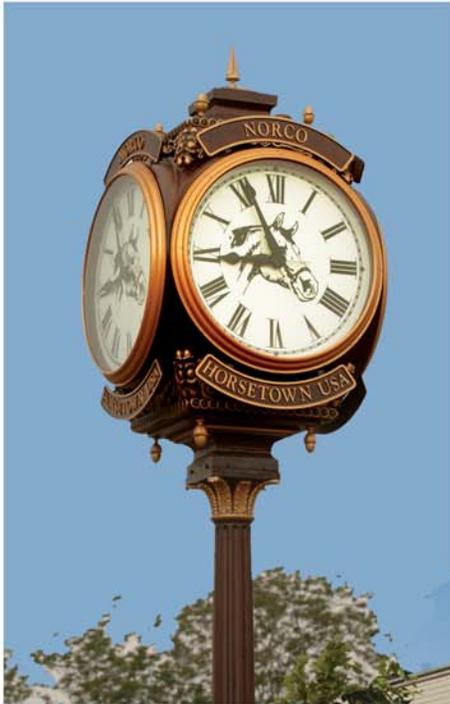


CITY OF NORCO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

CITY OF NORCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by the Fiscal and Support Services Department

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

Table of Contents

	PAGE
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	ix
Directory of City Officials	x
GFOA Certificate of Achievement for Excellence in Financial Reporting	xi
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds	
Statement of Fund Net Assets	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	25
Statement of Cash Flows	26
Agency Funds	
Statement of Fiduciary Assets and Liabilities	28
Notes to the Basic Financial Statements	29
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	62
Redevelopment Special Revenue Fund	63
Schedule of Funding Progress	64
Notes to Required Supplementary Information	65

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

Table of Contents

	PAGE
Individual Fund Schedules and Combining Financial Statements	
Major Governmental Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Redevelopment Agency Debt Service Fund	66
Redevelopment Agency Capital Projects Fund	67
Nonmajor Governmental Funds	
Fund Descriptions	68
Combining Balance Sheet	71
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Funds	
Nonmajor Fund Budgetary Comparison Schedules	87
Miscellaneous Grant Fund Special Revenue Fund	88
Community Development Block Grant Special Revenue Fund	89
Gas Tax Special Revenue Fund	90
Measure A Special Revenue Fund	91
NPDES Special Revenue Fund	92
Air Quality Improvement Trust Special Revenue Fund	93
Local Law Enforcement Block Grant Special Revenue Fund	94
Supplemental Law Enforcement Block Grant Special Revenue Fund	95
Office of Traffic Safety Special Revenue Fund	96
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects Funds	
Storm Drain Capital Projects Fund	97
General Government Improvement Capital Projects Fund	98
Fire Improvement Capital Projects Fund	99
Trails Improvement Capital Projects Fund	100
Street Improvement Capital Projects Fund	101
Park Improvement Capital Projects Fund	102
Public Library Capital Projects Fund	103
Public Meeting Capital Projects Fund	104
Aquatics Center Capital Projects Fund	105
Animal Control Capital Projects Fund	106
Internal Service Funds	
Internal Service Funds	107
Combining Statement of Net Assets - Internal Service Funds	108
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	109
Combining Statement of Cash Flows - Internal Service Funds	110

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

Table of Contents

	PAGE
Agency Funds	
Agency Funds	112
Combining Statement of Fiduciary Assets and Liabilities	113
Combining Statement of Changes in Fiduciary Assets and Liabilities	115
STATISTICAL SECTION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT):	
Contents	118
Net Assets by Component - Last Seven Fiscal Years	119
Changes in Net Assets - Last Seven Fiscal Years	121
Fund Balances Governmental Funds - Last Ten Fiscal Years	125
Changes in Fund Balances Governmental Funds - Last Ten Fiscal Years	127
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	129
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	130
Principal Property Tax Payers - Current Year and Nine Years Ago	131
Property Tax Levies and Collections - Last Ten Fiscal Years	133
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	134
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	136
Direct and Overlapping Activities Debt	138
Legal Debt Margin Information - Last Ten Fiscal Years	139
Pledged - Revenue Coverage - Last Ten Fiscal Years	141
Demographic and Economic Statistics - Last Ten Fiscal Years	144
Principal Employers - Current Year and Six Years Ago	145
Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years	147
Operating Indicators by Function / Program - Last Seven Fiscal Years	149
Capital Asset Statistics by Function / Program - Last Seven Fiscal Years	151

INTRODUCTORY SECTION





CITY of NORCO

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

November 30, 2009

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

In accordance with the City's Municipal Code, we are pleased to submit the City of Norco (City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009 (FY2009). This report provides a comprehensive view of the results of City's financial activities for the year and financial position at the end of the fiscal year. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants.

This CAFR comprises of three sections:

1. Introductory Section, consisting of this transmittal letter, list of City officials an organization chart, and certificate of achievement for excellence in financial reporting;
2. Financial Section, consisting of the independent auditors' report, management discussions and analysis, basic financial statements, notes to the financial statements, required supplementary information, and detailed revenue and expense/expenditure schedules; and
3. Statistical Section, consisting of pertinent financial and non-financial information indicating trends for comparative fiscal periods.

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

Management also recognizes that the internal control environment changes overtime due to changes in operation or the personnel performing various duties. As a result, the internal control environment is continuously being assessed to

CITY COUNCIL

KATHY AZEVEDO
Mayor

MALCOLM MILLER
Mayor Pro Tem

FRANK HALL
Council Member

BERWIN HANNA
Council Member

RICHARD L. MacGREGOR
Council Member

ensure that adequate controls still exist within the City to achieve the City's objectives.

The City's basic financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. The purpose of an independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of any material misstatements. The independent audit involves 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, 2009, 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.

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 expended over \$500,000 in federal grants and therefore, met the threshold set by the OMB for a Single Audit. Consequently, separate Single Audit reports are issued by the independent 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.

General Information - 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. During the past decade, the Inland Empire was 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 27,361. 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 more than 100 miles of streets. Most residential property are zoned for animal keeping with lot size of a minimum of one-half acre.

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

City Services: The City provides a full range of services, including police and fire protection; construction and maintenance of streets, trails and other infrastructure; recreational activities and cultural events; sanitation and water services; street lighting; planning and zoning; and animal control 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 planning division is responsible for all current and advanced planning projects. Current planning projects include land use entitlement processes including site plans, variances, conditional use permits, zone changes and specific plans. Advanced planning consists of updates to the General Plan, annexations and inter-agency cooperation on transportation and habitat conservation issues. The City has over 900 acres of passive and active parkland and open space which are maintained by the City's parks and recreation divisions. The vision of the division is to create community through people, animals, parks and programs. As an equestrian community, the animal control services division establishes standards for the care and health of animals; the division provides a safe heaven animal shelter; sponsors adoption and placement of animals while enforcing laws to protect the well being of all animals in the community. The animal shelter cares for more than 2,000 impounded animals each year.

Through the City's Redevelopment Agency, the City provides economic development assistance to developers, real estate agents, appraisers, property

owners and other residents. The primary purpose of the Redevelopment Agency is to eliminate urban blight and attract economic developments projects to the City. As result of significant economic downturn affecting auto dealers in the City, economic development assistance was a high priority of the City's Redevelopment Agency during the fiscal year.

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

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

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

Department heads can make transfers of appropriations within a department and fund. Transfer of appropriations between departments 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 major 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 state. In fiscal year 2009, the Inland Empire faced its most serious economic challenge since the 1930s. The weakness in the economy caused major job losses in the area especially in the blue collar sectors of construction, logistics and manufacturing. The job losses in these sectors resulted in the unemployment rate in the area reaching 13.0% during the fiscal year, the highest in modern history.

The City's central business district is dominated by automobile dealerships, retail shops and restaurants. During the year, two of the major automobile dealers went out business, two other dealers consolidated into one dealership. Due to the dealership closings and consolidations, compounded by significant decline in domestic automobile sales, sales tax derived from auto sales declined by nearly 50% during the fiscal year ended June 30, 2009. Additional declines in fiscal year 2010 are anticipated as a result of continued weakness in auto and general merchandise retail sales. During the year, assessed values of real property in the City saw a downward trend for the upcoming fiscal due to a significant downturn in the housing market. Assessed property values grew by an average of 10% for the three years prior to fiscal year 2008-09. In 2008-09, assessed value of real property in the City grew by less than 2% and in FY 2009-10 assessed values decreased by more than 11% due to continuing weakness in the real estate market and Proposition 8 re-assessment reductions to property values.

Long-term financial and strategic planning: Long-term financial planning has become a significant tool for the City to address financial challenges facing the City's General Fund. In Fiscal Year 2008, the City Council and staff embarked on the development of long-term financial and strategic plans to preserve the quality of life in the City and mitigate the negative impacts of projected decline in General Fund revenues and fund balance due to the downturn in economic conditions. The primary focus of the strategic plan was to popularize the City as "Horsetown USA," an attractive western community with residents who enjoy a high quality rural lifestyle. To accomplish this vision, the following strategic action plans (partial list) were adopted by the City Council:

- Attract significant commercial development projects to significantly enhance the city's General Fund revenue base.

- Initiate policies and procedures to facilitate the eventual preservation and restoration of the Norconian Hotel and surrounding historical properties
- Expand the diversity of housing options in the City to comply with state regulations and obtain certification of the City's Housing Element
- Improve working capital of the Sewer Fund by completing a rate study and implementing rate adjustments.
- Protect the environment through green initiative, preservation of natural resources, and construction of manure-to-energy plant and incorporation of solar energy panels on new construction projects.
- Eliminate the underlying "structural budget imbalance" in the General Fund through economic development and strict expenditure controls.
- Protect and promote the "small town" western charm of Sixth Street

Several of the actions items identified in the long-term financial plan were implemented in FY 2009 and others were started. For example the plan to improve the working capital of the Sewer Fund was implemented through a rate study that resulted in rate adjustments. The rate adjustments resulted in significant working capital improvement of the Fund as of June 30, 2009. Several economic development projects as listed below were either completed or initiated during the Fiscal Year.

- In keeping with the City's Horsetown USA brand, a western-themed retail center anchored by Boot Barn is now thriving in Old Town Norco on Sixth Street.
- The Hamner Avenue Corridor was entirely re-zoned for commercial uses and the Hampton Inn Hotel was completed during the Fiscal Year.
- A new 122-acre equestrian center and sports complex was approved for the north entrance to the City. This high end equestrian, soccer and special events facility will feature world class events creating demand for upscale hospitality oriented businesses such as national chain hotels and restaurants.

Cash management policies and practices: Cash temporarily idle during the year was invested in U.S. Agency securities, 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. As a result of the weak economic environment, interest rates during the year moved sharply low resulting in less investment earning during the fiscal year. For the upcoming fiscal year, it is anticipated that revenues from investment earnings will likely decline further due to lower cash balances and lower short term interest rates.

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 and semi-annually with general liability claims administrator to review the status of each outstanding claim and formulate strategies for closing each claim as quickly as possible.

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

Pension and other post-employment benefits: Pension and other post-employment benefits are significant cost items impacting the long-term financial condition of the City. The City provides retirement benefits for safety and non-safety employees through the California Public Employees Retirement System (CalPERS). In order to accumulate financial resources required to pay benefits upon retirement, the City is required to contribute an actuarially determined percentage of each employee's covered earnings. Employees are required to contribute 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 53 retired employees receiving these benefits. During the Fiscal Year, the City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension. Under GASB 45, the City is required to recognize the cost of post employment healthcare on an accrual basis. During the Fiscal Year, the City's actual contribution of \$1,900,000 exceeded the Annual Required Contribution (ARC) of \$1,430,000. The City Council has adopted a policy that will allow for 50% of the ARC to be contributed each year for the next five years beginning in FY 2010.

