 | -                 |
| Other  | 3,916,172           | -                 | -                 |
| Total expenditures   | <u>3,938,187</u>    | <u>-</u>          | <u>-</u>          |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(3,681,887)</u>  | <u>1,948</u>      | <u>5,419</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                   |                   |
| Proceeds from sale of asset                                  | -                   | -                 | -                 |
| Transfers in   | 1,660,391           | -                 | -                 |
| Transfers out  | (7,197)             | -                 | -                 |
| Total other financing sources (uses)                         | <u>1,653,194</u>    | <u>-</u>          | <u>-</u>          |
| Net change in fund balances                                  | (2,028,693)         | 1,948             | 5,419             |
| Fund balances, beginning of year                             | <u>2,172,149</u>    | <u>7,999</u>      | <u>22,263</u>     |
| Fund balances, end of year                                   | <u>\$ 143,456</u>   | <u>\$ 9,947</u>   | <u>\$ 27,682</u>  |

| Capital Projects |                   |                      |                      |                              | Total                        |
|------------------|-------------------|----------------------|----------------------|------------------------------|------------------------------|
| Aquatics Center  | Animal Control    | Facility Improvement | Ingalls Park Grading | Total Capital Projects Funds | Non-major Governmental Funds |
| \$ -             | \$ -              | \$ -                 | \$ -                 | \$ -                         | \$ 1,032,015                 |
| -                | -                 | -                    | -                    | -                            | 428,045                      |
| 783              | 2,579             | -                    | -                    | 1,166,958                    | 1,166,958                    |
| -                | -                 | -                    | -                    | 256,591                      | 1,543,209                    |
| -                | -                 | -                    | 97,324               | 105,807                      | 105,807                      |
| 134              | 19,520            | 98                   | -                    | 745,603                      | 1,010,138                    |
| -                | -                 | -                    | -                    | -                            | -                            |
| <u>917</u>       | <u>22,099</u>     | <u>98</u>            | <u>97,324</u>        | <u>2,274,959</u>             | <u>5,286,172</u>             |
| -                | -                 | -                    | -                    | -                            | -                            |
| -                | -                 | -                    | -                    | -                            | 449,919                      |
| -                | -                 | -                    | -                    | 353,070                      | 1,464,876                    |
| -                | -                 | -                    | 101,805              | 101,805                      | 175,306                      |
| -                | -                 | -                    | -                    | -                            | -                            |
| -                | -                 | -                    | -                    | -                            | 210,758                      |
| -                | -                 | -                    | -                    | 22,015                       | 48,601                       |
| -                | -                 | -                    | -                    | -                            | -                            |
| -                | 68,458            | -                    | -                    | 6,329,059                    | 7,694,237                    |
| -                | <u>68,458</u>     | -                    | <u>101,805</u>       | <u>6,805,949</u>             | <u>10,043,697</u>            |
| <u>917</u>       | <u>(46,359)</u>   | <u>98</u>            | <u>(4,481)</u>       | <u>(4,530,990)</u>           | <u>(4,757,525)</u>           |
| -                | -                 | -                    | -                    | -                            | 300,659                      |
| -                | -                 | 150,000              | -                    | 2,955,410                    | 2,980,410                    |
| -                | -                 | -                    | -                    | (1,201,298)                  | (1,679,250)                  |
| -                | -                 | <u>150,000</u>       | -                    | <u>1,754,112</u>             | <u>1,601,819</u>             |
| 917              | (46,359)          | 150,098              | (4,481)              | (2,776,878)                  | (3,155,706)                  |
| <u>5,832</u>     | <u>390,155</u>    | <u>-</u>             | <u>(55,801)</u>      | <u>14,771,475</u>            | <u>19,496,411</u>            |
| <u>\$ 6,749</u>  | <u>\$ 343,796</u> | <u>\$ 150,098</u>    | <u>\$ (60,282)</u>   | <u>\$ 11,994,597</u>         | <u>\$ 16,340,705</u>         |

**City of Norco**  
**For the Year Ended June 30, 2007**  
**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, 2007**

|  | Budgeted Amounts |             | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|-------------|-------------------|-------------------------------|
|  | Original         | Final       |                   |                               |
| <b>REVENUES</b>  |                  |             |                   |                               |
| Intergovernmental  | \$ 79,330        | \$ 79,330   | \$ 110,529        | \$ 31,199                     |
| Total revenues   | 79,330           | 79,330      | 110,529           | 31,199                        |
| <b>EXPENDITURES</b>  |                  |             |                   |                               |
| Current:   |                  |             |                   |                               |
| Public safety  | -                | -           | 22,318            | (22,318)                      |
| Community and economic<br>Development                        | 7,000            | 81,074      | 67,375            | 13,699                        |
| Total expenditures   | 7,000            | 81,074      | 89,693            | (8,619)                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 72,330           | (1,744)     | 20,836            | 22,580                        |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                  |             |                   |                               |
| Transfers out  | (58,326)         | (64,093)    | (20,836)          | 43,257                        |
| Total other financing<br>sources (uses)                      | (58,326)         | (64,093)    | (20,836)          | 43,257                        |
| Net change in fund balance                                   | 14,004           | (65,837)    | -                 | (65,837)                      |
| Fund balance, beginning of<br>year                           | -                | -           | -                 | -                             |
| Fund balance, end of year                                    | \$ 14,004        | \$ (65,837) | \$ -              | \$ (65,837)                   |

**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, 2007**

|  | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|--------------|-------------------|-------------------------------|
|  | Original         | Final        |                   |                               |
| <b>REVENUES</b>  |                  |              |                   |                               |
| Intergovernmental  | \$ 700,299       | \$ 700,299   | \$ 20,130         | \$ (680,169)                  |
| Total revenues   | 700,299          | 700,299      | 20,130            | (680,169)                     |
| <b>EXPENDITURES</b>  |                  |              |                   |                               |
| Current:   |                  |              |                   |                               |
| Community and economic<br>Development                        | 686,295          | 686,295      | 6,126             | 680,169                       |
| Total expenditures   | 686,295          | 686,295      | 6,126             | 680,169                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 14,004           | 14,004       | 14,004            | -                             |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                  |              |                   |                               |
| Transfers out  | (14,004)         | (147,346)    | (14,004)          | 133,342                       |
| Total other financing<br>sources (uses)                      | (14,004)         | (147,346)    | (14,004)          | 133,342                       |
| Net change in fund balance                                   | -                | (133,342)    | -                 | 133,342                       |
| Fund balance, beginning of<br>year                           | -                | -            | -                 | -                             |
| Fund balance, end of year                                    | \$ -             | \$ (133,342) | \$ -              | \$ 133,342                    |

**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, 2007**

|                                    | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|------------|-------------------|-------------------------------|
|                                    | Original         | Final      |                   |                               |
| <b>REVENUES</b>                    |                  |            |                   |                               |
| Intergovernmental                  | \$ 636,600       | \$ 712,827 | \$ 698,268        | \$ (14,559)                   |
| Investment earnings                | -                | -          | 10,824            | 10,824                        |
| Total revenues                     | 636,600          | 712,827    | 709,092           | (3,735)                       |
| <b>EXPENDITURES</b>                |                  |            |                   |                               |
| Current:                           |                  |            |                   |                               |
| Streets and highways               | 425,998          | 426,451    | 690,923           | (264,472)                     |
| Total expenditures                 | 425,998          | 426,451    | 690,923           | (264,472)                     |
| Net change in fund balance         | 210,602          | 286,376    | 18,169            | (268,207)                     |
| Fund balance, beginning of<br>year | 23,939           | 23,939     | 23,939            | -                             |
| Fund balance, end of year          | \$ 234,541       | \$ 310,315 | \$ 42,108         | \$ (268,207)                  |

**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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Taxes  | \$ 936,261          | \$ 936,261          | \$ 972,247          | \$ 35,986                     |
| Investment earnings  | 85,203              | 85,203              | 192,990             | 107,787                       |
| Total revenues   | <u>1,021,464</u>    | <u>1,021,464</u>    | <u>1,165,237</u>    | <u>143,773</u>                |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Debt service:  |                     |                     |                     |                               |
| Principal  | -                   | -                   | 210,758             | (210,758)                     |
| Interest   | -                   | -                   | 26,586              | (26,586)                      |
| Capital outlay:  |                     |                     |                     |                               |
| Other  | <u>3,329,000</u>    | <u>3,372,692</u>    | <u>1,365,178</u>    | <u>2,007,514</u>              |
| Total expenditures   | <u>3,329,000</u>    | <u>3,372,692</u>    | <u>1,602,522</u>    | <u>1,770,170</u>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(2,307,536)</u>  | <u>(2,351,228)</u>  | <u>(437,285)</u>    | <u>1,913,943</u>              |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                     |                               |
| Transfers out  | <u>-</u>            | <u>-</u>            | <u>(402,917)</u>    | <u>(402,917)</u>              |
| Total other financing<br>sources (uses)                      | <u>-</u>            | <u>-</u>            | <u>(402,917)</u>    | <u>(402,917)</u>              |
| Net change in fund balance                                   | (2,307,536)         | (2,351,228)         | (840,202)           | 1,511,026                     |
| Fund balance, beginning of<br>year                           | <u>3,879,917</u>    | <u>3,879,917</u>    | <u>3,879,917</u>    | <u>-</u>                      |
| Fund balance, end of year                                    | <u>\$ 1,572,381</u> | <u>\$ 1,528,689</u> | <u>\$ 3,039,715</u> | <u>\$ 1,511,026</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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts  | Variance with<br>Final Budget |
|--|---------------------|---------------------|--------------------|-------------------------------|
|  | Original            | Final               |                    |                               |
| <b>REVENUES</b>  |                     |                     |                    |                               |
| Taxes  | \$ 56,000           | \$ 56,000           | \$ 59,768          | \$ 3,768                      |
| Total revenues   | 56,000              | 56,000              | 59,768             | 3,768                         |
| <b>EXPENDITURES</b>  |                     |                     |                    |                               |
| Current:   |                     |                     |                    |                               |
| Streets and highways   | 103,986             | 103,986             | 90,739             | 13,247                        |
| Total expenditures   | 103,986             | 103,986             | 90,739             | 13,247                        |
| Excess (deficiency) of revenues<br>over (under) expenditures | (47,986)            | (47,986)            | (30,971)           | 17,015                        |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                    |                               |
| Transfers in   | 25,000              | 25,000              | 25,000             | -                             |
| Total other financing<br>sources (uses)                      | 25,000              | 25,000              | 25,000             | -                             |
| Net change in fund balance                                   | (22,986)            | (22,986)            | (5,971)            | 17,015                        |
| Fund balance, beginning of<br>year                           | (86,752)            | (86,752)            | (86,752)           | -                             |
| Fund balance, end of year                                    | <u>\$ (109,738)</u> | <u>\$ (109,738)</u> | <u>\$ (92,723)</u> | <u>\$ 17,015</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, 2007**

|  | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
|  | Original         | Final            |                   |                               |
| <b>REVENUES</b>  |                  |                  |                   |                               |
| Intergovernmental  | \$ -             | \$ -             | \$ 32,265         | \$ 32,265                     |
| Investment earnings  | -                | -                | 1,524             | 1,524                         |
| <b>Total revenues</b>  | <b>-</b>         | <b>-</b>         | <b>33,789</b>     | <b>33,789</b>                 |
| <b>EXPENDITURES</b>  |                  |                  |                   |                               |
| Current:   |                  |                  |                   |                               |
| Streets and highways   | 6,000            | 6,000            | 33,945            | (27,945)                      |
| <b>Total expenditures</b>                                    | <b>6,000</b>     | <b>6,000</b>     | <b>33,945</b>     | <b>(27,945)</b>               |
| Excess (deficiency) of revenues<br>over (under) expenditures | (6,000)          | (6,000)          | (156)             | 5,844                         |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                  |                  |                   |                               |
| Transfers out  | 1,500            | 1,500            | (1,500)           | (3,000)                       |
| <b>Total Other Financing<br/>Sources (Uses)</b>              | <b>1,500</b>     | <b>1,500</b>     | <b>(1,500)</b>    | <b>(3,000)</b>                |
| Net change in fund balance                                   | (4,500)          | (4,500)          | (1,656)           | 2,844                         |
| Fund balance, beginning of<br>year                           | 52,050           | 52,050           | 52,050            | -                             |
| Fund balance, end of year                                    | <u>\$ 47,550</u> | <u>\$ 47,550</u> | <u>\$ 50,394</u>  | <u>\$ 2,844</u>               |