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 state budget crisis continues to be of concern to local governments including the City of Norco. For several years, the state has been struggling to eliminate the state's General Fund structural budget deficit without much success. To solve its budget deficits the governor and the state legislature have often times relied on confiscating local revenues. This has created much uncertainty for local governments trying to balance their own stretched budgets. As an example, for the coming Fiscal Year 2010, the state plans to take \$4.9 million of property tax increment from the City. With the continuing economic slowdown and widening of the state budget deficits, the risk of more revenue losses to the state remains high and could materially affect the City's ability to meet service demands.

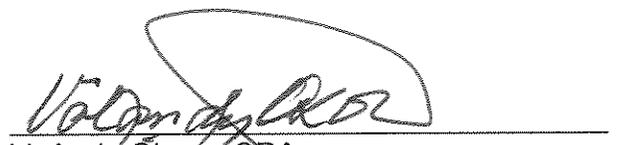
Awards and Acknowledgments

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, 2008. 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.

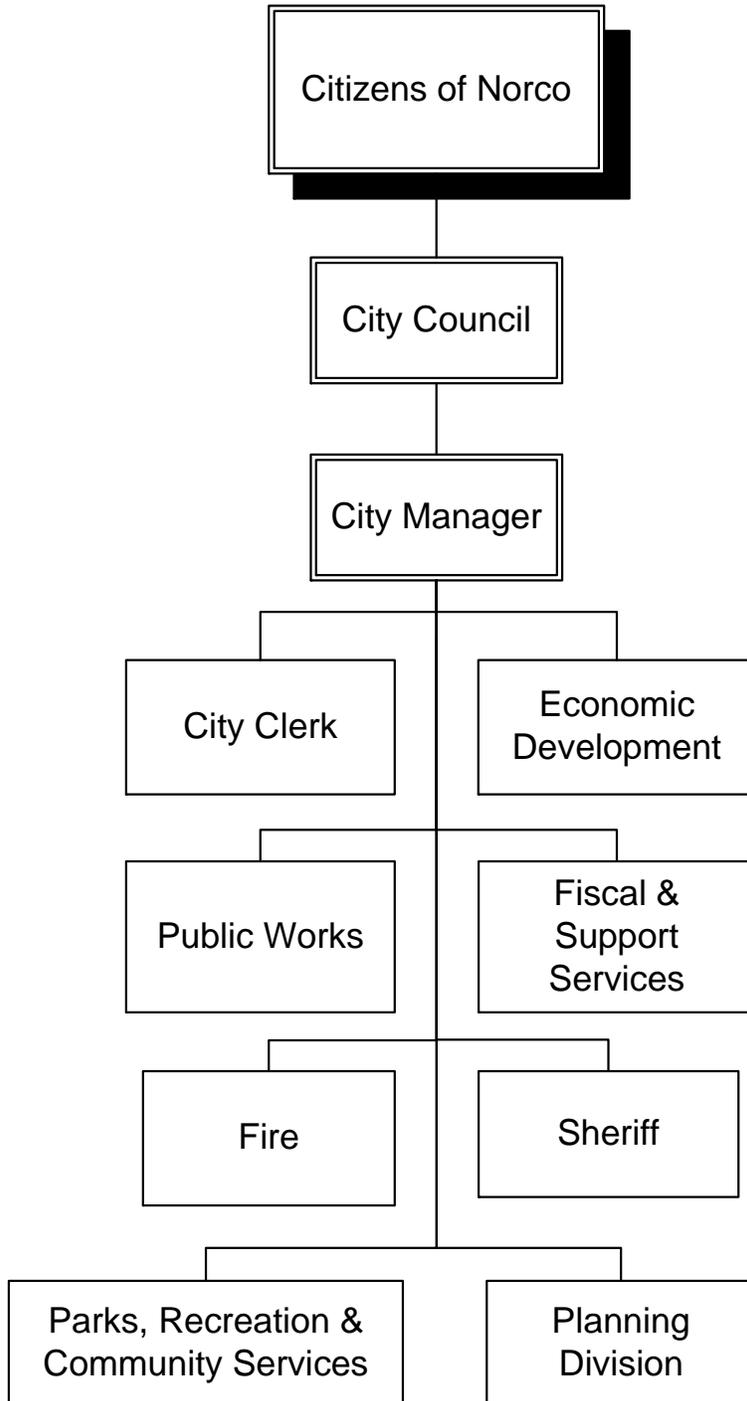
The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Fiscal and Support Services Department and our independent auditors, Rogers, Anderson, Malody & Scott, LLP. We would like to express our appreciation to all City staff especially the Accounting Manager and Staff Accountant who contributed immensely 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,


Beth Groves
City Manager


V. Andy Okoro, CRA
Deputy City Manager & Director of Finance

CITY OF NORCO
ORGANIZATIONAL CHART
June 30, 2009



CITY OF NORCO
Directory of City Officials
June 30, 2009

MAYOR

Kathy Azevedo

CITY COUNCIL

Malcolm Miller, Mayor Pro Tem
Berwin Hanna
Frank Hall
Richard MacGregor

CITY MANAGER

Beth Groves

V. Andy Okoro
**Deputy City Manager and
Director of Finance**

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

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

William Thompson
Director of Public Works

Brenda Jacobs
City Clerk

Brian Oulman
Director, Economic Development

Steve King
Planning Manager

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, 2008

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.



President

Executive Director

This page left blank intentionally.

FINANCIAL SECTION





ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT B. MEMORY, C.P.A. (1945-2009)
OF COUNCIL
JAY H. ZERCHER, 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.
SCOTT W. MANNO, C.P.A.
LEENA SHANBHAG, C.P.A.

NANCY O'RAFFERTY, C.P.A.
BRADFORD A. WELEBIR, C.P.A.
JENNY LIU, C.P.A.
TIMOTHY P. HORN, C.P.A.
KATIE L. MILLSOM, C.P.A.
JOHN J. BADIA, C.P.A.
JONATHAN R. KUHN, C.P.A.
BRADFORD L. ROCKABRAND, C.P.A.
PAPA MATAR THIAW, 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, California (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2009, 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 November 24, 2009, 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

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, Maloy & Scott, CPA

November 24, 2009

This page left blank intentionally.

Management's Discussion and Analysis

The management of the City of Norco, California (City) is pleased to provide to the readers of the City's financial statements this narrative overview and analysis of the financial activities and condition of the City of Norco for the fiscal year ended June 30, 2009. 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-VII of this report and the financial statements beginning on page 14.

Financial Highlights

- Total assets of the City exceeded total liabilities at the end of fiscal year 2009 by \$192.9 million. The difference between total assets and total liabilities is referred to as total net assets. Net assets of the City at June 30, 2009 include the cost of governmental activities' infrastructure assets.
- The City's total net assets decreased by \$9.3 million during the year. The decrease in net assets was primarily due to a \$10.6 million bond proceeds payment made to the school district for infrastructure improvements that are not recorded as assets on the books of the City. The related debt is recorded as a liability on the books of the City.
- As of June 30, 2009, the City's governmental funds reported combined fund balance of \$80.6 million, a net decrease of \$4.4 million from prior fiscal year. Approximately \$51.7 million of the governmental funds' fund balances is unreserved.
- Unreserved fund balance for the general fund was \$6.6 million or 40 percent of total General Fund recurring expenditures in fiscal year 2009. This represents a decrease of \$1.4 million from last fiscal year due to expenditures exceeding revenues during the current fiscal year.
- The City's total long-term debt increased by \$27.5 million during the fiscal year due to the issuance of additional revenue and tax allocation bonds. New Tax Allocation Bonds in the amount of \$12.2 million and Enterprise Fund Revenue Bonds in the amount of \$39.0 million were issued during the fiscal year. Principal payments on outstanding long-term debt during the year were \$2.4 million and \$19.6 million of Enterprise Fund debt was defeased.

Overview of the Financial Statements

Management discussions and analysis are intended to serve as an introduction to the City's basic financial statements which consists of the following three components;

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

However, the CAFR 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. Over time, increases or decreases may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

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

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, community/economic development, culture and leisure. The business-type activities 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 Norco 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 are prepared using the modified accrual basis of accounting which focuses on short-term receipts and disbursements of financial resources, as well as balance of financial resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The focus of governmental funds in the fund financial statements is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and 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 an accounting device used to accumulate and allocate costs internally among the City's various functions and departments. The City uses internal service funds to account for the acquisition and maintenance of its fleet of vehicles and 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 a more detailed format. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is 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 statement can be found on page 28 of this report.

Notes to the basic financial statements: The notes to the basic financial statements which is an integral part of the 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 29-61 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its OPEB obligation to provide health benefits to its employees. Required supplementary information can be found on pages 62-65 of this report.

Combining statements for nonmajor governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining financial statements and schedules can be found on pages 66-117 of this report.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2009, total City assets exceeded total liabilities by \$192.9 million as summarized below:

City of Norco, California Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 90,098,303	\$ 91,920,474	\$ 29,932,732	\$ 11,655,853	\$ 120,031,035	\$ 103,576,327
Capital assets (net of depreciation)	156,655,554	153,884,762	57,885,000	58,153,273	214,540,554	212,038,035
Total assets	<u>246,753,857</u>	<u>245,805,236</u>	<u>87,817,732</u>	<u>69,809,126</u>	<u>334,571,589</u>	<u>315,614,362</u>
Liabilities:						
Current and other Liabilities	7,629,202	6,311,247	2,447,036	2,632,063	10,076,238	8,943,310
Long-term liabilities	92,335,235	83,138,742	39,279,160	21,323,020	131,614,395	104,461,762
Total liabilities	<u>99,964,437</u>	<u>89,449,989</u>	<u>41,726,196</u>	<u>23,955,083</u>	<u>141,690,633</u>	<u>113,405,072</u>
Net assets:						
Invested in capital assets, net of related debt	156,655,554	153,848,153	39,797,357	41,150,408	196,452,911	194,998,561
Restricted	43,502,275	56,203,749	5,772,311	7,261,078	49,274,586	63,464,827
Unrestricted	(53,368,409)	(53,696,655)	521,868	(2,557,443)	(52,846,541)	(56,254,098)
Total net assets	<u>\$ 146,789,420</u>	<u>\$ 156,355,247</u>	<u>\$ 46,091,536</u>	<u>\$ 45,854,043</u>	<u>\$ 192,880,956</u>	<u>\$ 202,209,290</u>

Net assets for the fiscal year ended June 30, 2009, 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 total \$196.5 million as of June 30, 2009. 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, \$49.3 million for fiscal year 2009 and \$63.5 million for fiscal year 2008, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net assets), is (\$52.8) million and (\$56.3) million for fiscal years 2009 and 2008 respectively. The deficit unrestricted net assets amount is due largely to the amount invested in governmental infrastructure assets which are not available for spending and the inclusion of all long-term liabilities in the statement of net assets.

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

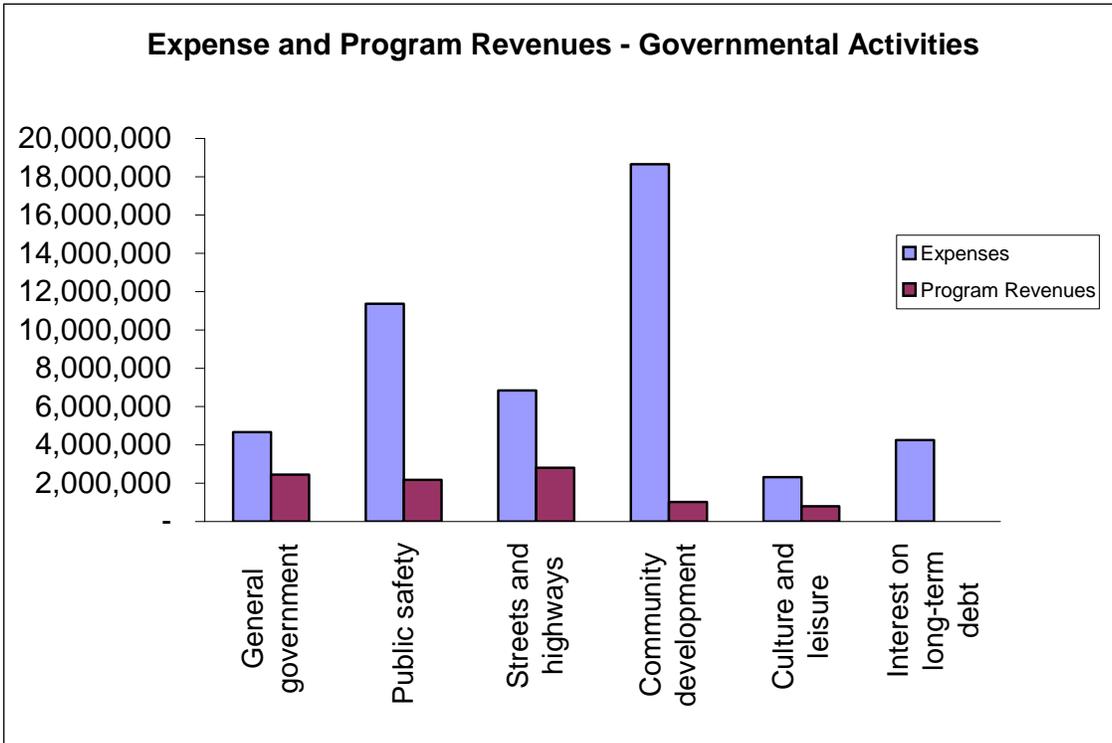
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 5,679,597	\$ 4,593,216	\$ 10,861,790	\$ 9,866,713	\$ 16,541,387	\$ 14,459,929
Operating Grants and contributions	2,687,615	2,716,291	-	-	2,687,615	2,716,291
Capital grants and contributions	867,513	3,216,001	1,483,544	757,360	2,351,057	3,973,361
General revenues	29,022,940	31,020,732	272,070	72,341	29,295,010	31,093,073
Total revenues	38,257,665	41,546,240	12,617,404	10,696,414	50,875,069	52,242,654
Expenses:						
General Government	4,663,233	2,567,880	-	-	4,663,233	2,567,880
Public safety	11,363,732	11,752,711	-	-	11,363,732	11,752,711
Streets and Highways	6,838,398	2,680,961	-	-	6,838,398	2,680,961
Community development	18,645,627	12,855,315	-	-	18,645,627	12,855,315
Culture and leisure	2,317,752	2,676,225	-	-	2,317,752	2,676,225
Interest on long-term debt	4,260,255	4,135,345	-	-	4,260,255	4,135,345
Water	-	-	7,718,048	6,794,503	7,718,048	6,794,503
Sewer	-	-	4,396,358	3,353,177	4,396,358	3,353,177
Total expenses	48,088,997	36,668,437	12,114,406	10,147,680	60,203,403	46,816,117
Change in net assets before transfers	(9,831,332)	4,877,803	502,998	548,734	(9,328,334)	5,426,537
Transfers	265,505	265,373	(265,505)	(265,373)	-	-
Change in net assets	(9,565,827)	5,143,176	237,493	283,361	(9,328,334)	5,426,537
Net assets - beginning	156,355,247	151,212,071	45,854,043	45,570,682	202,209,290	196,782,753
Net assets - ending	\$ 146,789,420	\$ 156,355,247	\$ 46,091,536	\$ 45,854,043	\$ 192,880,956	\$ 202,209,290

During the year, net assets decreased by \$9.3 million. Further analyses are provided below.

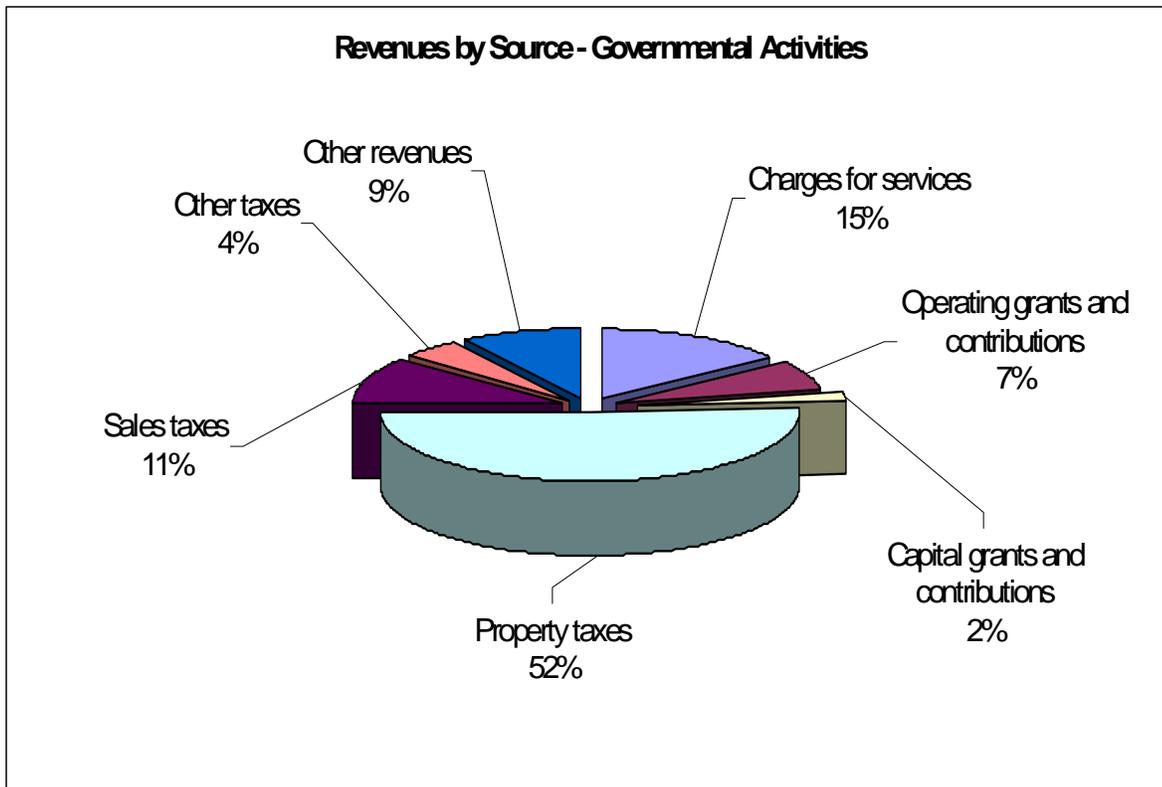
Governmental activities: Total net assets from governmental activities decreased by \$9.6 million or 6 % during the year. Some of the reasons for the decreases are as follows:

- During the year, the City paid \$10.6 million of bond proceeds to the school district for capital improvements. The improvements were not recognized as assets on the City's books.
- Receipt of \$.9 million in capital grants and contributions from other governments and property developers; and operating revenues exceeding operating expenditures by \$.1 million.

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



The chart below provides a graphic representation of governmental activities.

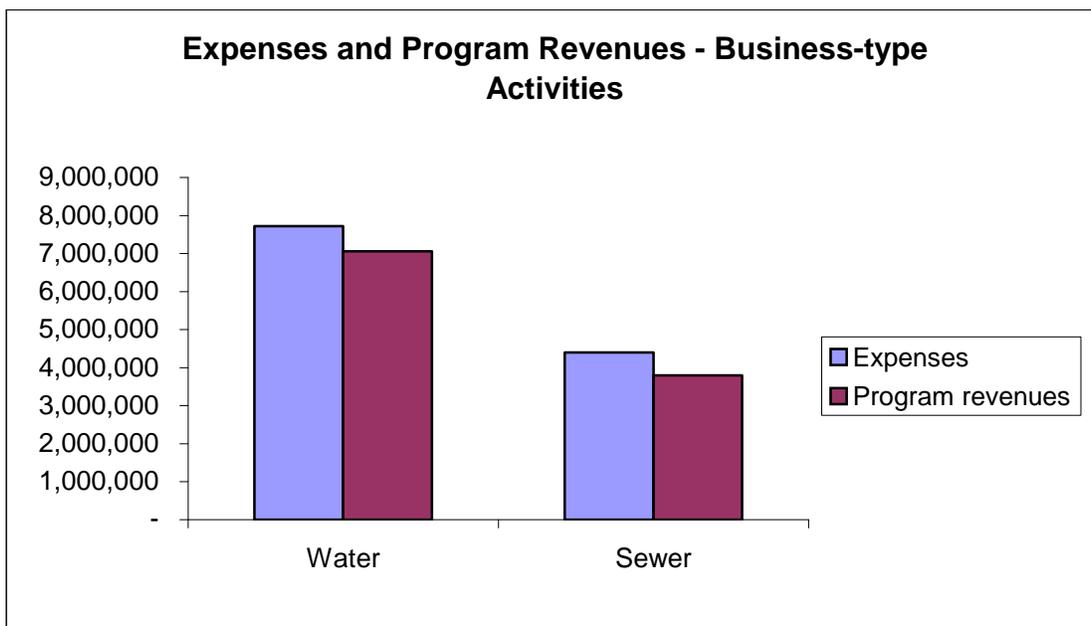


The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable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

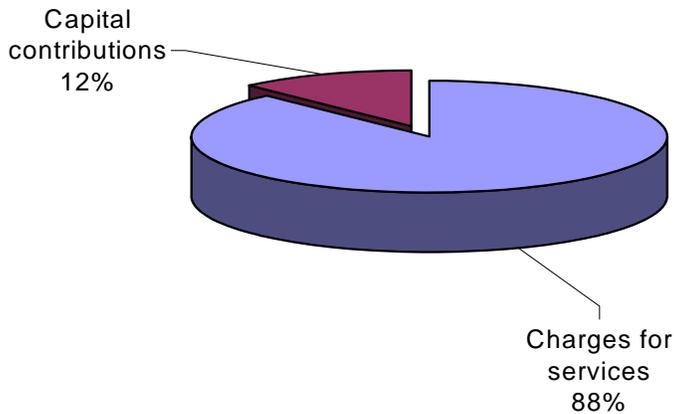
It is to be noted that nearly 81 percent of property tax revenues came from tax increment allocated to the City's redevelopment project area. Capital grants and contributions represent revenues and contributions of capital assets received from developers and other governmental entities. Capital contribution revenues are restricted to the acquisition and construction of capital assets. Sales taxes are derived from taxable transactions originating from the City. Even with depressed auto sales, a significant percentage of the City's sales tax revenues continue to be generated by businesses in the Auto Mall and Gateway Plaza. During the year, sales tax revenue declined by more than 20% due to a significant drop off in auto sales and continuing general economic slowdown. The other taxes category represents taxes derived from motor vehicle licenses, franchises and transient occupancy taxes.