**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, 2007**

|                                    | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|---------------|-------------------|-------------------------------|
|                                    | Original         | Final         |                   |                               |
| <b>REVENUES</b>                    |                  |               |                   |                               |
| Intergovernmental                  | \$ 10,327        | \$ 10,327     | \$ 10,327         | \$ -                          |
| Investment earnings                | -                | -             | 503               | 503                           |
| Total revenues                     | 10,327           | 10,327        | 10,830            | 503                           |
| <b>EXPENDITURES</b>                |                  |               |                   |                               |
| Current:                           |                  |               |                   |                               |
| Public safety                      | 10,327           | 10,327        | 10,667            | (340)                         |
| Total expenditures                 | 10,327           | 10,327        | 10,667            | (340)                         |
| Net change in fund balance         | -                | -             | 163               | 163                           |
| Fund balance, beginning of<br>year | 194              | 194           | 194               | -                             |
| Fund balance, end of year          | <u>\$ 194</u>    | <u>\$ 194</u> | <u>\$ 357</u>     | <u>\$ 163</u>                 |

**City of Norco**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Supplemental Law Enforcement Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2007**

|                                    | Budgeted Amounts |                 | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|-----------------|-------------------|-------------------------------|
|                                    | Original         | Final           |                   |                               |
| <b>REVENUES</b>                    |                  |                 |                   |                               |
| Intergovernmental                  | \$ 100,000       | \$ 100,000      | \$ 100,000        | \$ -                          |
| Investment earnings                | -                | -               | 8,860             | 8,860                         |
| Total revenues                     | 100,000          | 100,000         | 108,860           | 8,860                         |
| <b>EXPENDITURES</b>                |                  |                 |                   |                               |
| Current:                           |                  |                 |                   |                               |
| Public safety                      | 200,000          | 200,000         | 107,468           | 92,532                        |
| Total expenditures                 | 200,000          | 200,000         | 107,468           | 92,532                        |
| Net change in fund balance         | (100,000)        | (100,000)       | 1,392             | 101,392                       |
| Fund balance, beginning of<br>year | 102,447          | 102,447         | 102,447           | -                             |
| Fund balance, end of year          | <u>\$ 2,447</u>  | <u>\$ 2,447</u> | <u>\$ 103,839</u> | <u>\$ 101,392</u>             |

**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, 2007**

|                                    | Budgeted Amounts |                 | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|-----------------|-------------------|-------------------------------|
|                                    | Original         | Final           |                   |                               |
| <b>REVENUES</b>                    |                  |                 |                   |                               |
| Investment earnings                | \$ -             | \$ -            | \$ 265            | \$ 265                        |
| Total revenues                     | -                | -               | 265               | 265                           |
| <b>EXPENDITURES</b>                | -                | -               | -                 | -                             |
| Net change in fund balance         | -                | -               | 265               | 265                           |
| Fund balance, beginning of<br>year | 4,782            | 4,782           | 4,782             | -                             |
| Fund balance, end of year          | <u>\$ 4,782</u>  | <u>\$ 4,782</u> | <u>\$ 5,047</u>   | <u>\$ 265</u>                 |

**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, 2007**

|                                    | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|------------|-------------------|-------------------------------|
|                                    | Original         | Final      |                   |                               |
| <b>REVENUES</b>                    |                  |            |                   |                               |
| Intergovernmental                  | \$ 124,623       | \$ 345,951 | \$ 315,099        | \$ (30,852)                   |
| Total revenues                     | 124,623          | 345,951    | 315,099           | (30,852)                      |
| <b>EXPENDITURES</b>                |                  |            |                   |                               |
| Current:                           |                  |            |                   |                               |
| Public safety                      | 124,623          | 345,951    | 309,466           | 36,485                        |
| Total expenditures                 | 124,623          | 345,951    | 309,466           | 36,485                        |
| Net change in fund balance         | -                | -          | 5,633             | 5,633                         |
| Fund balance, beginning of<br>year | (5,633)          | (5,633)    | (5,633)           | -                             |
| Fund balance, end of year          | \$ (5,633)       | \$ (5,633) | \$ -              | \$ 5,633                      |

**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, 2007**

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES</b>  |                   |                   |                   |                               |
| Development fees   | \$ 121,984        | \$ 121,984        | \$ 67,944         | \$ (54,040)                   |
| Intergovernmental  | 1,233,640         | 1,233,640         | -                 | (1,233,640)                   |
| Charges for services   | -                 | -                 | 8,483             | 8,483                         |
| Investment earnings  | 28,884            | 28,884            | 35,810            | 6,926                         |
| <b>Total revenues</b>  | <b>1,384,508</b>  | <b>1,384,508</b>  | <b>112,237</b>    | <b>(1,272,271)</b>            |
| <b>EXPENDITURES</b>  |                   |                   |                   |                               |
| Current:   |                   |                   |                   |                               |
| Streets and highways   | 2,241,905         | 2,341,905         | 353,070           | 1,988,835                     |
| <b>Total expenditures</b>                                    | <b>2,241,905</b>  | <b>2,341,905</b>  | <b>353,070</b>    | <b>1,988,835</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (857,397)         | (957,397)         | (240,833)         | 716,564                       |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                   |                   |                   |                               |
| Transfers in   | 312,000           | 312,000           | -                 | (312,000)                     |
| Transfers out  | (2,597)           | (2,597)           | (2,597)           | -                             |
| <b>Total other financing<br/>sources (uses)</b>              | <b>309,403</b>    | <b>309,403</b>    | <b>(2,597)</b>    | <b>(312,000)</b>              |
| Net change in fund balance                                   | (547,994)         | (647,994)         | (243,430)         | 404,564                       |
| Fund balance, beginning of<br>year                           | 868,693           | 868,693           | 868,693           | -                             |
| Fund balance, end of year                                    | <u>\$ 320,699</u> | <u>\$ 220,699</u> | <u>\$ 625,263</u> | <u>\$ 404,564</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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Development fees   | \$ 51,201           | \$ 51,201           | \$ 32,480           | \$ (18,721)                   |
| Investment earnings  | 167,314             | 167,314             | 252,344             | 85,030                        |
| Total revenues   | <u>218,515</u>      | <u>218,515</u>      | <u>284,824</u>      | <u>66,309</u>                 |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Debt service:  |                     |                     |                     |                               |
| Principal  | 139,668             | 139,668             | -                   | 139,668                       |
| Interest   | 22,015              | 22,015              | -                   | 22,015                        |
| Capital outlay:  |                     |                     |                     |                               |
| Other  | 782,150             | 2,482,150           | 240,491             | 2,241,659                     |
| Total expenditures   | <u>943,833</u>      | <u>2,643,833</u>    | <u>240,491</u>      | <u>2,403,342</u>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(725,318)</u>    | <u>(2,425,318)</u>  | <u>44,333</u>       | <u>2,469,651</u>              |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                     |                               |
| Transfers in   | -                   | 1,100,000           | 40,957              | (1,059,043)                   |
| Transfers out  | (1,128,508)         | (1,128,508)         | (1,157,350)         | (28,842)                      |
| Total other financing<br>sources (uses)                      | <u>(1,128,508)</u>  | <u>(28,508)</u>     | <u>(1,116,393)</u>  | <u>(1,087,885)</u>            |
| Net change in fund balance                                   | (1,853,826)         | (2,453,826)         | (1,072,060)         | 1,381,766                     |
| Fund balance, beginning of<br>year                           | <u>5,536,209</u>    | <u>5,536,209</u>    | <u>5,536,209</u>    | <u>-</u>                      |
| Fund balance, end of year                                    | <u>\$ 3,682,383</u> | <u>\$ 3,082,383</u> | <u>\$ 4,464,149</u> | <u>\$ 1,381,766</u>           |

**City of Norco**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Fire Improvement Capital Projects Fund**  
**For the Year Ended June 30, 2007**

|  | Budgeted Amounts           |                            | Actual<br>Amounts          | Variance with<br>Final Budget |
|--|----------------------------|----------------------------|----------------------------|-------------------------------|
|  | Original                   | Final                      |                            |                               |
| <b>REVENUES</b>  |                            |                            |                            |                               |
| Development fees   | \$ 183,644                 | \$ 183,644                 | \$ 105,307                 | \$ (78,337)                   |
| Investment earnings  | 33,813                     | 33,813                     | 67,733                     | 33,920                        |
| Total revenues   | <u>217,457</u>             | <u>217,457</u>             | <u>173,040</u>             | <u>(44,417)</u>               |
| <b>EXPENDITURES</b>  |                            |                            |                            |                               |
| Capital outlay:  |                            |                            |                            |                               |
| Other  | <u>1,535,400</u>           | <u>1,535,400</u>           | <u>1,234,643</u>           | <u>300,757</u>                |
| Total expenditures   | <u>1,535,400</u>           | <u>1,535,400</u>           | <u>1,234,643</u>           | <u>300,757</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,317,943)</u>         | <u>(1,317,943)</u>         | <u>(1,061,603)</u>         | <u>256,340</u>                |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                            |                            |                            |                               |
| Transfers in   | 1,489,400                  | 1,489,400                  | 1,104,062                  | (385,338)                     |
| Transfers out  | <u>(3,911)</u>             | <u>(3,911)</u>             | <u>(3,911)</u>             | <u>-</u>                      |
| Total other financing<br>sources (uses)                      | <u>1,485,489</u>           | <u>1,485,489</u>           | <u>1,100,151</u>           | <u>(385,338)</u>              |
| Net change in fund balance                                   | 167,546                    | 167,546                    | 38,548                     | (128,998)                     |
| Fund balance, beginning of<br>year                           | <u>1,113,956</u>           | <u>1,113,956</u>           | <u>1,113,956</u>           | <u>-</u>                      |
| Fund balance, end of year                                    | <u><u>\$ 1,281,502</u></u> | <u><u>\$ 1,281,502</u></u> | <u><u>\$ 1,152,504</u></u> | <u><u>\$ (128,998)</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, 2007**