Business-type activities: Including non-operating income, net assets for the business type activities increased by \$.2 million during the fiscal year. The change in net assets is entirely attributable to receipt of contributed capital in the amount of \$1.4 million and \$.1 million by the Sewer and Water Funds respectively. Receipt of contributed capital was offset by combined operating loss of \$.4 million. Operating losses include depreciation of fixed assets and amortization of intangibles totaling \$1.8 million. Individually, the net assets of Water Fund decreased by \$.8 million while net assets of the Sewer Fund increased by \$1.1 million.

The chart below provides graphic representation of the City's revenues by source for business-type activities. Water Fund charges for services were below operating expenses due to increased cost of purchased water and depreciation charges. This same situation also applies to the Sewer Fund where operating expenses exceeded charges for services. The gap between charges for services and operating expenses is anticipated to be recovered in future years from rate adjustments. Water Fund expenses make up 64 percent of total business-type activities expenses while Sewer Fund expenses make up the remaining 36 percent of total expenses. Total charges for services from business-type activities consist of 65 percent derived from Water Fund and 35 percent from Sewer Fund. As shown on the revenues by source chart, charges for services represent 88 percent of business-type activities' revenue while capital contributions represent the remaining 12 percent.



Revenues by Source - Business-type Activities



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 and its ability to meet financial obligations in the short-term. As example, unreserved fund balance could 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, 2009, the City's governmental funds reported combined ending fund balances of \$80.6 million, a decrease of \$4.4 million in comparison with the prior year. Of the \$80.6 million, \$51.7 million, or 64 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. Unreserved fund balances include balances that have been designated for future projects and expenditures such as emergencies, facilities replacement and claims. The decrease in fund balance is from expenditures exceeding revenues in various Funds. In the Redevelopment Special Revenue Fund, revenues exceeded expenditures by \$1.4 million due to efforts by the City to increase fund balance for future housing projects. General fund expenditures exceeded revenues by \$1.4 million due to reduced sales tax receipts caused primarily by the economic slowdown. Redevelopment Capital Projects fund balance decreased by \$2.9 million as a result of transfers to other Funds for capital project costs. Non-major Governmental Funds fund balance decreased by \$2.2 million primarily due to one time payment of \$2.3 million to fund post retirement healthcare costs.

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 remained essentially unchanged due to high investments in capital assets and the water fund unrestricted net assets amount was \$.6 million. The low amount of unrestricted net assets in both the water and sewer funds is due to investments in fixed assets needed to ensure ongoing delivery of water services. Unrestricted net asset is anticipated to grow in future fiscal years as rate adjustments become sufficient to cover all operating costs including depreciation and amortization. During the fiscal year, the net assets of the water fund decreased by \$.8 million. This decrease came largely from operating expenses exceeding operating income due to inclusion of depreciation and amortization in operating costs and rates that not sufficiently covering all operating costs. On the other hand, the net assets of the sewer fund remained unchanged during the year as operating income and capital contributions equaled total expenses. 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, 2009, unreserved fund balance was \$6.6 million which includes the amount set aside for City designations such as City's reserve for emergencies, workers compensation and liability claims. As a measure of general fund's financial condition, it may be useful to compare the unreserved fund balance to total expenditures. Unreserved fund balance represents 40 percent of general fund recurring expenditures. For the fiscal year, general fund total fund balance decreased by \$1.4 million due to significant decline in sales tax receipts caused by economic slow down and declining automobile sales. The biggest difference between general fund actual and budgetary revenues is on sales tax where actual receipts were lower than budget by \$1.1 million. Overall general fund actual revenues were lower than budget by \$.8 million. On the other hand, total actual general fund expenditures were lower than budget by \$.8 million.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$214.5 million (net of accumulated depreciation). Investment in capital assets includes infrastructure assets as well as land, buildings, improvements and equipment. During the year, capital assets net of depreciation increased by \$3 million for governmental activities and decreased by \$.3 million for business-type activities due to depreciation exceeding new asset additions.

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

- Various purchases of equipment including mobile data, software and autos \$.5 million
- Construction of storm drain improvements \$1.2 million
- Construction of reservoir, replacement of booster pump and other miscellaneous water improvements \$1.5 million
- Construction of park improvements \$1.5 million
- Various street widening and construction improvements of \$2.5 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, 2009

	Governmental Activities	Business-type Activities	Total
Land	\$ 93,755,284	\$ 773,307	\$ 94,528,591
Building and improvements	9,461,564	527,318	9,988,882
Equipment and machinery	2,319,985	56,381,611	58,701,596
Infrastructure	41,037,874	-	41,037,874
Intangible	184,709	-	184,709
Construction in progress	9,896,138	202,764	10,098,902
Total capital assets, net	<u>\$ 156,655,554</u>	<u>\$ 57,885,000</u>	<u>\$ 214,540,554</u>

Long-term debt: At the end of fiscal year 2009, the City's total long debt outstanding was \$131.6 million. Of this amount, \$90.8 million is debt of the redevelopment agency backed by pledge of tax increment revenues. Of the remaining \$40.8 million, \$39.3 million is the debt of the sewer and water funds while \$1.5 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 45-54 in the notes to basic financial statements.

City of Norco
Outstanding Long Term Debt
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Capital leases	\$ 1,525	\$ 1,039,857	\$ 1,041,382
Tax allocation bonds	90,841,706	-	90,841,706
Notes/loans payable/advances	-	941,615	941,615
Revenue bonds	-	37,163,472	37,163,472
Compensated absences	903,968	134,216	1,038,184
Claims and judgment	588,036	-	588,036
Total long-term debt	<u>\$ 92,335,235</u>	<u>\$ 39,279,160</u>	<u>\$ 131,614,395</u>

Economic Factors and Next Year's Budgets and Rates

- The City continues to experience significant drop in sales tax revenues. As previously discussed, sales tax for the fiscal year ended June 30, 2009 decreased by 20 percent over the previous year. The decrease in sales tax is directly attributable to the economic slow down which has negatively impacted automobile sales in the City's auto mall. This drop off in sales tax revenues will continue to have significant negative impact on overall general fund revenues. Historically, sales tax revenues have made up more than 33 percent of total general fund revenues. At the end of the fiscal year, sales tax made up 27 percent of total recurring general fund revenues. Over the last three years, the City has been working very hard to diversify sales tax revenues by attracting a mix of retailers to the City. As a result of these efforts, several retailers including Bobs Big Boy, Boot Barn, Floor and Décor, Rite Aid, Walgreens and others have come into the City. However, sales tax generated by these retailers has not been sufficient to offset sales tax losses from declining auto sales.

- In the last four years preceding FY 2009-10, the city experienced significant growth in assessed value of real property due to rising real estate prices. This resulted in increased property tax receipts to the City and the redevelopment agency. However, as of June 30, 2009, assessed values declined by nearly 11 percent in the City due to a significantly depressed real estate market caused by the sub-prime mortgage crisis. New home construction has essentially stopped. Consequently, future property tax receipts are expected to be lower than the amount received in most recent years.
- The state of California's worsening budget situation is a significant source of concern that could negatively impact future City budget decisions. To address the State's budget crisis, the legislature has resorted to outright take away, borrowing, borrowing and/or re-directing local government revenues. This ongoing practice by the State, if not addressed, will have a major impact on the City's ability to maintain service levels.
- In fiscal year 2007, the City Council approved multi-year water rate adjustments to offset the rising cost of purchasing, producing and delivering water to residents and businesses. The final phase of the water rate adjustment will be implemented in FY 2009-10. Due to continuing increase in the costs of to produce, purchase and deliver water, it is anticipated that additional rate adjustment will be made in the coming fiscal years to ensure the fiscal health of the water fund. In fiscal year 2008-09, the City Council also approved a two year increase in sewer rates. The second and final phase of the rate increase in fiscal year 2009-10 is expected to bridge the current gap between operating expenses and revenues in the sewer fund.
- In fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45; *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. As a result of this, the City's expense budget for healthcare insurance for employees and retirees are expected to significantly increase in the coming years. Related to this is the City's cost of pension benefits. Due to recent significant decline in the value of pension investments managed by the California Public Employees Retirement System, it is expected that required employer pension contribution rate will increase in order to adequately fund pension liabilities. The expected increase in contribution rates by itself will not have an adverse impact on the City's operating budget in the next few years.

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 Finance, City of Norco, 2870 Clark Avenue, Norco, California 92860, or call (951) 735-3900.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page left blank intentionally.

City of Norco
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 48,216,664	\$ 7,903,930	\$ 56,120,594
Cash and investments with fiscal agents	14,929,703	19,305,126	34,234,829
Receivables:			
Accounts, net	255,672	1,738,680	1,994,352
Interest	275,093	75,223	350,316
Loans	10,255,948	-	10,255,948
Due from other governments	1,403,638	-	1,403,638
Advances to other funds	319,320	-	319,320
Net OPEB asset	907,000	-	907,000
Internal balances	208,485	(208,485)	-
Inventories	-	93,024	93,024
Prepays	13,838	1,760	15,598
Land held for resale	11,330,025	-	11,330,025
Deferred charges	1,982,917	1,023,474	3,006,391
Capital assets:			
Land, improvements and construction in progress	103,651,422	976,071	104,627,493
Other capital assets, net of depreciation	53,004,132	56,908,929	109,913,061
Total assets	<u>246,753,857</u>	<u>87,817,732</u>	<u>334,571,589</u>
LIABILITIES			
Accounts payable	2,280,765	795,048	3,075,813
Accrued interest payable	1,533,233	612,734	2,145,967
Retentions payable	353,872	92,627	446,499
Unearned revenue	270,930	-	270,930
Deposits payable	3,033	158,599	161,632
Noncurrent liabilities:			
Due within one year	3,187,369	788,028	3,975,397
Due in more than one year	92,335,235	39,279,160	131,614,395
Total liabilities	<u>99,964,437</u>	<u>41,726,196</u>	<u>141,690,633</u>
NET ASSETS			
Invested in capital assets, net of related debt	156,655,554	39,797,357	196,452,911
Restricted for:			
Debt service	6,590,365	1,437,024	8,027,389
Public safety	988,866	-	988,866
Capital projects	21,384,199	4,335,287	25,719,486
Community development	14,538,845	-	14,538,845
Unrestricted	(53,368,409)	521,868	(52,846,541)
Total net assets	<u>\$ 146,789,420</u>	<u>\$ 46,091,536</u>	<u>\$ 192,880,956</u>

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

**City of Norco
Statement of Activities
For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 4,663,233	\$ 2,297,395	\$ 141,572	\$ 817
Public safety	11,363,732	1,562,425	618,877	-
Streets and highways	6,838,398	541,643	1,502,161	766,000
Community and economic development	18,645,627	501,456	408,539	100,217
Culture and leisure	2,317,752	776,678	16,466	479
Interest on long-term debt	4,260,255	-	-	-
Total governmental activities	<u>48,088,997</u>	<u>5,679,597</u>	<u>2,687,615</u>	<u>867,513</u>
Business-type activities:				
Water	7,718,048	7,061,989	-	82,317
Sewer	4,396,358	3,799,801	-	1,401,227
Total business-type activities	<u>12,114,406</u>	<u>10,861,790</u>	<u>-</u>	<u>1,483,544</u>
Total primary government	<u>\$ 60,203,403</u>	<u>\$ 16,541,387</u>	<u>\$ 2,687,615</u>	<u>\$ 2,351,057</u>

General revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment Agency tax increment - restricted
- 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

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

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

Governmental Activities	Business-type Activities	Total
\$ (2,223,449)	\$ -	\$ (2,223,449)
(9,182,430)	-	(9,182,430)
(4,028,594)	-	(4,028,594)
(17,635,415)	-	(17,635,415)
(1,524,129)	-	(1,524,129)
(4,260,255)	-	(4,260,255)
<u>(38,854,272)</u>	<u>-</u>	<u>(38,854,272)</u>
-	(573,742)	(573,742)
-	804,670	804,670
-	230,928	230,928
3,773,245	-	3,773,245
15,888,548	-	15,888,548
145,043	-	145,043
1,128,130	-	1,128,130
3,079,645	-	3,079,645
1,206,201	-	1,206,201
97,794	-	97,794
324,347	-	324,347
1,563,647	251,589	1,815,236
1,816,340	20,481	1,836,821
265,505	(265,505)	-
<u>29,288,445</u>	<u>6,565</u>	<u>29,295,010</u>
(9,565,827)	237,493	(9,328,334)
<u>156,355,247</u>	<u>45,854,043</u>	<u>202,209,290</u>
<u>\$ 146,789,420</u>	<u>\$ 46,091,536</u>	<u>\$ 192,880,956</u>

This page left blank intentionally.