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES</b>  |                   |                   |                   |                               |
| Development fees   | \$ 7,689          | \$ 7,689          | \$ 2,695          | \$ (4,994)                    |
| Investment earnings  | 6,709             | 6,709             | 26,889            | 20,180                        |
| Total revenues   | <u>14,398</u>     | <u>14,398</u>     | <u>29,584</u>     | <u>15,186</u>                 |
| <b>EXPENDITURES</b>  |                   |                   |                   |                               |
| Capital outlay:  |                   |                   |                   |                               |
| Other  | <u>104,100</u>    | <u>104,100</u>    | <u>106,899</u>    | <u>(2,799)</u>                |
| Total expenditures   | <u>104,100</u>    | <u>104,100</u>    | <u>106,899</u>    | <u>(2,799)</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(89,702)</u>   | <u>(89,702)</u>   | <u>(77,315)</u>   | <u>12,387</u>                 |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                   |                   |                   |                               |
| Transfers out  | <u>(164)</u>      | <u>(164)</u>      | <u>(164)</u>      | <u>-</u>                      |
| Total other financing<br>sources (uses)                      | <u>(164)</u>      | <u>(164)</u>      | <u>(164)</u>      | <u>-</u>                      |
| Net change in fund balance                                   | (89,866)          | (89,866)          | (77,479)          | 12,387                        |
| Fund balance, beginning of<br>year                           | <u>513,286</u>    | <u>513,286</u>    | <u>513,286</u>    | <u>-</u>                      |
| Fund balance, end of year                                    | <u>\$ 423,420</u> | <u>\$ 423,420</u> | <u>\$ 435,807</u> | <u>\$ 12,387</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, 2007**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>  |                     |                     |                     |                               |
| Development fees   | \$ 1,266,659        | \$ 1,266,659        | \$ 775,606          | \$ (491,053)                  |
| Intergovernmental  | 3,100,000           | 3,100,000           | 256,591             | (2,843,409)                   |
| Investment earnings  | 85,611              | 85,611              | 194,028             | 108,417                       |
| Total revenues   | <u>4,452,270</u>    | <u>4,452,270</u>    | <u>1,226,225</u>    | <u>(3,226,045)</u>            |
| <b>EXPENDITURES</b>  |                     |                     |                     |                               |
| Capital outlay:  |                     |                     |                     |                               |
| Other  | <u>4,575,000</u>    | <u>4,919,808</u>    | <u>762,396</u>      | <u>4,157,412</u>              |
| Total expenditures   | <u>4,575,000</u>    | <u>4,919,808</u>    | <u>762,396</u>      | <u>4,157,412</u>              |
| Excess (deficiency) of revenues<br>Over (under) expenditures | <u>(122,730)</u>    | <u>(467,538)</u>    | <u>463,829</u>      | <u>931,367</u>                |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                     |                     |                     |                               |
| Transfers out  | <u>(26,982)</u>     | <u>(26,982)</u>     | <u>(30,079)</u>     | <u>(3,097)</u>                |
| Total other financing<br>sources (uses)                      | <u>(26,982)</u>     | <u>(26,982)</u>     | <u>(30,079)</u>     | <u>(3,097)</u>                |
| Net change in fund balance                                   | (149,712)           | (494,520)           | 433,750             | 928,270                       |
| Fund balance, beginning of<br>year                           | <u>2,886,103</u>    | <u>2,886,103</u>    | <u>2,886,103</u>    | <u>-</u>                      |
| Fund balance, end of year                                    | <u>\$ 2,736,391</u> | <u>\$ 2,391,583</u> | <u>\$ 3,319,853</u> | <u>\$ 928,270</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, 2007**

|  | Budgeted Amounts |             | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|-------------|-------------------|-------------------------------|
|  | Original         | Final       |                   |                               |
| <b>REVENUES</b>  |                  |             |                   |                               |
| Development fees   | \$ 337,692       | \$ 337,692  | \$ 174,005        | \$ (163,687)                  |
| Intergovernmental  | 92,902           | 226,244     | -                 | (226,244)                     |
| Investment earnings  | 67,718           | 67,718      | 82,295            | 14,577                        |
| Total revenues   | 498,312          | 631,654     | 256,300           | (375,354)                     |
| <b>EXPENDITURES</b>  |                  |             |                   |                               |
| Debt service:  |                  |             |                   |                               |
| Interest   | -                | -           | 22,015            | (22,015)                      |
| Capital outlay:  |                  |             |                   |                               |
| Other  | 6,665,885        | 7,646,885   | 3,916,172         | 3,730,713                     |
| Total expenditures   | 6,665,885        | 7,646,885   | 3,938,187         | 3,708,698                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | (6,167,573)      | (7,015,231) | (3,681,887)       | 3,333,344                     |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                  |             |                   |                               |
| Transfers in   | 4,069,220        | 4,916,878   | 1,660,391         | (3,256,487)                   |
| Transfers out  | (7,179)          | (7,197)     | (7,197)           | -                             |
| Total other financing<br>sources (uses)                      | 4,062,041        | 4,909,681   | 1,653,194         | (3,256,487)                   |
| Net change in fund balance                                   | (2,105,532)      | (2,105,550) | (2,028,693)       | 76,857                        |
| Fund balance, beginning of<br>year                           | 2,172,149        | 2,172,149   | 2,172,149         | -                             |
| Fund balance, end of year                                    | \$ 66,617        | \$ 66,599   | \$ 143,456        | \$ 76,857                     |

**City of Norco**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Public Library Special Capital Projects Fund**  
**For the Year Ended June 30, 2007**

|                                    | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|-----------|-------------------|-------------------------------|
|                                    | Original         | Final     |                   |                               |
| <b>REVENUES</b>                    |                  |           |                   |                               |
| Development fees                   | \$ 4,972         | \$ 4,972  | \$ 1,470          | \$ (3,502)                    |
| Investment earnings                | 221              | 221       | 478               | 257                           |
| Total revenues                     | 5,193            | 5,193     | 1,948             | (3,245)                       |
| <b>EXPENDITURES</b>                |                  |           |                   |                               |
| Capital outlay                     | -                | -         | -                 | -                             |
| Total expenditures                 | -                | -         | -                 | -                             |
| Net change in fund balance         | 5,193            | 5,193     | 1,948             | (3,245)                       |
| Fund balance, beginning of<br>year | 7,999            | 7,999     | 7,999             | -                             |
| Fund balance, end of year          | \$ 13,192        | \$ 13,192 | \$ 9,947          | \$ (3,245)                    |

**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, 2007**

|                                    | Budgeted Amounts |                 | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|-----------------|-------------------|-------------------------------|
|                                    | Original         | Final           |                   |                               |
| <b>REVENUES</b>                    |                  |                 |                   |                               |
| Development fees                   | \$ 2,651         | \$ 2,651        | \$ 783            | \$ (1,868)                    |
| Investment earnings                | 135              | 135             | 134               | (1)                           |
| Total revenues                     | <u>2,786</u>     | <u>2,786</u>    | <u>917</u>        | <u>(1,869)</u>                |
| <b>EXPENDITURES</b>                |                  |                 |                   |                               |
| 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         | 2,786            | 2,786           | 917               | (1,869)                       |
| Fund balance, beginning of<br>year | <u>5,832</u>     | <u>5,832</u>    | <u>5,832</u>      | <u>-</u>                      |
| Fund balance, end of year          | <u>\$ 8,618</u>  | <u>\$ 8,618</u> | <u>\$ 6,749</u>   | <u>\$ (1,869)</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, 2007**

|                                    | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                    | Original         | Final            |                   |                               |
| <b>REVENUES</b>                    |                  |                  |                   |                               |
| Development fees                   | \$ 4,865         | \$ 4,865         | \$ 2,579          | \$ (2,286)                    |
| Investment earnings                | 11,867           | 11,867           | 19,520            | 7,653                         |
| Total revenues                     | <u>16,732</u>    | <u>16,732</u>    | <u>22,099</u>     | <u>5,367</u>                  |
| <b>EXPENDITURES</b>                |                  |                  |                   |                               |
| Capital outlay:                    |                  |                  |                   |                               |
| Other                              | <u>382,200</u>   | <u>382,200</u>   | <u>68,458</u>     | <u>313,742</u>                |
| Total expenditures                 | <u>382,200</u>   | <u>382,200</u>   | <u>68,458</u>     | <u>313,742</u>                |
| Net change in fund balance         | (365,468)        | (365,468)        | (46,359)          | 319,109                       |
| Fund balance, beginning of<br>year | <u>390,155</u>   | <u>390,155</u>   | <u>390,155</u>    | <u>-</u>                      |
| Fund balance, end of year          | <u>\$ 24,687</u> | <u>\$ 24,687</u> | <u>\$ 343,796</u> | <u>\$ 319,109</u>             |

**City of Norco**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Facility Improvement Capital Projects Fund**  
**For the Year Ended June 30, 2007**

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES</b>  |                   |                   |                   |                               |
| Investment earnings  | \$ -              | \$ -              | \$ 98             | \$ 98                         |
| Total revenues   | -                 | -                 | 98                | 98                            |
| <b>EXPENDITURES</b>  | -                 | -                 | -                 | -                             |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                 | -                 | 98                | 98                            |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                   |                   |                   |                               |
| Transfers in   | 150,000           | 150,000           | 150,000           | -                             |
| Total other financing<br>sources (uses)                      | 150,000           | 150,000           | 150,000           | -                             |
| Net change in fund balance                                   | 150,000           | 150,000           | 150,098           | 98                            |
| Fund balance, beginning of<br>year                           | -                 | -                 | -                 | -                             |
| Fund balance, end of year                                    | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ 150,098</u> | <u>\$ 98</u>                  |

## **Internal Service Funds**

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

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

*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, 2007**

|   | <u>Fleet<br/>Management</u> | <u>Information<br/>Management</u> | <u>Total</u>            |
|---|-----------------------------|-----------------------------------|-------------------------|
| <b>ASSETS</b>                                   |                             |                                   |                         |
| Current assets:                                 |                             |                                   |                         |
| Cash and investments                            | \$ 2,430,419                | \$ 283,469                        | \$ 2,713,888            |
| Interest  | 31,176                      | 3,471                             | 34,647                  |
| Prepays   | -                           | 14,092                            | 14,092                  |
| Total current assets                            | <u>2,461,595</u>            | <u>301,032</u>                    | <u>2,762,627</u>        |
| Noncurrent assets:                              |                             |                                   |                         |
| Capital assets:                                 |                             |                                   |                         |
| Vehicles and equipment                          | 3,530,926                   | 354,874                           | 3,885,800               |
| Less accumulated depreciation                   | <u>(2,099,616)</u>          | <u>(316,855)</u>                  | <u>(2,416,471)</u>      |
| Total noncurrent assets                         | <u>1,431,310</u>            | <u>38,019</u>                     | <u>1,469,329</u>        |
| <br>Total assets                                | <br><u>3,892,905</u>        | <br><u>339,051</u>                | <br><u>4,231,956</u>    |
| <br><b>LIABILITIES</b>                          |                             |                                   |                         |
| Current liabilities:                            |                             |                                   |                         |
| Accounts payable                                | 19,031                      | 15,027                            | 34,058                  |
| Compensated absences                            | -                           | 6,766                             | 6,766                   |
| Capital lease payable                           | -                           | 19,572                            | 19,572                  |
| Total current liabilities                       | <u>19,031</u>               | <u>41,365</u>                     | <u>60,396</u>           |
| Noncurrent liabilities:                         |                             |                                   |                         |
| Compensated absences                            | -                           | 20,298                            | 20,298                  |
| Capital lease payable                           | -                           | 36,609                            | 36,609                  |
| Total noncurrent liabilities                    | <u>-</u>                    | <u>56,907</u>                     | <u>56,907</u>           |
| <br>Total liabilities                           | <br><u>19,031</u>           | <br><u>98,272</u>                 | <br><u>117,303</u>      |
| <br><b>NET ASSETS</b>                           |                             |                                   |                         |
| Invested in capital assets, net of related debt | 1,431,310                   | (18,162)                          | 1,413,148               |
| Unrestricted                                    | <u>2,442,564</u>            | <u>258,941</u>                    | <u>2,701,505</u>        |
| <br>Total net assets                            | <br><u>\$ 3,873,874</u>     | <br><u>\$ 240,779</u>             | <br><u>\$ 4,114,653</u> |

**City of Norco**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

|   | Fleet<br>Management | Information<br>Management | Total               |
|---|---------------------|---------------------------|---------------------|
| <b>OPERATING REVENUES</b>                 |                     |                           |                     |
| Charges for services                      | \$ 622,217          | \$ 383,329                | \$ 1,005,546        |
| Total operating revenues                  | 622,217             | 383,329                   | 1,005,546           |
| <b>OPERATING EXPENSES</b>                 |                     |                           |                     |
| Administration                            | 281,606             | 323,956                   | 605,562             |
| Depreciation                              | 263,398             | 86,971                    | 350,369             |
| Total operating expenses                  | 545,004             | 410,927                   | 955,931             |
| Operating income (loss)                   | 77,213              | (27,598)                  | 49,615              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                     |                           |                     |
| Interest income                           | 122,599             | 12,699                    | 135,298             |
| Interest and fiscal charges               | -                   | (965)                     | (965)               |
| Gain on disposal of assets                | 64,297              | -                         | 64,297              |
| Total nonoperating revenues (expenses)    | 186,896             | 11,734                    | 198,630             |
| Income before contributions and transfers | 264,109             | (15,864)                  | 248,245             |
| Capital contributions                     | 60,655              | -                         | 60,655              |
| Transfers in                              | 32                  | 98,946                    | 98,978              |
| Change in net assets                      | 324,796             | 83,082                    | 407,878             |
| Net assets, beginning of year             | 3,549,078           | 157,697                   | 3,706,775           |
| Net assets, end of year                   | <u>\$ 3,873,874</u> | <u>\$ 240,779</u>         | <u>\$ 4,114,653</u> |

**City of Norco**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

|  | Fleet<br>Management | Information<br>Management | Total               |
|--|---------------------|---------------------------|---------------------|
| <b>Cash flows from operating activities:</b>                     |                     |                           |                     |
| Cash received from interfund services provided                   | \$ 622,217          | \$ 383,329                | \$ 1,005,546        |
| Cash payments to suppliers                                       | (284,641)           | (141,334)                 | (425,975)           |
| Cash payments to employees                                       | -                   | (175,208)                 | (175,208)           |
| Net cash provided by operating activities                        | <u>337,576</u>      | <u>66,787</u>             | <u>404,363</u>      |
| <b>Cash flows from noncapital financing activities:</b>          |                     |                           |                     |
| Transfers from other funds                                       | <u>32</u>           | <u>98,946</u>             | <u>98,978</u>       |
| Net cash provided by noncapital financing activities             | <u>32</u>           | <u>98,946</u>             | <u>98,978</u>       |
| <b>Cash flows from capital and related financing activities:</b> |                     |                           |                     |
| Acquisition of capital assets                                    | (201,720)           | -                         | (201,720)           |
| Proceeds from disposal of capital assets                         | 180,839             | -                         | 180,839             |
| Principal payments - loans                                       | -                   | (47,980)                  | (47,980)            |
| Principal payments - capital lease                               | -                   | (17,128)                  | (17,128)            |
| Interest and fiscal charges                                      | -                   | (965)                     | (965)               |
| Net cash (used for) capital and related financing activities     | <u>(20,881)</u>     | <u>(66,073)</u>           | <u>(86,954)</u>     |
| <b>Cash flows from investing activities:</b>                     |                     |                           |                     |
| Interest income  | <u>113,003</u>      | <u>10,991</u>             | <u>123,994</u>      |
| Net cash provided by investing activities                        | <u>113,003</u>      | <u>10,991</u>             | <u>123,994</u>      |
| Net increase in cash and investments                             | 429,730             | 110,651                   | 540,381             |
| Cash and investments, beginning of year                          | <u>2,000,689</u>    | <u>172,818</u>            | <u>2,173,507</u>    |
| Cash and investments, end of year                                | <u>\$ 2,430,419</u> | <u>\$ 283,469</u>         | <u>\$ 2,713,888</u> |

**City of Norco**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

|  | Fleet<br>Management | Information<br>Management | Total      |
|--|---------------------|---------------------------|------------|
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b> |                     |                           |            |
| Operating income (loss)  | \$ 77,213           | \$ (27,598)               | \$ 49,615  |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:           |                     |                           |            |
| Depreciation   | 263,398             | 86,971                    | 350,369    |
| (Increase) decrease in assets:   |                     |                           |            |
| Prepays  | -                   | 1,400                     | 1,400      |
| Increase (decrease) in liabilities:  |                     |                           |            |
| Accounts payable   | (3,035)             | 2,072                     | (963)      |
| Accrued wages  | -                   | 1,228                     | 1,228      |
| Compensated absences   | -                   | 2,714                     | 2,714      |
| Net cash provided by operating activities  | \$ 337,576          | \$ 66,787                 | \$ 404,363 |
| <b>Noncash, investing, capital and financing activities:</b>   |                     |                           |            |
| Contributions of capital assets from government  | \$ 60,655           | \$ -                      | \$ 60,655  |

## **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 6<sup>th</sup> 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 6<sup>th</sup> Street and California.

**City of Norco**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**June 30, 2007**

|  | General Trust           | Western<br>Waste      | Assessment<br>District 195 | Community<br>Facilities<br>District 93-1 |
|--|-------------------------|-----------------------|----------------------------|--|
| <b>ASSETS</b>                          |                         |                       |                            |  |
| Cash and investments                   | \$ 2,196,572            | \$ 357,129            | \$ 81,957                  | \$ 45,412                                |
| Cash and investments with fiscal agent | -                       | -                     | 375,241                    | 329,852                                  |
| Receivables, net:                      |                         |                       |                            |  |
| Accounts                               | 450                     | 389,661               | -                          | -  |
| Interest                               | -                       | -                     | 1,563                      | 2,145                                    |
| Due from other governments             | -                       | -                     | 34,330                     | -  |
| <br>Total assets                       | <br><u>\$ 2,197,022</u> | <br><u>\$ 746,790</u> | <br><u>\$ 493,091</u>      | <br><u>\$ 377,409</u>                    |
| <b>LIABILITIES</b>                     |                         |                       |                            |  |
| Accounts payable                       | \$ 1,252,815            | \$ 697,169            | \$ 4,499                   | \$ -                                     |
| Deposits payable                       | 944,207                 | 15,411                | -                          | -  |
| Due to bondholders                     | -                       | 34,210                | 488,592                    | 377,409                                  |
| <br>Total liabilities                  | <br><u>\$ 2,197,022</u> | <br><u>\$ 746,790</u> | <br><u>\$ 493,091</u>      | <br><u>\$ 377,409</u>                    |

| Community<br>Facilities<br>District 97-1 | Community<br>Facilities<br>District 2001-1 | Community<br>Facilities<br>District 2002-1 | Total               |
|--|--|--|---------------------|
| \$ 477,432                               | \$ 1,109,701                               | \$ 47,960                                  | \$ 4,316,163        |
| 529,677                                  | 1,710,221                                  | 173,188                                    | 3,118,179           |
| -  | -  | -  | 390,111             |
| 7,115                                    | 103,023                                    | 3,024                                      | 116,870             |
| 54,036                                   | 207,059                                    | 22,993                                     | 318,418             |
| <u>\$ 1,068,260</u>                      | <u>\$ 3,130,004</u>                        | <u>\$ 247,165</u>                          | <u>\$ 8,259,741</u> |
| \$ 781                                   | \$ 3,248                                   | \$ 195,140                                 | \$ 2,153,652        |
| -  | -  | -  | 959,618             |
| 1,067,479                                | 3,126,756                                  | 52,025                                     | 5,146,471           |
| <u>\$ 1,068,260</u>                      | <u>\$ 3,130,004</u>                        | <u>\$ 247,165</u>                          | <u>\$ 8,259,741</u> |

**City of Norco**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**For the Year Ended June 30, 2007**

|   | Balance<br>July 1, 2006 | Additions           | Deletions           | Balance<br>June 30, 2007 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| <b>GENERAL TRUST</b>                      |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 951,664              | \$ 3,590,373        | \$ 2,345,465        | \$ 2,196,572             |
| Accounts receivable                       | 336,209                 | -                   | 335,759             | 450                      |
| Total assets                              | <u>\$ 1,287,873</u>     | <u>\$ 3,590,373</u> | <u>\$ 2,681,224</u> | <u>\$ 2,197,022</u>      |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ 416,785              | \$ 1,604,981        | \$ 768,951          | \$ 1,252,815             |
| Deposits payable                          | 871,088                 | 1,985,392           | 1,912,273           | 944,207                  |
| Total liabilities                         | <u>\$ 1,287,873</u>     | <u>\$ 3,590,373</u> | <u>\$ 2,681,224</u> | <u>\$ 2,197,022</u>      |
| <b>WESTERN WASTE</b>                      |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 21,983               | \$ 4,171,043        | \$ 3,835,897        | \$ 357,129               |
| Accounts receivable                       | 362,655                 | 4,100,425           | 4,073,419           | 389,661                  |
| Total assets                              | <u>\$ 384,638</u>       | <u>\$ 8,271,468</u> | <u>\$ 7,909,316</u> | <u>\$ 746,790</u>        |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ 330,114              | \$ 2,947,235        | \$ 2,580,180        | \$ 697,169               |
| Deposits payable                          | 13,526                  | 9,913               | 8,028               | 15,411                   |
| Due to bondholders                        | 40,998                  | 5,314,320           | 5,321,108           | 34,210                   |
| Total liabilities                         | <u>\$ 384,638</u>       | <u>\$ 8,271,468</u> | <u>\$ 7,909,316</u> | <u>\$ 746,790</u>        |
| <b>ASSESSMENT DISTRICT 195</b>            |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 75,749               | \$ 505,263          | \$ 499,055          | \$ 81,957                |
| Cash and investments with<br>fiscal agent | 358,230                 | 482,921             | 465,910             | 375,241                  |
| Interest receivable                       | 1,287                   | 1,563               | 1,287               | 1,563                    |
| Due from other governments                | 24,918                  | 34,330              | 24,918              | 34,330                   |
| Total assets                              | <u>\$ 460,184</u>       | <u>\$ 1,024,077</u> | <u>\$ 991,170</u>   | <u>\$ 493,091</u>        |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ -                    | \$ 19,626           | \$ 15,127           | \$ 4,499                 |
| Advance from other funds                  | -                       | -                   | -                   | -                        |
| Due to bondholders                        | 460,184                 | 1,004,451           | 976,043             | 488,592                  |
| Total liabilities                         | <u>\$ 460,184</u>       | <u>\$ 1,024,077</u> | <u>\$ 991,170</u>   | <u>\$ 493,091</u>        |