FUND FINANCIAL STATEMENTS

**City of Norco
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Redevelopment Special Revenue	Redevelopment Debt Service
ASSETS			
Cash and investments	\$ 6,187,638	\$ 4,553,776	\$ 718,084
Cash and investments with fiscal agents	-	1,523,060	7,314,405
Receivables, net:			
Accounts	175,618	-	-
Interest	26,690	27,107	91,109
Loans	-	9,307,153	-
Due from other governments	761,549	64	-
Due from other funds	387,650	270	-
Advance to water fund	208,252	-	-
Advance to sewer fund	111,068	-	-
Land held for resale	-	3,876,337	-
	<u>7,858,465</u>	<u>19,287,767</u>	<u>8,123,598</u>
Total assets	<u>\$ 7,858,465</u>	<u>\$ 19,287,767</u>	<u>\$ 8,123,598</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,092,930	\$ 48,235	\$ -
Retentions payable	-	6,133	-
Deposits payable	-	-	-
Due to other funds	-	193	-
Deferred revenues	179,218	-	-
	<u>1,272,148</u>	<u>54,561</u>	<u>-</u>
Total liabilities	<u>1,272,148</u>	<u>54,561</u>	<u>-</u>
Fund balances:			
Reserved	-	13,183,490	7,305,695
Unreserved:			
Designated	5,690,794	-	-
Undesignated, reported in:			
General fund	895,523	-	-
Special revenue funds	-	6,049,716	-
Debt service funds	-	-	817,903
Capital projects funds	-	-	-
	<u>6,586,317</u>	<u>19,233,206</u>	<u>8,123,598</u>
Total fund balances	<u>6,586,317</u>	<u>19,233,206</u>	<u>8,123,598</u>
	<u>\$ 7,858,465</u>	<u>\$ 19,287,767</u>	<u>\$ 8,123,598</u>
Total liabilities and fund balances	<u>\$ 7,858,465</u>	<u>\$ 19,287,767</u>	<u>\$ 8,123,598</u>

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

Redevelopment Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,156,275	\$ 15,855,639	\$ 44,471,412
6,092,238	-	14,929,703
72,395	7,659	255,672
63,379	53,484	261,769
948,795	-	10,255,948
257	641,768	1,403,638
-	-	387,920
-	-	208,252
-	-	111,068
7,453,688	-	11,330,025
<u>\$ 31,787,027</u>	<u>\$ 16,558,550</u>	<u>\$ 83,615,407</u>
\$ 262,813	\$ 843,294	\$ 2,247,272
6,029	341,710	353,872
3,033	-	3,033
772	178,470	179,435
-	60,133	239,351
<u>272,647</u>	<u>1,423,607</u>	<u>3,022,963</u>
8,402,483	-	28,891,668
-	-	5,690,794
-	-	895,523
-	5,172,711	11,222,427
-	-	817,903
23,111,897	9,962,232	33,074,129
<u>31,514,380</u>	<u>15,134,943</u>	<u>80,592,444</u>
<u>\$ 31,787,027</u>	<u>\$ 16,558,550</u>	<u>\$ 83,615,407</u>

City of Norco
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds \$ 80,592,444

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. 155,139,057

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. 5,255,417

Certain assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (31,579)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in funds.

Bonds, notes, loans and leases payable	\$ (93,137,398)	
Less: Deferred charge for issuance costs	1,982,917	
Plus: Premium on issuance of debt	(717,028)	
Less: Deferred loss on refunding	260,080	
Less: Discount on issuance of debt	165,069	
Accrued interest payable	(1,533,233)	
Long-term compensated absences payable	(1,205,290)	
Long-term claims and judgments payable	<u>(888,036)</u>	(95,072,919)

The City is required to report a net Other Post Employment Benefits (OPEB) obligation (asset) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. This is the amount by which the annual required contribution (ARC) exceeds the actual contribution made to the OPEB plan by the City. During the year, the City contributed more than the ARC to the retiree medical plan and reports the OPEB (asset) as an asset on the Statement of Net Assets. 907,000

Net assets of governmental activities \$ 146,789,420

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

This page left blank intentionally.

City of Norco
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	Redevelopment Special Revenue	Redevelopment Debt Service
REVENUES			
Taxes	\$ 9,894,591	\$ 3,099,380	\$ -
Assessments	-	-	-
Licenses and permits	366,686	-	-
Fines and forfeitures	771,840	-	-
Development fees	-	-	-
Intergovernmental	226,950	-	1,038,739
Charges for services	2,448,178	-	-
Investment earnings	245,007	228,113	299,917
Other	580,913	101,551	-
Total revenues	<u>14,534,165</u>	<u>3,429,044</u>	<u>1,338,656</u>
EXPENDITURES			
Current:			
General government	3,907,426	-	-
Public safety	11,298,908	-	-
Streets and highways	69,670	-	-
Community and economic development	774,829	1,012,963	10,416,963
Culture and leisure	2,062,853	-	-
Debt service:			
Principal	1,389	371,000	1,834,000
Interest	486	659,152	3,365,174
Bond issue costs	-	-	425,240
Capital outlay:			
Other	-	-	-
Total expenditures	<u>18,115,561</u>	<u>2,043,115</u>	<u>16,041,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,581,396)</u>	<u>1,385,929</u>	<u>(14,702,721)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issue	-	-	12,200,000
Discount	-	-	(171,672)
Transfers in	2,331,752	-	3,556,601
Transfers out	(125,000)	-	(205,000)
Total other financing sources (uses)	<u>2,206,752</u>	<u>-</u>	<u>15,379,929</u>
Net change in fund balances	(1,374,644)	1,385,929	677,208
Fund balances, beginning of year	<u>7,960,961</u>	<u>17,847,277</u>	<u>7,446,390</u>
Fund balances, end of year	<u>\$ 6,586,317</u>	<u>\$ 19,233,206</u>	<u>\$ 8,123,598</u>

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

Redevelopment Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,789,168	\$ 725,789	\$ 26,508,928
-	472,580	472,580
-	-	366,686
-	-	771,840
-	315,694	315,694
-	1,752,811	3,018,500
-	3,739	2,451,917
745,233	385,403	1,903,673
206,885	-	889,349
<u>13,741,286</u>	<u>3,656,016</u>	<u>36,699,167</u>
-	-	3,907,426
-	402,453	11,701,361
-	5,168,019	5,237,689
9,325,136	387,835	21,917,726
-	-	2,062,853
-	170,180	2,376,569
8,084	15,783	4,048,679
-	-	425,240
-	1,283,183	1,283,183
<u>9,333,220</u>	<u>7,427,453</u>	<u>52,960,726</u>
<u>4,408,066</u>	<u>(3,771,437)</u>	<u>(16,261,559)</u>
-	-	12,200,000
-	-	(171,672)
243,772	4,175,054	10,307,179
(7,544,973)	(2,591,701)	(10,466,674)
<u>(7,301,201)</u>	<u>1,583,353</u>	<u>11,868,833</u>
(2,893,135)	(2,188,084)	(4,392,726)
<u>34,407,515</u>	<u>17,323,027</u>	<u>84,985,170</u>
<u>\$ 31,514,380</u>	<u>\$ 15,134,943</u>	<u>\$ 80,592,444</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, 2009

Net change in fund balances - total governmental funds \$ (4,392,726)

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 expense (\$2,595,741) was exceeded by capital outlays (\$5,272,436). 2,676,695

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

Redevelopment agency bonds issued	\$ (12,200,000)	
Less: bond issuance costs	420,012	
Less: bond discount	176,900	
Principal payments on debt	2,376,569	(9,226,519)

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.

Increase in compensated absences	\$ (6,775)	
Increase in OPEB asset	907,000	
Increase in accrued interest payable on bonds	(191,791)	
Amortization of deferred costs	(96,928)	
Amortization of deferred loss on refunding	(16,255)	
Amortization of bond discount	(6,603)	
Amortization of bond premium	38,031	626,679

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. 750,044

Change in net assets of governmental activities \$ (9,565,827)

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and investments	\$ 3,327,012	\$ 4,576,918	\$ 7,903,930	\$ 3,745,252
Cash and investments with fiscal agents	9,457,415	9,847,711	19,305,126	-
Receivables:				
Accounts, net	1,172,184	566,496	1,738,680	-
Interest	33,769	41,454	75,223	13,324
Prepays	880	880	1,760	13,838
Due from other funds	7,959	-	7,959	-
Inventories	93,024	-	93,024	-
	<u>14,092,243</u>	<u>15,033,459</u>	<u>29,125,702</u>	<u>3,772,414</u>
Noncurrent assets:				
Deferred charges	372,749	650,725	1,023,474	-
Capital assets:				
Land	773,307	-	773,307	-
Buildings and improvements	967,676	69,175	1,036,851	-
Utility plant	8,042,315	1,895,030	9,937,345	-
Wastewater capacity rights	-	17,793,248	17,793,248	-
Pipelines	33,969,302	26,364,261	60,333,563	-
Vehicles and equipment	320,405	30,218	350,623	3,736,328
Less accumulated amortization	132,525	70,239	202,764	-
Less accumulated depreciation	(18,773,849)	(9,320,540)	(28,094,389)	(2,404,540)
Intangible assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,709</u>
	<u>25,804,430</u>	<u>33,104,044</u>	<u>58,908,474</u>	<u>1,516,497</u>
	<u>39,896,673</u>	<u>48,137,503</u>	<u>88,034,176</u>	<u>5,288,911</u>