**City of Norco**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**For the Year Ended June 30, 2007**

|   | Balance<br>July 1, 2006 | Additions           | Deletions           | Balance<br>June 30, 2007 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| <b>CFD 93-1</b>                           |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 32,349               | \$ 209,664          | \$ 196,601          | \$ 45,412                |
| Cash and investments with<br>fiscal agent | 326,145                 | 185,082             | 181,375             | 329,852                  |
| Interest receivable                       | 1,743                   | 2,145               | 1,743               | 2,145                    |
| Due from other governments                | 1,664                   | -                   | 1,664               | -                        |
| Total assets                              | <u>\$ 361,901</u>       | <u>\$ 396,891</u>   | <u>\$ 381,383</u>   | <u>\$ 377,409</u>        |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ -                    | \$ 8,754            | \$ 8,754            | \$ -                     |
| Due to bondholders                        | 361,901                 | 388,137             | 372,629             | 377,409                  |
| Total liabilities                         | <u>\$ 361,901</u>       | <u>\$ 396,891</u>   | <u>\$ 381,383</u>   | <u>\$ 377,409</u>        |
| <b>CFD 97-1</b>                           |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 476,756              | \$ 602,270          | \$ 601,594          | \$ 477,432               |
| Cash and investments with<br>fiscal agent | 564,885                 | 562,446             | 597,654             | 529,677                  |
| Interest receivable                       | 6,307                   | 7,115               | 6,307               | 7,115                    |
| Due from other governments                | 31,340                  | 54,036              | 31,340              | 54,036                   |
| Total assets                              | <u>\$ 1,079,288</u>     | <u>\$ 1,225,867</u> | <u>\$ 1,236,895</u> | <u>\$ 1,068,260</u>      |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ -                    | \$ 10,010           | \$ 9,229            | \$ 781                   |
| Due to bondholders                        | 1,079,288               | 1,215,857           | 1,227,666           | 1,067,479                |
| Total liabilities                         | <u>\$ 1,079,288</u>     | <u>\$ 1,225,867</u> | <u>\$ 1,236,895</u> | <u>\$ 1,068,260</u>      |
| <b>CFD 2001-1</b>                         |                         |                     |                     |                          |
| <b>Assets</b>                             |                         |                     |                     |                          |
| Cash and investments                      | \$ 1,137,155            | \$ 1,911,211        | \$ 1,938,665        | \$ 1,109,701             |
| Cash and investments with<br>fiscal agent | 1,708,332               | 1,914,708           | 1,912,819           | 1,710,221                |
| Interest receivable                       | 14,787                  | 103,023             | 14,787              | 103,023                  |
| Due from other governments                | 130,310                 | 207,059             | 130,310             | 207,059                  |
| Total assets                              | <u>\$ 2,990,584</u>     | <u>\$ 4,136,001</u> | <u>\$ 3,996,581</u> | <u>\$ 3,130,004</u>      |
| <b>Liabilities</b>                        |                         |                     |                     |                          |
| Accounts payable                          | \$ -                    | \$ 12,676           | \$ 9,428            | \$ 3,248                 |
| Due to bondholders                        | 2,990,584               | 4,123,325           | 3,987,153           | 3,126,756                |
| Total liabilities                         | <u>\$ 2,990,584</u>     | <u>\$ 4,136,001</u> | <u>\$ 3,996,581</u> | <u>\$ 3,130,004</u>      |

**City of Norco**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**For the Year Ended June 30, 2007**

|   | Balance<br>July 1, 2006 | Additions            | Deletions            | Balance<br>June 30, 2007 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| <b>CFD 2002-1</b>                         |                         |                      |                      |                          |
| <b>Assets</b>                             |                         |                      |                      |                          |
| Cash and investments                      | \$ 55,710               | \$ 343,600           | \$ 351,350           | \$ 47,960                |
| Cash and investments with<br>fiscal agent | 170,923                 | 169,269              | 167,004              | 173,188                  |
| Interest receivable                       | 812                     | 3,024                | 812                  | 3,024                    |
| Due from other governments                | 16,310                  | 22,993               | 16,310               | 22,993                   |
| Total assets                              | <u>\$ 243,755</u>       | <u>\$ 538,886</u>    | <u>\$ 535,476</u>    | <u>\$ 247,165</u>        |
| <b>Liabilities</b>                        |                         |                      |                      |                          |
| Accounts payable                          | \$ -                    | \$ 379,479           | \$ 184,339           | \$ 195,140               |
| Due to bondholders                        | 243,755                 | 159,407              | 351,137              | 52,025                   |
| Total liabilities                         | <u>\$ 243,755</u>       | <u>\$ 538,886</u>    | <u>\$ 535,476</u>    | <u>\$ 247,165</u>        |
| <br><b>TOTALS - ALL AGENCY FUNDS</b>      |                         |                      |                      |                          |
| <b>Assets</b>                             |                         |                      |                      |                          |
| Cash and investments                      | \$ 2,751,366            | \$ 11,333,424        | \$ 9,768,627         | \$ 4,316,163             |
| Cash and investments with<br>fiscal agent | 3,128,515               | 3,314,426            | 3,324,762            | 3,118,179                |
| Accounts receivable                       | 698,864                 | 4,100,425            | 4,409,178            | 390,111                  |
| Interest receivable                       | 24,936                  | 116,870              | 24,936               | 116,870                  |
| Due from other governments                | 204,542                 | 318,418              | 204,542              | 318,418                  |
| Total assets                              | <u>\$ 6,808,223</u>     | <u>\$ 19,183,563</u> | <u>\$ 17,732,045</u> | <u>\$ 8,259,741</u>      |
| <b>Liabilities</b>                        |                         |                      |                      |                          |
| Accounts payable                          | \$ 746,899              | \$ 4,982,761         | \$ 3,576,008         | \$ 2,153,652             |
| Deposits payable                          | 884,614                 | 1,995,305            | 1,920,301            | 959,618                  |
| Due to bondholders                        | 5,176,710               | 12,205,497           | 12,235,736           | 5,146,471                |
| Total liabilities                         | <u>\$ 6,808,223</u>     | <u>\$ 19,183,563</u> | <u>\$ 17,732,045</u> | <u>\$ 8,259,741</u>      |



## STATISTICAL SECTION

This part of the City of Norco comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>   | 115         |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>   | 122         |
| Debt Capacity<br><i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.</i>                             | 127         |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>                              | 137         |
| Operating Information<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.</i> | 140         |

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

|  | Fiscal Year          |                      |                       |                       |                       |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
|  | 2003                 | 2004                 | 2005                  | 2006                  | 2007                  |
| <b>Governmental activities</b>                     |                      |                      |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 24,062,715        | \$ 28,910,663        | \$ 141,829,990        | \$ 144,879,068        | \$ 151,388,100        |
| Restricted   | 55,699,255           | 62,724,936           | 58,521,550            | 57,107,710            | 55,995,625            |
| Unrestricted                                       | (54,759,688)         | (61,502,408)         | (62,492,997)          | (59,117,764)          | (56,171,654)          |
| <b>Total governmental activities, net assets</b>   | <u>\$ 25,002,282</u> | <u>\$ 30,133,191</u> | <u>\$ 137,858,543</u> | <u>\$ 142,869,014</u> | <u>\$ 151,212,071</u> |
| <b>Business-type activities</b>                    |                      |                      |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 15,513,017        | \$ 20,521,154        | \$ 30,722,040         | \$ 35,602,853         | \$ 36,930,507         |
| Restricted   | 11,034,551           | 13,867,717           | 13,627,054            | 12,935,528            | 8,718,561             |
| Unrestricted                                       | (275,585)            | (2,734,265)          | (3,183,101)           | (3,559,843)           | (78,386)              |
| <b>Total business-type activities, net assets</b>  | <u>\$ 26,271,983</u> | <u>\$ 31,654,606</u> | <u>\$ 41,165,993</u>  | <u>\$ 44,978,538</u>  | <u>\$ 45,570,682</u>  |
| <b>Primary government</b>                          |                      |                      |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 39,575,732        | \$ 49,431,817        | \$ 172,552,030        | \$ 180,481,921        | \$ 188,318,607        |
| Restricted   | 66,733,806           | 76,592,653           | 72,148,604            | 70,043,238            | 64,714,186            |
| Unrestricted                                       | (55,035,273)         | (64,236,673)         | (65,676,098)          | (62,677,607)          | (56,250,040)          |
| <b>Total primary government net assets</b>         | <u>\$ 51,274,265</u> | <u>\$ 61,787,797</u> | <u>\$ 179,024,536</u> | <u>\$ 187,847,552</u> | <u>\$ 196,782,753</u> |

**Source:** City's financial statements  
Data from 1998 - 2002 is not available

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

|   | Fiscal Year          |                        |                        |                        |                        |
|---|----------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2003                 | 2004                   | 2005                   | 2006                   | 2007                   |
| <b>Expenses</b>                                 |                      |                        |                        |                        |                        |
| Governmental activities:                        |                      |                        |                        |                        |                        |
| General government                              | \$ 3,024,963         | \$ 1,880,302           | \$ 2,628,746           | \$ 2,444,678           | \$ 2,369,307           |
| Public safety                                   | 7,858,483            | 8,173,624              | 9,185,614              | 10,030,419             | 10,984,557             |
| Public works                                    | 8,259,305            | 4,714,230              | 4,762,105              | 2,667,196              | 2,931,992              |
| Community development                           | 4,699,041            | 5,434,051              | 13,727,059             | 9,661,594              | 9,682,225              |
| Culture and leisure                             | 1,807,224            | 2,020,202              | 2,486,747              | 2,575,970              | 2,915,016              |
| Interest on long-term debt                      | 3,358,673            | 4,222,757              | 4,367,389              | 4,498,959              | 4,210,091              |
| Total governmental activities expenses          | <u>29,007,689</u>    | <u>26,445,166</u>      | <u>37,157,660</u>      | <u>31,878,816</u>      | <u>33,093,188</u>      |
| Business-type activities:                       |                      |                        |                        |                        |                        |
| Water   | 4,853,365            | 5,443,482              | 6,192,775              | 7,000,699              | 6,644,244              |
| Sewer   | 2,817,455            | 3,100,970              | 3,729,579              | 3,969,304              | 4,263,280              |
| 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>      | <u>10,907,524</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>   | <u>\$ 44,000,712</u>   |
| <b>Program Revenues</b>                         |                      |                        |                        |                        |                        |
| Governmental activities:                        |                      |                        |                        |                        |                        |
| Charges for services:                           |                      |                        |                        |                        |                        |
| General government                              | \$ 226,087           | \$ 844,047             | \$ 1,017,412           | \$ 1,206,368           | \$ 1,195,495           |
| Public safety                                   | 479,705              | 408,968                | 845,785                | 938,458                | 1,184,179              |
| Streets and highways                            | 265,307              | 881,982                | 843,209                | 1,119,874              | 502,427                |
| Community development                           | 1,863,415            | 2,175,706              | 1,177,608              | 919,325                | 739,852                |
| Culture and leisure                             | 416,570              | 739,122                | 815,751                | 839,701                | 1,038,228              |
| Operating grants and contributions              | 1,706,282            | 2,054,746              | 2,206,575              | 2,448,984              | 3,099,986              |
| Capital grants and contributions                | 32,651,906           | 6,553,575              | 3,603,044              | 2,001,841              | 2,356,978              |
| 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>       | <u>10,117,145</u>      |
| Business-type activities:                       |                      |                        |                        |                        |                        |
| Charges for services:                           |                      |                        |                        |                        |                        |
| Water   | 4,052,537            | 4,907,696              | 4,990,556              | 6,617,886              | 6,804,540              |
| Sewer   | 2,047,143            | 2,487,983              | 2,791,789              | 2,855,330              | 2,917,946              |
| Capital grants and contributions                | 2,963,586            | 901,809                | 1,219,879              | 5,071,845              | 2,017,403              |
| 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>      | <u>11,739,889</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>   | <u>\$ 21,857,034</u>   |
| <b>Net(Expense)/Revenue</b>                     |                      |                        |                        |                        |                        |
| Governmental activities                         | \$ 8,601,583         | \$ (12,787,020)        | \$ (26,648,276)        | \$ (22,404,265)        | \$ (22,976,043)        |
| Business-type activities                        | 1,392,446            | (246,964)              | (920,130)              | 3,575,058              | 832,365                |
| Total primary government net                    | <u>\$ 9,994,029</u>  | <u>\$ (13,033,984)</u> | <u>\$ (27,568,406)</u> | <u>\$ (18,829,207)</u> | <u>\$ (22,143,678)</u> |