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 656,125	\$ 138,923	\$ 795,048	\$ 33,494
Accrued interest	222,461	390,273	612,734	-
Retentions payable	92,627	-	92,627	-
Deposits payable	93,264	65,335	158,599	-
Due to other funds	216,444	-	216,444	-
Compensated absences	28,640	16,100	44,740	7,509
Capital lease payable	789	115,206	115,995	14,342
Loan payable	74,161	-	74,161	-
Bonds payable	174,845	378,287	553,132	-
	<u>1,559,356</u>	<u>1,104,124</u>	<u>2,663,480</u>	<u>55,345</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	85,921	48,295	134,216	22,526
Advances from other funds	208,252	111,068	319,320	-
Capital lease payable	738	1,039,119	1,039,857	-
Loan payable	622,295	-	622,295	-
Bonds payable	13,450,495	23,712,977	37,163,472	-
	<u>14,367,701</u>	<u>24,911,459</u>	<u>39,279,160</u>	<u>22,526</u>
Total noncurrent liabilities				
Total liabilities				
	<u>15,927,057</u>	<u>26,015,583</u>	<u>41,942,640</u>	<u>77,871</u>
NET ASSETS				
Invested in capital assets, net of related debt	21,133,605	18,663,752	39,797,357	1,502,155
Restricted for capital projects	1,761,262	2,574,025	4,335,287	-
Restricted for debt service	523,364	913,660	1,437,024	-
Unrestricted	551,385	(29,517)	521,868	3,708,885
	<u>\$ 23,969,616</u>	<u>\$ 22,121,920</u>	<u>\$ 46,091,536</u>	<u>\$ 5,211,040</u>
Total net assets				

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, 2009

	Business-type Activities – Enterprise Fund			Governmental
	Water Utility	Sewer Utility	Total	Activities – Internal Service Funds
OPERATING REVENUES				
Sales and charges for services	\$ 6,976,428	\$ 3,742,674	\$ 10,719,102	\$ 1,034,904
Connection fees	35,761	9,672	45,433	-
Miscellaneous	1,678	1,714	3,392	-
Total operating revenues	<u>7,013,867</u>	<u>3,754,060</u>	<u>10,767,927</u>	<u>1,034,904</u>
OPERATING EXPENSES				
General and administrative	285,008	289,244	574,252	605,665
Operations	6,321,111	2,476,726	8,797,837	-
Amortization	-	404,392	404,392	11,639
Depreciation	791,124	590,246	1,381,370	268,472
Total operating expenses	<u>7,397,243</u>	<u>3,760,608</u>	<u>11,157,851</u>	<u>885,776</u>
Operating income (loss)	<u>(383,376)</u>	<u>(6,548)</u>	<u>(389,924)</u>	<u>149,128</u>
NONOPERATING REVENUES				
(EXPENSES)				
Interest income	126,323	142,356	268,679	78,525
Interest and fiscal charges	(314,734)	(635,748)	(950,482)	(3,349)
Amortization of deferred charges	(6,072)	-	(6,072)	-
Gain on disposal of assets	-	-	-	17,330
Total nonoperating revenues	<u>(194,483)</u>	<u>(493,392)</u>	<u>(687,875)</u>	<u>92,506</u>
(expenses)				
Income (loss) before				
contributions and transfers	<u>(577,859)</u>	<u>(499,940)</u>	<u>(1,077,799)</u>	<u>241,634</u>
Capital contributions	132,117	1,448,680	1,580,797	83,410
Transfers in	-	256,983	256,983	425,000
Transfers out	<u>(387,868)</u>	<u>(134,620)</u>	<u>(522,488)</u>	<u>-</u>
Change in net assets	<u>(833,610)</u>	<u>1,071,103</u>	<u>237,493</u>	<u>750,044</u>
Net assets, beginning of year	<u>24,803,226</u>	<u>21,050,817</u>	<u>45,854,043</u>	<u>4,460,996</u>
Net assets, end of year	<u><u>\$ 23,969,616</u></u>	<u><u>\$ 22,121,920</u></u>	<u><u>\$ 46,091,536</u></u>	<u><u>\$ 5,211,040</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, 2009

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 7,214,503	\$ 3,679,862	\$ 10,894,365	\$ -
Cash received from interfund services provided	-	-	-	1,034,904
Cash payments to suppliers	(6,021,299)	(2,397,858)	(8,419,157)	(440,455)
Cash payments to employees for services	(1,072,197)	(600,008)	(1,672,205)	(208,055)
Net cash provided by operating activities	<u>121,007</u>	<u>681,996</u>	<u>803,003</u>	<u>386,394</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	208,252	233,431	441,683	425,000
Transfer to other funds	(387,868)	-	(387,868)	-
Net cash provided by (used for) noncapital financing activities	<u>(179,616)</u>	<u>233,431</u>	<u>53,815</u>	<u>425,000</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,505,518)	(52,440)	(1,557,958)	(203,164)
Capital contributions	132,117	1,448,680	1,580,797	-
Proceeds from disposal of capital assets	-	-	-	17,608
Proceeds from bond issue	14,204,350	24,795,650	39,000,000	-
Principal payments - loans	(71,014)	-	(71,014)	-
Principal payments - capital lease	(694)	(12,382,415)	(12,383,109)	(22,268)
Principal payments - bonds	(4,486,950)	(3,118,050)	(7,605,000)	-
Interest and fiscal charges	(898,796)	(1,495,439)	(2,394,235)	(3,349)
Net cash provided by (used for) capital and related financing activities	<u>7,373,495</u>	<u>9,195,986</u>	<u>16,569,481</u>	<u>(211,173)</u>
Cash flows from investing activities:				
Interest income	105,066	133,149	238,215	87,646
Net cash provided by investing activities	<u>105,066</u>	<u>133,149</u>	<u>238,215</u>	<u>87,646</u>
Net increase in cash and investments	7,419,952	10,244,562	17,664,514	687,867
Cash and investments, beginning of year	<u>5,364,475</u>	<u>4,180,067</u>	<u>9,544,542</u>	<u>3,057,385</u>
Cash and investments, end of year	<u>\$ 12,784,427</u>	<u>\$ 14,424,629</u>	<u>\$ 27,209,056</u>	<u>\$ 3,745,252</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, 2009**

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (383,376)	\$ (6,548)	\$ (389,924)	\$ 149,128
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Amortization	-	404,392	404,392	11,639
Depreciation	791,124	590,246	1,381,370	268,472
(Increase) decrease in assets:				
Accounts receivable	384,529	(82,252)	302,277	-
Prepays	(783)	(784)	(1,567)	(13,013)
Due from other funds	305	-	305	-
Inventories	(16,198)	-	(16,198)	-
Construction in progress	40,469	-	40,469	-
Increase (decrease) in liabilities:				
Accounts payable	(609,522)	(220,827)	(830,349)	(33,307)
Accrued wages	2,475	2,006	4,481	1,219
Deposits	12,612	8,052	20,664	-
Due to other funds	(196,809)	-	(196,809)	-
Retentions payable	83,618	(15,466)	68,152	-
Compensated absences	12,563	3,177	15,740	2,256
Net cash provided by operating activities	<u>\$ 121,007</u>	<u>\$ 681,996</u>	<u>\$ 803,003</u>	<u>\$ 386,394</u>
Noncash, investing, capital and financing activities:				
Contributions of capital assets from government	\$ -	\$ -	\$ -	\$ 83,410

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

City of Norco
Statement of Fiduciary Assets and Liabilities
June 30, 2009

	Agency Funds
ASSETS	
Cash and investments	\$ 3,787,663
Cash and investments with fiscal agents	3,155,855
Receivables:	
Accounts	385,450
Interest	8,357
Due from other governments	336,893
Total assets	\$ 7,674,218
 LIABILITIES	
Accounts payable	\$ 384,013
Deposits payable	975,063
Due to others	4,225
Due to bond holders	6,310,917
Total liabilities	\$ 7,674,218

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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

Cash and cash equivalents

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

Investments

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

Inventories and prepaids

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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. Management and mid management employees can not accrue more than two and one half times their regular annual entitlement. General and Safety employees can not accrue more than two times their regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Upon termination, regular employees with 10 years continuous service will be paid 50% for any unused sick leave. Managers 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, 2009

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, 2009

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 Special Revenue Funds CLEEP, Special Asset 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 Facility Improvement Fund.

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, 2009

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

b. Deficit fund balances

As of June 30, 2009, the following funds have deficit fund balances:

<i>Special Revenue Funds:</i>	<i>Amount</i>
NPDES (1)	\$ (59,623)

(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>Special revenue funds:</i>			
AQMD	\$ 6,526	\$ -	\$ (6,526)
NPDES	107,285	96,438	(10,847)

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

III. DETAIL NOTES ON ALL FUNDS

Note 2: Cash and Investments

Cash and investments at June 30, 2009, consisted of the following:

Deposits with financial institutions and cash on hand	\$ 578,257
Investments	<u>96,720,684</u>
Total cash and investments	<u>\$ 97,298,941</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	\$ 56,120,594
Cash and investments with fiscal agents	34,234,829
 <i>Statement of Fiduciary Assets and Liabilities</i>	
Cash and investments	3,787,663
Cash and investments with fiscal agents	<u>3,155,855</u>
Total cash and investments	<u>\$ 97,298,941</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, 2009

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			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
State investment pool	\$ 56,076,660	\$ 56,076,660	\$ -	\$ -	\$ -
Certificates of deposit	3,253,340	3,157,857	95,483	-	-
Held by trustee:					
Money market funds	4,355,413	4,355,413	-	-	-
Investment contracts	3,243,016	-	-	-	3,243,016
Federal agency securities	29,792,255	4,000,000	10,611,255	15,181,000	-
Total investments	<u>\$ 96,720,684</u>	<u>\$ 67,589,930</u>	<u>\$ 10,706,738</u>	<u>\$ 15,181,000</u>	<u>\$ 3,243,016</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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	\$ 56,076,660	N/A	-	\$ 56,076,660
Certificates of deposit	3,253,340	N/A		3,253,340
Held by trustee:				
Money market funds	4,355,413	AAA/Aa	AAA	-
Investment contracts	3,243,016	N/A	-	3,243,016
Federal agency securities	29,792,255	N/A	AAA, Aaa	-
Total investments	\$ 96,720,684			\$ 62,573,016

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 National Mortgage Association	Federal agency securities	\$ 11,415,000
Federal Home Loan Mortgage Corporation	Federal agency securities	5,791,000
Federal Home Loan Banks	Federal agency securities	9,586,255

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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, 2009, \$1,155,511 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, 2009

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, 2009, the loans amount to \$4,450,215.

Developer loans

On May 22, 2008, 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 Deed of Trust against the property. The loan payments are 50% of the residual receipts with simple interest at 1%. The complex will remain as a low/moderate income senior housing complex over the entire term of the loan.

Automobile dealer loans

In December of 2008, the Agency entered into a Loan Agreement with a local automobile dealership to provide a Line of Credit not to exceed \$500,000 from which the dealer could draw from in order to maintain its operations. The Loan is secured by Promissory Note executed by the owner. The loan is payable over seven years with interest at 5.15%. The balance outstanding at June 30, 2009 is \$469,941.

In December of 2008, the Agency entered into a Loan Agreement with a local automobile dealership to provide a Line of Credit not to exceed \$500,000 from which the dealer could draw from in order to maintain its operations. The Loan is secured by Promissory Note executed by the owner. The loan is payable over seven years with interest at 5.15%. The balance at June 30, 2009 is \$478,854.