**Source:** City's financial statements  
Data from 1998 - 2002 is not available

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

|   | Fiscal Year          |                      |                       |                      |                      |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                  | 2006                 | 2007                 |
| <b>General Revenues and Other Changes in Net Assets</b> |                      |                      |                       |                      |                      |
| Governmental activities:                                |                      |                      |                       |                      |                      |
| Taxes:  |                      |                      |                       |                      |                      |
| Property tax, levied for general purpose                | \$ 790,993           | \$ 850,889           | \$ 828,597            | \$ 1,239,755         | \$ 3,760,792         |
| Property tax, Redevelopment Agency tax increment        | 8,349,246            | 8,718,625            | 10,900,008            | 12,748,278           | 14,852,364           |
| Transient occupancy tax                                 | 47,320               | 70,081               | 68,565                | 87,306               | 82,074               |
| Franchise tax   | 764,923              | 757,141              | 855,731               | 903,919              | 1,021,058            |
| Sales tax   | 5,059,849            | 5,745,624            | 4,230,325             | 4,915,052            | 4,458,665            |
| Sales tax in lieu                                       | -                    | -                    | 1,451,759             | 1,159,702            | 1,753,052            |
| Motor vehicle in lieu tax                               | 1,453,999            | 1,168,342            | 1,914,670             | 2,053,194            | 147,265              |
| Public service taxes                                    | 372,059              | 459,308              | 538,106               | 492,305              | 392,975              |
| 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            | 3,458,518            |
| Other   | 869,415              | 1,267,082            | 1,126,623             | 1,272,881            | 1,102,572            |
| Transfers   | (717,400)            | (5,295,307)          | (639,109)             | 290,792              | 289,765              |
| <b>Total governmental activities</b>                    | <b>17,651,738</b>    | <b>15,345,926</b>    | <b>23,143,869</b>     | <b>27,414,737</b>    | <b>31,319,100</b>    |
| 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               | 43,886               |
| Other   | 11,404               | 297,393              | 19,245                | -                    | 5,658                |
| Transfers   | 723,111              | 5,295,307            | 639,109               | (290,792)            | (289,765)            |
| <b>Total business-type activities</b>                   | <b>729,304</b>       | <b>5,629,587</b>     | <b>687,445</b>        | <b>237,487</b>       | <b>(240,221)</b>     |
| <b>Total primary government</b>                         | <b>\$ 18,381,042</b> | <b>\$ 20,975,513</b> | <b>\$ 23,831,314</b>  | <b>\$ 27,652,224</b> | <b>\$ 31,078,879</b> |
| <b>Change in Net Assets</b>                             |                      |                      |                       |                      |                      |
| Governmental activities                                 | \$ 26,253,321        | \$ 2,558,906         | \$ (3,504,407)        | \$ 5,010,472         | \$ 8,343,057         |
| Business-type activities                                | 2,121,750            | 5,382,623            | (232,685)             | 3,812,545            | 592,144              |
| <b>Total primary government</b>                         | <b>\$ 28,375,071</b> | <b>\$ 7,941,529</b>  | <b>\$ (3,737,092)</b> | <b>\$ 8,823,017</b>  | <b>\$ 8,935,201</b>  |

**Source:** City's financial statements  
Data from 1998 - 2002 is not available

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

|                                    | <b>Fiscal Year</b>   |                      |                      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | 1998                 | 1999                 | 2000                 | 2001                 |
| General Fund                       |                      |                      |                      |                      |
| Reserved                           | \$ 951,668           | \$ 140,907           | \$ 199,557           | \$ 364,055           |
| Unreserved                         | 3,431,898            | 4,212,982            | 4,484,063            | 4,823,436            |
| Total general fund                 | <u>\$ 4,383,566</u>  | <u>\$ 4,353,889</u>  | <u>\$ 4,683,620</u>  | <u>\$ 5,187,491</u>  |
| <br>                               |                      |                      |                      |                      |
| All Other Governmental Funds       |                      |                      |                      |                      |
| Reserved                           | \$ 13,159,615        | \$ 9,789,060         | \$ 10,662,534        | \$ 7,185,131         |
| Unreserved, reported in:           |                      |                      |                      |                      |
| Special revenue funds              | 481,802              | 1,124,030            | (885,949)            | (75,081)             |
| Capital projects funds             | 14,467,433           | 17,100,559           | 20,882,623           | 21,016,851           |
| Debt service funds                 | 9,231,044            | 7,211,467            | 10,269,608           | 12,723,509           |
| Total all other governmental funds | <u>\$ 37,339,894</u> | <u>\$ 35,225,116</u> | <u>\$ 40,928,816</u> | <u>\$ 40,850,410</u> |

**Source:** City's financial statements

| <b>Fiscal Year</b>   |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2002                 | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 |
| \$ 214,003           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| 4,015,642            | 4,191,414            | 6,208,159            | 7,313,336            | 7,791,835            | 8,431,607            |
| <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>  | <u>\$ 8,431,607</u>  |
|                      |                      |                      |                      |                      |                      |
| \$ 16,356,234        | \$ 21,222,500        | \$ 29,431,509        | \$ 14,506,168        | \$ 14,836,751        | \$ 21,050,335        |
| 352,726              | 3,973,650            | 3,739,360            | 17,224,928           | 17,873,478           | 12,617,135           |
| 28,378,019           | 35,380,191           | 43,274,103           | 45,303,565           | 43,403,902           | 41,297,924           |
| 8,129,789            | 332,518              | 2,121,337            | 1,014,496            | 1,175,963            | 803,414              |
| <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> | <u>\$ 75,768,808</u> |

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

|   | <b>Fiscal Year</b>           |                          |                            |                            |
|---|------------------------------|--------------------------|----------------------------|----------------------------|
|   | 1998                         | 1999                     | 2000                       | 2001                       |
| <b>Revenues</b>   |                              |                          |                            |                            |
| Taxes   | \$ 7,237,866                 | \$ 8,188,742             | \$ 10,139,302              | \$ 12,615,079              |
| Assessments   | -                            | -                        | -                          | 67,719                     |
| Licenses and permits                                      | 402,116                      | 677,472                  | 761,714                    | 1,055,759                  |
| Fines and forfeitures                                     | 29,998                       | 84,226                   | 274,287                    | 243,763                    |
| Development fees  | 18,145                       | 30,636                   | 30,945                     | -                          |
| Intergovernmental   | 3,085,587                    | 3,318,169                | 3,557,484                  | 3,264,249                  |
| Charges for services                                      | 1,382,456                    | 1,986,909                | 2,715,976                  | 3,582,686                  |
| Investment earnings                                       | 2,218,299                    | 2,410,225                | 1,894,124                  | 2,152,133                  |
| Reimbursements  | -                            | -                        | -                          | -                          |
| Contributions from property owners                        | -                            | -                        | -                          | -                          |
| Gain on sale of land held for resale                      | -                            | -                        | -                          | -                          |
| Other   | 693,547                      | 633,482                  | 293,035                    | 264,390                    |
| <b>Total revenues</b>                                     | <u>15,068,014</u>            | <u>17,329,861</u>        | <u>19,666,867</u>          | <u>23,245,778</u>          |
| <b>Expenditures</b>                                       |                              |                          |                            |                            |
| Current:  |                              |                          |                            |                            |
| General government  | 2,100,826                    | 2,244,966                | 2,703,405                  | 2,759,947                  |
| Public safety   | 5,947,334                    | 5,787,327                | 6,809,903                  | 6,635,572                  |
| Streets and highways                                      | 3,174,895                    | 912,942                  | 1,004,107                  | 1,302,762                  |
| Community development                                     | 592,882                      | 677,493                  | 1,300,136                  | 621,693                    |
| Culture and leisure                                       | 1,138,850                    | 1,228,295                | 1,230,692                  | 1,297,681                  |
| Pass through payments                                     | 80,923                       | -                        | 1,169,890                  | 1,440,050                  |
| ERAF payment  | -                            | -                        | -                          | -                          |
| Capital outlay  | 5,834,982                    | 1,088,684                | 3,971,711                  | 2,949,029                  |
| Debt service:   |                              |                          |                            |                            |
| Principal   | 857,910                      | 2,137,402                | 1,016,642                  | 1,183,369                  |
| Interest  | 3,172,318                    | 2,831,189                | 2,820,379                  | 2,548,910                  |
| Advance refunding escrow                                  | -                            | -                        | -                          | -                          |
| Bond issuance costs                                       | -                            | -                        | -                          | -                          |
| <b>Total expenditures</b>                                 | <u>22,900,920</u>            | <u>16,908,298</u>        | <u>22,026,865</u>          | <u>20,739,013</u>          |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,832,906)</u>           | <u>421,563</u>           | <u>(2,359,998)</u>         | <u>2,506,765</u>           |
| <b>Other Financing Sources (Uses)</b>                     |                              |                          |                            |                            |
| Proceeds from the sale of property                        | -                            | -                        | -                          | (2,623,734)                |
| Transfers in  | 8,283,379                    | 6,474,291                | 1,430,252                  | 2,265,104                  |
| Transfers out   | (8,096,051)                  | (6,372,069)              | (1,430,252)                | (2,265,104)                |
| Bond/loan proceeds  | 5,599,068                    | -                        | 9,175,000                  | -                          |
| Capital leases  | -                            | -                        | -                          | -                          |
| Other   | (3,131,894)                  | 390,443                  | (352,273)                  | (23,230)                   |
| <b>Total other financial sources (uses)</b>               | <u>2,654,502</u>             | <u>492,665</u>           | <u>8,822,727</u>           | <u>(2,646,964)</u>         |
| <b>Special Item</b>                                       |                              |                          |                            |                            |
| Sale of park land   | -                            | -                        | -                          | -                          |
| <b>Net change in fund balances</b>                        | <u><u>\$ (5,178,404)</u></u> | <u><u>\$ 914,228</u></u> | <u><u>\$ 6,462,729</u></u> | <u><u>\$ (140,199)</u></u> |
| Debt service as a percentage of noncapital expenditures   | 23.62%                       | 31.41%                   | 21.25%                     | 20.98%                     |