As of June 30, 2009 the total loans receivable were as follows:

Developer loans	\$ 4,856,938
Deferred loans	4,450,215
Automobile dealer loans	948,795
Total loans receivable	<u>\$ 10,255,948</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 3: Receivables (continued)

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:

	General	Redevelopment			Nonmajor	Total
		Special revenue	Debt service	Capital projects		
Assessments	\$ -	\$ -	\$ -	\$ -	\$ 34,294	\$ 34,294
Property taxes	116,095	64	-	257	-	116,416
Sales tax	528,105	-	-	-	-	528,105
Grants and contributions - restricted	-	-	-	-	607,474	607,474
Other	117,349	-	-	-	-	117,349
Totals	\$ 761,549	\$ 64	\$ -	\$ 257	\$ 641,768	\$ 1,403,638

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 93,755,284	\$ -	\$ -	\$ 93,755,284
Construction in progress	8,933,765	4,360,124	(3,397,751)	9,896,138
Total capital assets, not being depreciated	102,689,049	4,360,124	(3,397,751)	103,651,422
Capital assets, being depreciated:				
Buildings and improvements	13,999,633	25,478	-	14,025,111
Improvements other than buildings	386,867	-	-	386,867
Vehicles and equipment	5,374,874	132,758	(418,106)	5,089,526
Infrastructure	81,964,483	4,080,699	-	86,045,182
Intangible	-	388,595	-	388,595
Total capital assets, being depreciated	101,725,857	4,627,530	(418,106)	105,935,281
Less accumulated depreciation for:				
Buildings and improvements	(4,274,352)	(289,195)	-	(4,563,547)
Improvements other than buildings	(43,810)	(19,343)	-	(63,153)
Vehicles and equipment	(3,109,510)	(359,043)	375,298	(3,093,255)
Infrastructure	(43,102,472)	(1,904,836)	-	(45,007,308)
Intangible	-	(203,886)	-	(203,886)
Total accumulated depreciation/amortization	(50,530,144)	(2,776,303)	375,298	(52,931,149)
Total capital assets, being depreciated, net	51,195,713	1,851,227	(42,808)	53,004,132
Governmental activities capital assets, net	\$ 153,884,762	\$ 6,211,351	\$ (3,440,559)	\$ 156,655,554

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 4: Capital Assets (continued)

	Beginning balance	Additions	Deletions	Ending balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 773,307	\$ -	\$ -	\$ 773,307
Construction in progress	2,085,844	1,517,489	(3,400,569)	202,764
Total capital assets, not being depreciated	<u>2,859,151</u>	<u>1,517,489</u>	<u>(3,400,569)</u>	<u>976,071</u>
Capital assets, being depreciated:				
Buildings and improvements	1,036,851		-	1,036,851
Utility plant	7,932,373	2,004,972	-	9,937,345
Wastewater capacity rights	17,793,248		-	17,793,248
Pipelines	58,937,966	1,395,597	-	60,333,563
Vehicles and equipment	350,623		-	350,623
Total capital assets, being depreciated	<u>86,051,061</u>	<u>3,400,569</u>	<u>-</u>	<u>89,451,630</u>
Less accumulated depreciation for:				
Buildings and improvements	(487,068)	(22,465)	-	(509,533)
Utility plant	(2,622,139)	(197,042)	-	(2,819,181)
Wastewater capacity rights	(4,043,920)	(404,392)	-	(4,448,312)
Pipelines	(23,396,248)	(1,134,916)	-	(24,531,164)
Vehicles and equipment	(207,564)	(26,947)	-	(234,511)
Total accumulated depreciation	<u>(30,756,939)</u>	<u>(1,785,762)</u>	<u>-</u>	<u>(32,542,701)</u>
Total capital assets, being depreciated, net	<u>55,294,122</u>	<u>1,614,807</u>	<u>-</u>	<u>56,908,929</u>
Business-type activities capital assets, net	<u>\$ 58,153,273</u>	<u>\$ 3,132,296</u>	<u>\$ (3,400,569)</u>	<u>\$ 57,885,000</u>

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

Governmental activities:	
General government	\$ 46,853
Public safety	178,987
Streets and highways	1,655,397
Community development	257,955
Culture and leisure	368,639
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
Depreciation	256,832
Amortization	11,640
Total depreciation expense - governmental activities	<u>\$ 2,776,303</u>
Business-type activities:	
Water	\$ 791,124
Sewer – amortization	404,392
Sewer – depreciation	590,246
Total depreciation expense - business-type activities	<u>\$ 1,785,762</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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 Fire Chief and Battalion Chief) of their annual covered salary. The City makes the contributions required of the employees on their behalf and for their account except for all other fire employees. The City is required to contribute at an actuarially determined rate; the current rate 16.508% for non-safety employees and 12.2% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2009, the City's annual pension cost of \$951,108 for PERS was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
06/30/07	\$ 739,045	100%	\$ -
06/30/08	\$ 934,202	100%	\$ -
06/30/09	\$ 951,108	100%	\$ -

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 \$4,943 at June 30, 2009.

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 \$2,289 at June 30, 2009.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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
2010	\$ 16,818
2011	1,875
Total minimum lease payments	18,693
Less: amount representing interest	(1,295)
Present value of minimum lease payments	\$ 17,398

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, 2009

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, 2005. The bonds were issued on a parity basis with the Agency's previously issued Norco Redevelopment Project Area No. 1, Tax Allocation Refunding Bonds (School District Pass-through), Issue of 2001, to refund on a current basis the \$3,375,000 Norco Redevelopment Project Area No. 1 Subordinated Tax Allocation Refunding Notes (School District Pass-through), Issue of 2001. The bonds were also issued to fund projects undertaken for redevelopment purposes. A portion of the bond proceeds from the sale were placed in an irrevocable trust to be used to service the future debt service requirements of the old debt.

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.

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 6: Long-Term Debt (continued)

The following schedule illustrates the annual debt service requirements to maturity for Bonds outstanding as of June 30, 2009:

Fiscal Years Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2010	\$ 2,555,000	\$ 4,599,700
2011	2,575,000	4,630,262
2012	2,685,000	4,526,973
2013	2,790,000	4,416,748
2014	2,910,000	4,295,730
2015 - 2019	16,845,000	19,192,306
2020 - 2024	21,485,000	14,555,967
2025 - 2029	27,780,000	8,442,256
2030 - 2034	13,495,000	1,994,069
Total	<u>\$ 93,120,000</u>	<u>\$ 66,654,011</u>

Pledged Revenues

The Agency has pledged 100% of future tax increment revenue (less amounts payable by or required to be set-aside by the Agency under any pass-through agreements and by the amount required to be set-aside for low and moderate housing as required by the California Health and Safety Code) as security for the bonds (as listed below) in the amount of \$159,774,011 (total principal and interest). The Agency prefunded the low and moderate housing set-aside with proceeds from the debt for the 2000, 2001, 2003 and 2005 bonds, so 20% of the debt service payments are made from the funds set-aside in the Housing Fund. For the School District bonds as indicated below the Agency has pledged the amount of the annual pass-through to the School District to repay the bonds. The pledges are considered outstanding for the duration of the debt service requirements. Total pledged revenues for the fiscal year ended June 30, 2009, totaled \$16,927,287 with the required debt service amount of \$6,425,248 for the following Bonds:

2000 Tax allocation bonds
2001 Refunding tax allocation bonds
2003 Tax allocation bonds
2005 Refunding tax allocation bonds

2001 Refunding tax allocation bonds (School District)
2004 Tax allocation refunding bonds (School District pass-through)
2009 Tax allocation bonds (School District pass-through)

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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 and was paid in full during the 2008-09 fiscal year.

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, 2009, the loan balance was \$0-

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 and was paid in full during the 2008-09 fiscal year.

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 \$301,323. The long-term portions are also recorded in the statement of net assets and amount to \$903,968.

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 \$28,640 and \$16,100, respectively. The long-term portions are \$85,920 and \$48,295, respectively.

For governmental activities, the short term portion of the claims and judgments liability is recorded in the statement of net assets and amount to \$300,000. The long-term portion of \$588,036 are also recorded on the statement of net assets, governmental activities.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 6: Long-Term Debt (continued)

Business-type Activities

a. Capital lease

Wastewater facility lease

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

Fiscal years ending June 30,	Wastewater facility lease
2010	\$ 146,694
2011	146,694
2012	146,694
2013	146,694
2014	146,694
2015 - 2019	586,777
Total minimum lease payments	1,320,247
Less: amount representing interest	(167,451)
Present value of minimum lease payments	\$ 1,152,796

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	(4,448,312)
Total	\$ 13,344,936

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 \$2,520 at June 30, 2009.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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
2010	\$ 1,875
2011	1,875
Total minimum lease payments	3,750
Less: amount representing interest	(694)
Present value of minimum lease payments	\$ 3,056

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, 2009 the balance due was \$696,456. Debt service requirements on this loan are as follows:

Fiscal years ending June 30,	Principal	Interest
2010	\$ 74,161	\$ 31,587
2011	77,464	28,284
2012	80,933	24,815
2013	84,575	21,173
2014	88,399	17,349
2015 - 2017	290,924	27,139
Totals	\$ 696,456	\$ 150,347

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 were advance refunded with proceeds from the 2009 revenue refunding bonds during the current year and are no longer reflected in the water and sewer funds.

d. Revenue bonds

During March 2009, the City issued \$39,000,000 Enterprise Revenue Refunding Bonds, issue 2009, to advance refund \$7,395,000 of outstanding 1998 Refunding Certificates of Participation (Sewer and Water System Refunding Certificates) and \$12,209,120 of outstanding 1996 Variable Rate Revenue Bonds (Western Riverside County regional Wastewater Treatment System Lease). In addition, proceeds will be used to finance water and sewer system improvements within the City. The bonds are dated March 18, 2009 with interest paid at a rate from 3.00% to 5.00% payable semiannually on April 1 and October 1, commencing on October 1, 2009.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 6: Long-Term Debt (continued)

The advance refunding of the Certificates resulted in an increase in debt service payments over the next 20 years of \$646,175 and an economic loss of \$45,449. The advance refunding of the Variable Rate Bonds resulted in an increase in debt service payments over the next 30 years of \$5,712,324 and an economic gain of \$250,427. The bonds are shown in the Water and Sewer Funds and the debt service requirements are as follows:

<u>Fiscal years ending June 30,</u>	<u>2009 Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 570,000	\$ 2,063,862
2011	605,000	2,017,848
2012	620,000	1,996,373
2013	645,000	1,971,073
2014	670,000	1,944,773
2015 - 2019	3,790,000	9,269,645
2020 - 2024	4,795,000	8,232,800
2025 - 2029	6,165,000	6,812,460
2030 - 2034	8,055,000	4,862,672
2035 - 2039	10,595,000	2,254,923
2040	2,490,000	70,032
Totals	<u>\$ 39,000,000</u>	<u>\$ 41,496,461</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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, 2009:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Governmental activities:					
<i>Capital leases:</i>					
Copiers	\$ 41,051	\$ -	\$ 23,653	\$ 17,398	\$ 15,873
Total capital leases	<u>41,051</u>	<u>-</u>	<u>23,653</u>	<u>17,398</u>	<u>15,873</u>
<i>Bonds payable:</i>					
2000 Tax allocation bonds	2,060,000	-	50,000	2,010,000	55,000
2001 Refunding tax allocation bonds	30,530,000	-	1,210,000	29,320,000	1,255,000
2001 Refunding tax allocation bonds (school district)	4,345,000	-	110,000	4,235,000	115,000
2003 Tax allocation bonds	18,850,000	-	540,000	18,310,000	560,000
2004 Tax allocation refunding bonds (school district pass- through)	10,425,000	-	240,000	10,185,000	245,000
2005 Refunding tax allocation bonds	16,915,000	-	55,000	16,860,000	55,000
2009 Tax allocation bonds (school district pass-through)	-	12,200,000	-	12,200,000	270,000
Subtotal bonds payable	<u>83,125,000</u>	<u>12,200,000</u>	<u>2,205,000</u>	<u>93,120,000</u>	<u>2,555,000</u>
Plus/(less) deferred amounts:					
For deferred loss on refunding	(276,335)	-	(16,255)	(260,080)	(16,255)
For issuance premium	755,059	-	38,031	717,028	38,031
For issuance discount	-	(171,672)	(6,603)	(165,069)	(6,603)
Total bonds payable	<u>83,603,724</u>	<u>12,028,328</u>	<u>2,220,173</u>	<u>93,411,879</u>	<u>2,570,173</u>
<i>Loans payable:</i>					
Riverside County Transportation Commission	170,183	-	170,183	-	-
Claims and judgments	888,036	-	-	888,036	300,000
Compensated absences	<u>1,168,480</u>	<u>714,050</u>	<u>677,239</u>	<u>1,205,291</u>	<u>301,323</u>
Governmental activity long-term liabilities	<u>\$ 85,871,474</u>	<u>\$ 12,742,378</u>	<u>\$ 3,091,248</u>	<u>\$ 95,522,604</u>	<u>\$ 3,187,369</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 6: Long-Term Debt (continued)