**Source:** City's financial statements

**Fiscal Year**

| 2002                 | 2003                 | 2004                 | 2005               | 2006                | 2007               |
|----------------------|----------------------|----------------------|--------------------|---------------------|--------------------|
| \$ 13,813,835        | \$ 16,306,364        | \$ 17,737,373        | \$ 20,028,396      | \$ 22,896,670       | \$ 27,620,892      |
| 164,136              | 189,043              | 201,162              | 194,978            | 648,033             | 428,045            |
| 718,620              | 817,824              | 1,699,483            | 957,262            | 754,346             | 533,440            |
| 180,047              | 342,259              | 288,053              | 444,622            | 502,036             | 709,921            |
| -                    | 5,333,366            | 2,734,809            | 1,189,177          | 905,912             | 1,166,958          |
| 2,858,251            | 3,111,610            | 2,142,909            | 3,543,982          | 4,451,260           | 2,923,419          |
| 2,655,150            | 1,804,344            | 2,780,610            | 2,481,304          | 2,326,672           | 2,252,724          |
| 1,775,281            | 1,363,052            | 1,517,394            | 1,858,310          | 2,886,973           | 4,348,986          |
| -                    | 128,255              | 63,810               | 78,502             | 6,574               | -                  |
| -                    | 26,009,728           | 2,883,760            | 1,258,068          | 461,503             | -                  |
| -                    | -                    | 16,457               | 469,783            | -                   | 106,723            |
| 1,012,017            | 736,487              | 1,919,415            | 1,474,132          | 686,584             | 619,413            |
| <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>   | <u>40,710,521</u>  |
| 2,925,745            | 3,002,995            | 1,848,398            | 2,505,763          | 2,406,997           | 2,327,377          |
| 7,560,157            | 7,822,149            | 8,163,974            | 8,933,781          | 9,869,667           | 10,825,459         |
| 1,758,834            | 8,210,335            | 4,068,334            | 2,291,359          | 1,079,977           | 1,464,876          |
| 691,853              | 2,319,002            | 2,451,938            | 9,304,391          | 3,447,292           | 5,096,755          |
| 1,616,585            | 1,712,556            | 1,915,561            | 2,054,588          | 2,190,517           | 2,195,327          |
| 1,734,472            | 2,192,565            | 2,547,511            | 3,501,777          | 5,405,502           | 5,965,252          |
| -                    | 197,614              | 363,557              | 716,633            | 665,577             | -                  |
| 10,281,055           | 5,301,767            | 16,518,304           | 5,669,830          | 5,343,724           | 7,694,237          |
| 1,555,923            | 1,514,811            | 2,136,051            | 2,015,973          | 2,382,999           | 2,286,811          |
| 4,304,064            | 3,363,470            | 4,758,761            | 4,286,532          | 4,202,649           | 4,227,387          |
| -                    | -                    | -                    | -                  | 1,448,228           | -                  |
| -                    | -                    | -                    | 544,466            | 627,555             | -                  |
| <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>42,083,481</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>  | <u>(1,372,960)</u> |
| (889,580)            | (219,084)            | 138,757              | -                  | -                   | 300,659            |
| 16,759,764           | 8,208,464            | 10,194,123           | 2,398,992          | 5,881,144           | 7,363,720          |
| (16,516,291)         | (7,454,996)          | (9,776,083)          | (1,718,281)        | (5,742,106)         | (7,172,933)        |
| 50,675,000           | -                    | 22,086,049           | 7,912,213          | 2,117,651           | -                  |
| -                    | -                    | -                    | -                  | 6,868               | -                  |
| <u>(27,216,847)</u>  | <u>-</u>             | <u>-</u>             | <u>-</u>           | <u>-</u>            | <u>-</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>    | <u>491,446</u>     |
| -                    | -                    | 5,500,000            | -                  | -                   | -                  |
| <u>\$ 13,560,695</u> | <u>\$ 21,039,452</u> | <u>\$ 17,355,692</u> | <u>\$ 746,347</u>  | <u>\$ (280,564)</u> | <u>(881,514)</u>   |

26.46%

16.08%

24.40%

17.43%

19.53%

18.94%

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

| Fiscal Year<br>Ended June 30, | Secured<br>Property | Unsecured<br>Property | Total Taxable<br>Assessed<br>Value | Total Direct<br>Tax Rate |
|-------------------------------|---------------------|-----------------------|------------------------------------|--------------------------|
| 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                          | 1,794,788           | 75,419                | 1,870,207                          | 1.00000%                 |
| 2006                          | 2,177,618           | 95,436                | 2,273,054                          | 1.00000%                 |
| 2007                          | 2,552,281           | 89,619                | 2,641,900                          | 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<br>Unified School<br>District | Metro Water<br>District |
| 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%                |
| 2007        | 1.00000%          | 1.00000%     | 0.01072%                                   | 0.00470%                |

**Source:** Riverside County Office of Auditor-Controller

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

| <b><u>Taxpayer</u></b>               | <b>2007</b>                           |             | <b>Percentage of<br/>Total City<br/>Taxable<br/>Assessed<br/>Value</b> |
|--------------------------------------|---------------------------------------|-------------|--|
|                                      | <b>Taxable<br/>Assessed<br/>Value</b> | <b>Rank</b> |  |
| CRV SC Norco Partners                | \$ 19,076,809                         | 1           | 0.72%  |
| Standard Pacific Corp.               | 16,993,579                            | 2           | 0.64%  |
| Norco Corona Associates              | 16,463,070                            | 3           | 0.62%  |
| Grayburn Properties Inc              | 12,696,877                            | 4           | 0.48%  |
| Dayton Hudson Corporation            | 11,237,501                            | 5           | 0.43%  |
| Stewart Larry                        | 10,909,136                            | 6           | 0.41%  |
| H & H Property                       | 10,600,255                            | 7           | 0.40%  |
| American Stores Property Inc.        | 8,668,012                             | 8           | 0.33%  |
| Sena Property                        | 8,396,342                             | 9           | 0.32%  |
| Norco Corona Holdings                | 8,394,384                             | 10          | 0.32%  |
| Hemborg (Robert Eugene)              |                                       |             |  |
| Frahm (Louis H.)                     |                                       |             |  |
| Norco Ranch Inc.                     |                                       |             |  |
| Property Asset Management, Inc.      |                                       |             |  |
| Hanzlik Howard M.                    |                                       |             |  |
| Charter Communications Entertainment |                                       |             |  |
| Norco Centre Partnership             |                                       |             |  |
| <b>Total</b>                         | <b>\$ 123,435,965</b>                 |             | <b>4.67%</b>   |

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

1998

| <u>Taxable<br/>Assessed<br/>Value</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Taxable<br/>Assessed<br/>Value</u> |
|---------------------------------------|-------------|--|
| \$ 6,449,964                          | 3           | 0.61%  |
| 11,361,131                            | 1           | 1.08%  |
| 7,416,394                             | 2           | 0.71%  |
| 5,563,442                             | 4           | 0.53%  |
| 5,392,194                             | 5           | 0.51%  |
| 5,142,378                             | 6           | 0.49%  |
| 4,564,583                             | 7           | 0.43%  |
| 3,760,232                             | 8           | 0.36%  |
| 3,608,357                             | 9           | 0.34%  |
| <u>3,555,231</u>                      | <u>10</u>   | <u>0.34%</u>   |
| <u>\$ 56,813,906</u>                  |             | <u>5.41%</u>   |

**City of Norco  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

| Fiscal Year<br>Ended<br>June 30, | Taxes<br>Levied for<br>the Fiscal<br>Year | Collected within the Fiscal<br>Year of the Levy |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|----------------------------------|---|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                  |   | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 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%                 |
| 2007                             | 1,349,303                                 | 1,230,345                                       | 91.2%                 | 58,914                                | 1,289,259                 | 95.5%                 |

**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)

| <u>Fiscal Year</u> | <u>Governmental Activities</u> |                       |                                 |                          |
|--------------------|--------------------------------|-----------------------|---------------------------------|--------------------------|
|                    | <u>RDA Bonds</u>               | <u>Capital Leases</u> | <u>Special Assessment Bonds</u> | <u>Term Loan Payable</u> |
| 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               | 87,335                         | 80                    | 51,875                          | 600                      |
| 2007               | 85,260                         | 62                    | 50,550                          | 389                      |

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

<sup>1</sup> U.S. Department of Commerce, Bureau of Economic Analysis for Riverside County

**Business-Type Activities**

| <b>Certificates<br/>of<br/>Participation</b> | <b>Capital<br/>Leases</b> | <b>Term Loan<br/>Payable</b> | <b>Total Primary<br/>Government</b> | <b>Percentage<br/>of Assessed<br/>Valuation</b> | <b>Per Capita<sup>1</sup></b> |
|--|---------------------------|------------------------------|-------------------------------------|---|-------------------------------|
| \$ 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                        | 136,238                             | 9.03%   | 5,396                         |
| 8,365  | 15,039                    | 1,023                        | 154,481                             | 9.65%   | 6,058                         |
| 8,185  | 14,723                    | 963                          | 159,140                             | 6.98%   | 5,960                         |
| 8,000  | 14,389                    | 901                          | 163,180                             | 7.18%   | 5,985                         |
| 7,805  | 13,965                    | 835                          | 158,866                             | 6.01%   | 5,827                         |

**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 <sup>(1)</sup></u> |                  |              | <u>Debt Service Reserve</u> |
|--------------------|---|------------------|--------------|-----------------------------|
|                    | <u>General Obligation Bonds</u>                       | <u>RDA Bonds</u> | <u>Total</u> |                             |
| 1998               | \$ -  | \$ -             | \$ -         | \$ -                        |
| 1999               | -   | -                | -            | -                           |
| 2000               | -   | -                | -            | -                           |
| 2001               | -   | -                | -            | -                           |
| 2002               | -   | -                | -            | -                           |
| 2003               | -   | -                | -            | -                           |
| 2004               | -   | -                | -            | -                           |
| 2005               | -   | -                | -            | -                           |
| 2006               | -   | -                | -            | -                           |
| 2007               | -   | -                | -            | -                           |

**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<br/>Bonded Debt</u> | <u>Percentage of<br/>Actual Taxable<br/>Value of Property</u> | <u>Per Capita<sup>(2)</sup></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, 2007**

|                                      |                         |
|--------------------------------------|-------------------------|
| 2006-07 Assessed Valuation:          | \$ 2,641,900,461        |
| Redevelopment Incremental Valuation: | <u>1,317,182,240</u>    |
| Adjusted Assessed Valuation:         | <u>\$ 1,324,718,221</u> |

|  | % Applicable<br>(1) | Debt                 |
|--|---------------------|----------------------|
| <u>Direct and Overlapping Tax and Assessment Debt:</u>                         |                     |                      |
| Metropolitan Water District  | 0.082%              | \$ 294,474           |
| Riverside City Community College District                                      | 2.247               | 3,384,344            |
| Alvord Unified School District   | 0.012               | 5,571                |
| Corona-Norco Unified School District   | 6.158               | 7,836,032            |
| City of Norco  | 100.000             | -                    |
| City of Norco Community Facilities District No. 93-1                           | 100.000             | 1,805,000            |
| City of Norco Community Facilities District No. 97-1                           | 100.000             | 7,395,000            |
| City of Norco Community Facilities District No. 2001-1                         | 100.000             | 37,955,000           |
| City of Norco Community Facilities District No. 2002-1                         | 100.000             | 2,065,000            |
| Corona-Norco Unified School District Community Facilities District<br>No. 88-1 | 10.663              | 376,937              |
| City of Norco 1915 Act Bonds   | 100.000             | 1,330,000            |
| Total Direct and Overlapping Tax and Assessment Debt                           |                     | <u>\$ 62,447,358</u> |
| <u>Overlapping General Fund Obligation Debt:</u>                               |                     |                      |
| Riverside County General Fund Obligations                                      | 0.880%              | \$ 5,658,588         |
| Riverside County Pension Obligations   | 0.880               | \$ 3,457,432         |
| Riverside County Board of Education Certificates of Participation              | 0.880               | 90,420               |
| Alvord Unified School District Certificates of Participation                   | 0.012               | 2,822                |
| Corona-Norco Unified School District Certificates of Participation             | 6.158               | 6,459,742            |
| Total Gross Overlapping General Fund Obligation Debt                           |                     | \$ 15,669,004        |
| Less: Riverside County self-supporting obligations                             |                     | <u>163,517</u>       |
| Total Net Overlapping General Fund Obligation Debt                             |                     | <u>\$ 15,505,487</u> |
| Gross Combined Total Debt  |                     | \$ 78,116,362 (2)    |
| Net Combined Total Debt  |                     | <u>\$ 77,952,845</u> |

Ratios to 2006-07 Assessed Valuation:

|  |       |
|--|-------|
| Direct Debt  | 0.00% |
| Total Direct and Overlapping Tax and Assessment Debt | 2.36% |

Ratios to Adjusted Assessed Valuation:

|                           |       |
|---------------------------|-------|
| Gross Combined Total Debt | 5.90% |
| Net Combined Total Debt   | 5.88% |

State School Building Aid Repayable as of 6/30/07:      \$ -

(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.

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

|  | <b>Fiscal Year</b> |                   |                   |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | 1998               | 1999              | 2000              | 2001              |
| Debt limit   | \$ 147,995         | \$ 149,237        | \$ 157,607        | \$ 181,446        |
| Total net debt applicable to limit (1)                               | -                  | -                 | -                 | -                 |
| Legal debt margin  | <u>\$ 147,995</u>  | <u>\$ 149,237</u> | <u>\$ 157,607</u> | <u>\$ 181,446</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   | \$ 2,641,900      |
| Debt limit (15% of assessed value)                                 | 396,285           |
| Debt applicable to limit:  |                   |
| General obligation bonds   | -                 |
| Less: Amount set aside for repayment<br>of general obligation debt | -                 |
| Total net debt applicable to limit                                 | -                 |
| Legal debt margin  | <u>\$ 396,285</u> |

| <b>Fiscal Year</b> |                   |                   |                   |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>2002</u>        | <u>2003</u>       | <u>2004</u>       | <u>2005</u>       | <u>2006</u>       | <u>2007</u>       |
| \$ 200,762         | \$ 226,420        | \$ 240,195        | \$ 280,531        | \$ 340,958        | \$ 396,285        |
| <u>-</u>           | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <u>\$ 200,762</u>  | <u>\$ 226,420</u> | <u>\$ 240,195</u> | <u>\$ 280,531</u> | <u>\$ 340,958</u> | <u>\$ 396,285</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 <sup>(1)</sup> | Net Available Revenue | Debt Service |          |       |          |
|             |                         |   |                       | Principal    | Interest |       |          |
| 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  |          |
| 2007        | 9,764                   | 8,310                                   | 1,454                 | 195          | 402      | 2.44  |          |

**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 <sup>(2)</sup>**

| <b>Special<br/>Assessment<br/>Collections</b> | <b>Debt Service</b> |                 | <b>Coverage</b> |
|---|---------------------|-----------------|-----------------|
|   | <b>Principal</b>    | <b>Interest</b> |                 |
| \$ 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            |
| 3,429   | 1,325               | 1,968           | 1.04            |

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

| Fiscal Year | Property Tax Increment Bonds <sup>(3)</sup> |              |          |          |  |
|-------------|---|--------------|----------|----------|--|
|             | Property Tax Increment                      | Debt Service |          | Coverage |  |
|             |   | Principal    | Interest |          |  |
| 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     |  |
| 2007        | 14,605                                      | 2,075        | 4,178    | 2.34     |  |

**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<br>Population <sup>(1)</sup> | Personal Income<br>(in thousands) <sup>(2)</sup> | Per Capita<br>Personal<br>Income <sup>(3)</sup> | School<br>Enrollment <sup>(4)</sup> | Unemployment<br>Rate <sup>(5)</sup> |
|------|--|--|---|-------------------------------------|-------------------------------------|
| 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                                 | 500,000  | 62,652  | 50,209                              | 4.0                                 |
| 2007 | 27,263                                 | **   | **  | 51,885                              | 4.6                                 |

**Sources:**

- (1) State Department of Finance, Demographic Research Unit
- (2) Estimated based on "Per Capita Personal Income".
- (3) U.S. Department of Commerce, Bureau of Economic Analysis for Riverside County
- (4) 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**

| <b><u>Employer</u></b>                    | <b>2007</b>             |                    |  |
|---|-------------------------|--------------------|--|
|   | <b><u>Employees</u></b> | <b><u>Rank</u></b> | <b><u>Percentage of<br/>Total City<br/>Employment <sup>(1)</sup></u></b> |
| Corona-Norco Unified School District      | 5,215                   | 1                  | 37.52%   |
| California Rehabilitation Center          | 1,146                   | 2                  | 8.24%  |
| Naval Surface Warfare Center              | 1,010                   | 3                  | 7.27%  |
| HCI, Inc.                                 | 600                     | 4                  | 4.32%  |
| Computer Science Corp. (formerly DynCorp) | 325                     | 5                  | 2.34%  |
| Norco Ranch                               | 250                     | 6                  | 1.80%  |
| Target Stores                             | 210                     | 7                  | 1.51%  |
| SeGi                                      | 150                     | 8                  | 1.08%  |
| Riverside Community College               | 130                     | 9                  | 0.94%  |
| City of Norco                             | 101                     | 10                 | 0.73%  |
| <b>Total</b>                              | <b>9,137</b>            |                    | <b>65.75%</b>  |

**Source:** City's Economic Development Department  
Data from 1998 is not currently available.

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

2004

| <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Total City<br/>Employment <sup>(1)</sup></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%   |
| 150              | 8           | 1.01%   |
| 135              | 9           | 0.91%   |
| 107              | 10          | 0.72%   |
| <u>8,823</u>     |             | <u>59.22%</u>   |

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

| <b><u>Function/Program</u></b> | <b>Full-time Equivalent Employees as of June 30,</b> |             |             |             |
|--------------------------------|--|-------------|-------------|-------------|
|                                | <b>1998</b>  | <b>1999</b> | <b>2000</b> | <b>2001</b> |
| General government             |  |             |             |             |
| Administration                 | 2  | 2           | 2           | 2           |
| City clerk                     | 2  | 2           | 2           | 2           |
| Fiscal & support svcs.         | 11   | 11          | 11          | 11          |
| Other                          | 2  | 2           | 3           | 3           |
| Public safety                  |  |             |             |             |
| Police (Civilian)              | -  | -           | -           | -           |
| Fire                           | 20   | 20          | 22          | 22          |
| Code enforcement               | 1  | 1           | 1           | 1           |
| Animal control                 | 6  | 6           | 7           | 7           |
| Public works                   |  |             |             |             |
| Maintenance                    | 14   | 14          | 15          | 15          |
| Culture and leisure            |  |             |             |             |
| Parks & recreation             | 9  | 9           | 9           | 9           |
| Community development          |  |             |             |             |
| Planning                       | 3  | 3           | 4           | 5           |
| Engineering                    | 6  | 6           | 5           | 5           |
| Building                       | 3  | 4           | 6           | 6           |
| Economic development           | 3  | 3           | 3           | 3           |
| <b>Total</b>                   | <b>82</b>  | <b>83</b>   | <b>90</b>   | <b>91</b>   |

**Source:** City's annual adopted budgets

**Full-time Equivalent Employees as of June 30**

| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------|------|------|------|------|------|
| 2    | 2    | 2    | 3    | 3    | 2    |
| 2    | 3    | 3    | 3    | 3    | 3    |
| 13   | 16   | 16   | 15   | 15   | 15   |
| 3    | 3    | 3    | -    | -    | -    |
| 1    | 1    | 1    | 1    | 1    | 1    |
| 28   | 28   | 28   | 29   | 30   | 30   |
| 1    | 1    | 1    | 1    | 1    | 1    |
| 5    | 5    | 5    | 5    | 5    | 6    |
| 15   | 16   | 16   | 15   | 17   | 18   |
| 11   | 12   | 12   | 12   | 13   | 13   |
| 7    | 6    | 5    | 4    | 4    | 5    |
| 5    | 5    | 5    | 5    | 2    | 1    |
| 6    | 6    | 7    | 7    | 9    | 8    |
| 3    | 3    | 3    | 1    | 1    | 1    |
| 102  | 107  | 107  | 101  | 104  | 104  |

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

| <b><u>Function/Program</u></b>                                  | <b>Fiscal Year</b> |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|
|   | <b>2003</b>        | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
| <b>Police</b>   |                    |             |             |             |             |
| UCR crime index total   | 1,019              | 1,023       | 1,095       | 1,171       | 1,014       |
| Traffic collisions  | 433                | 527         | 487         | 553         | 588         |
| Traffic violations  | 5,187              | 4,986       | 5,535       | 3,591       | 7,046       |
| <b>Fire</b>   |                    |             |             |             |             |
| Total number of responses                                       | 1,942              | 1,955       | 1,869       | 1,958       | 1,987       |
| Fires extinguished  | 133                | 139         | 118         | 95          | 115         |
| <b>Water</b>  |                    |             |             |             |             |
| Number of service connections                                   | 6,950              | 7,085       | 7,174       | 7,500       | 7,590       |
| Average daily consumption<br>(in mil. of gallons)               | 7.5                | 8.1         | 7.9         | 8.3         | 8.9         |
| Max. daily (groundwater wells)<br>capacity (in mil. of gallons) | 8.6                | 8.6         | 8.6         | 8.6         | 8.8         |
| Max. daily import capacity<br>(in mil. of gallons)              | 11.5               | 11.5        | 11.5        | 11.5        | 11.6        |
| Storage capacity (in mil. of gallons)                           | 10.2               | 10.2        | 10.2        | 10.2        | 10.2        |
| <b>Sewer</b>  |                    |             |             |             |             |
| Number of sewer connections                                     | 5,145              | 5,710       | 5,826       | 6,657       | 6,833       |
| Average daily treatment (in mil. of<br>gallons)                 | 1.5                | 1.8         | 1.8         | 1.8         | 1.9         |
| Max. daily capacity of treatment<br>plans (in mil. of gallons)  | 2.2                | 2.2         | 2.2         | 2.2         | 2.2         |

**Source:** Various City's departments

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

| <b><u>Function/Program</u></b> | <b>Fiscal Year</b> |             |             |             |             |
|--------------------------------|--------------------|-------------|-------------|-------------|-------------|
|                                | <b>2003</b>        | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
| Public safety                  |                    |             |             |             |             |
| Fire stations                  | 2                  | 2           | 2           | 2           | 2           |
| Culture and leisure            |                    |             |             |             |             |
| Parks                          | 14                 | 14          | 15          | 15          | 15          |
| Park acreage                   | 552                | 552         | 167.3       | 167.5       | 167.5       |
| Open space acreage             | 451                | 451         | 835.3       | 835.3       | 835.3       |
| Tennis court                   | 1                  | 1           | 1           | 1           | 1           |
| Skate court                    | 1                  | 1           | 1           | 1           | 0           |
| Public swimming pool           | 1                  | 1           | 1           | 1           | 1           |
| Community center               | 1                  | 1           | 1           | 1           | 1           |
| Public playgrounds/tot lots    | 6                  | 6           | 8           | 8           | 9           |
| Water                          |                    |             |             |             |             |
| Water mains (miles)            | 90.1               | 93.7        | 93.7        | 93.7        | 100.8       |
| Fire hydrants                  | 770                | 890         | 890         | 890         | 1,282       |
| Sewer                          |                    |             |             |             |             |
| Sanitary sewers (miles)        | 82.0               | 85.3        | 85.3        | 85.3        | 91.3        |
| Treatment plants               | 1                  | 1           | 1           | 1           | 1           |

**Source:** Various City's departments