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Business-type activities:					
<i>Capital leases:</i>					
Wastewater facility	\$ 13,534,518	\$ -	\$ 12,381,722	\$ 1,152,796	\$ 114,416
Copier	4,442	-	1,386	3,056	1,579
<i>Certificates of participation payable:</i>					
1998 Certificates of participation	7,605,000	-	7,605,000	-	-
<i>Bonds:</i>					
2009 Revenue Bonds	-	39,000,000	-	39,000,000	570,000
<i>(Less) deferred amounts:</i>					
For deferred loss on issuance	-	(808,347)	(12,085)	(796,262)	(12,085)
For issuance discount	-	(491,917)	(4,783)	(487,134)	(4,783)
Total Bonds	-	37,699,736	(16,868)	37,716,604	553,132
<i>Loan payable:</i>					
US Economic Development Administration	767,470	-	71,014	696,456	74,161
Compensated absences	163,216	120,258	104,518	178,956	44,740
Advances from other funds	-	319,320	-	319,320	-
Business-type activity long-term liabilities	<u>\$ 22,074,646</u>	<u>\$ 38,139,314</u>	<u>\$ 20,146,772</u>	<u>\$ 40,067,188</u>	<u>\$ 788,028</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, 2009, 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, 1996 Refunding Tax Allocation Bonds of \$16,535,000 and the 1998 Certificates of Participation of \$9,410,000 are considered defeased.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

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:

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

Note 9: Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2009, is as follows:

Due to/from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Water Utility	\$ 216,444 (1)
	Nonmajor governmental funds	171,206 (1)
		<u>387,650</u>
Water Utility	Redevelopment Capital Projects	193
	Redevelopment Special Revenue	772
	Nonmajor governmental funds	6,994
		<u>7,959</u>
Redevelopment Special Revenue	Nonmajor governmental funds	<u>270</u>
	Total due to/from other funds	<u>\$ 395,879</u>

(1) To cover deficit cash balances.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 9: Interfund Receivables, Payables and Transfers (continued)

Interfund transfers

Fund receiving transfers	Fund making transfers	Amount
<i>General Fund</i>	Nonmajor funds Redevelopment Debt Service Sewer Utility Water Utility	\$ 2,050,069 (1) 16,178 (1) 134,620 (2) 130,885 (2) <hr/> 2,331,752
<i>Redevelopment Capital Projects</i>	Nonmajor funds Redevelopment Debt Service	54,950 (4) 188,822 (4) <hr/> 243,772
<i>Redevelopment Debt Service</i>	Redevelopment Capital Projects	<hr/> 3,556,601 (3)
<i>Nonmajor funds</i>	Nonmajor funds General Fund Redevelopment Capital Projects	161,682 25,000 3,988,372 (4) <hr/> 4,175,054
Total governmental funds		<hr/> 10,307,179
<i>Internal Service Funds</i>	General Fund Nonmajor funds	100,000 325,000 <hr/> 425,000
Sewer Utility	Water Utility	<hr/> 256,983
	Total transfers in	<hr/> <hr/> \$10,989,162

- (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, 2009

Note 10: Fund Equity

a. Reservation of fund balance

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

	Redevelopment Special Revenue	Redevelopment Debt Service	Redevelopment Capital Projects	Total
Reserved for:				
Long-term receivables	\$ 9,307,153	\$ -	\$ 948,795	\$ 10,255,948
Debt service	-	7,305,695	-	7,305,695
Land held for resale	3,876,337	-	7,453,688	11,330,025
Total reservations	<u>\$ 13,183,490</u>	<u>\$ 7,305,695</u>	<u>\$ 8,402,483</u>	<u>\$ 28,891,668</u>

Unreserved - designations:

General Fund

Designated for self-insurance	\$ 500,000
Designated for future projects	850,000
Designated for emergencies	4,229,207
Designated for utility rate reserve	36,500
Designated for lease payments	<u>75,087</u>

Total General Fund designations \$ 5,690,794

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, 2009, the future assessment liability of property owners for amounts payable to bondholders for these Districts are as follows:

	Principal	Interest	Total
Assessment District 195	\$ 470,000	\$ 11,985	\$ 481,985
Community Facilities District 97-1 Norco Hills Refunding	7,010,000	4,253,510	11,263,510
Community Facilities District 2001-1 Norco Ridge Refunding	37,365,000	29,469,315	66,834,315
Community Facilities District 2002-1 Norco 50	1,860,000	1,976,088	3,836,088
2004 Special Tax Refunding Community Facilities District 93-1	<u>1,615,000</u>	<u>567,968</u>	<u>2,182,968</u>
Totals	<u>\$ 48,320,000</u>	<u>\$ 36,278,866</u>	<u>\$ 84,598,866</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 11: Assessment Bonds (continued)

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 \$50,000,000 are covered by excess insurance purchased through the pool. For workers' compensation, the self-insurance retention is \$250,000 per claim, with a maximum limit of \$5,000,000.

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

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, 2009, the amount of these liabilities was \$888,036. The amount represents an estimate of \$216,842 for reported claims through June 30, 2009 and \$671,194 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, 2007 resulted from the following:

Year	Liability at beginning	Current year claims and changes in estimates	Claim payments	Liability at end
2008	\$ 674,997	\$ 588,877	\$ 375,838	\$ 888,036
2009	888,036	271,742	271,742	888,036

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2008 to 2009. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2006/07, 2007/08 and 2008/09.

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 13: Other Post-Employment Benefits

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

Plan Description

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

Funding Policy

These health insurance benefits are authorized through city resolutions/Memorandums of Understanding defining health care benefits and contribution levels and through the contractual agreement between the City and CalPERS. The City finances the plan on a pay-as-you-go basis and currently contributes 100% of the required premium costs of active and retired employees. There were 53 retired eligible employees.

Annual OPEB Cost

For fiscal year 2009, the city's OPEB cost (expense) of \$1,430,000 was equal to the annual required contribution (ARC). There was no interest paid or adjustment made to the net OPEB obligation. The city current year contribution was \$2,337,000, which created a net OPEB asset of \$907,000. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation measured in thousands for 2009 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (in thousands)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (in thousands)</u>
June 30, 2007	N/A	N/A	N/A
June 30, 2008	N/A	N/A	N/A
June 30, 2009	\$ 1,430	163.4%	\$ (907)

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 13: Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan measured in thousands as of June 30, 2009, was as follows:

	(in thousands)
Actuarial accrued liability (AAL)	
Actives	\$ 6,244
Retirees	7,128
Unfunded actuarial accrued liability	\$ 13,372
Covered payroll (active plan members)	\$ 6,279
UAAL as a percentage of covered payroll	46.9%
Present Value of Future Benefits	
Actives	\$ 10,584
Retirees	7,128
Total	\$ 17,712
Normal Cost on June 30, 2009	\$ 601
Normal Cost as a percent of payroll	9.6%

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2009 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2009

Note 13: Other Post-Employment Benefits (continued)

In the January 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumption included a 7.75 percent investment rate of return (net of administrative expenses), which is the assumed rate of expected long-term investment returns on plan assets. Calculation was based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 10.9% initially, reduced by increment of 0.6% - 0.8% per year to an ultimate rate of 4.5% after the tenth year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25% per year.

Required Supplementary Information

Valuation Date:	January 1, 2008
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market Value
Annual Required Contribution	
As a Percent of Payroll	22.8%
Amortization Method:	Percentage of projected payroll
Amortization Period:	30 years, open

Schedule of Funding Progress in thousands (using 7.75% annual return assumption)

Actuarial Valuation Date	Actuarial* Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
6/30/2009	\$ 2,278	\$ 13,372	\$ 11,094	17.04%

* Based on actual value of assets on deposit with Trustee as of June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 11,106,295	\$ 10,976,395	\$ 9,894,591	\$ (1,081,804)
Licenses and permits	514,806	404,806	366,686	(38,120)
Fines and forfeitures	754,065	754,065	771,840	17,775
Intergovernmental	213,685	213,685	226,950	13,265
Charges for services	2,151,174	2,098,047	2,448,178	350,131
Investment earnings	292,513	292,513	245,007	(47,506)
Other	581,866	581,866	580,913	(953)
Total revenues	15,614,404	15,321,377	14,534,165	(787,212)
EXPENDITURES				
Current:				
General government	2,648,462	4,455,871	3,907,426	548,445
Public safety	11,455,903	11,178,125	11,298,908	(120,783)
Streets and highways	69,611	69,611	69,670	(59)
Community and economic development	891,935	812,792	774,829	37,963
Culture and leisure	2,488,547	2,425,429	2,062,853	362,576
Debt service:				
Principal	-	-	1,389	(1,389)
Interest	-	-	486	(486)
Total expenditures	17,554,458	18,941,828	18,115,561	826,267
Excess (deficiency) of revenues over (under) expenditures	(1,940,054)	(3,620,451)	(3,581,396)	39,055
OTHER FINANCING SOURCES (USES)				
Transfers in	425,519	2,325,519	2,331,752	6,233
Transfers out	(125,000)	(125,000)	(125,000)	-
Total other financing sources (uses)	300,519	2,200,519	2,206,752	6,233
Net change in fund balance	(1,639,535)	(1,419,932)	(1,374,644)	45,288
Fund balance, beginning of year, restated	7,960,961	7,960,961	7,960,961	-
Fund balance, end of year	<u>\$ 6,321,426</u>	<u>\$ 6,541,029</u>	<u>\$ 6,586,317</u>	<u>\$ 45,288</u>

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - Redevelopment Special Revenue Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,234,556	\$ 3,234,556	\$ 3,099,380	\$ (135,176)
Investment earnings	90,000	90,000	228,113	138,113
Other	45,000	45,000	101,551	56,551
Total revenues	3,369,556	3,369,556	3,429,044	59,488
EXPENDITURES				
Current:				
Community and economic development	5,996,446	6,516,523	1,012,963	5,503,560
Debt service:				
Principal	371,000	371,000	371,000	-
Interest	659,152	659,152	659,152	-
Total expenditures	7,026,598	7,546,675	2,043,115	5,503,560
Net change in fund balance	(3,657,042)	(4,177,119)	1,385,929	5,563,048
Fund balance, beginning of year	17,847,277	17,847,277	17,847,277	-
Fund balance, end of year	<u>\$ 14,190,235</u>	<u>\$ 13,670,158</u>	<u>\$ 19,233,206</u>	<u>\$ 5,563,048</u>

**Required Supplementary Information
City of Norco
Schedule of Funding Progress
Other Post Employment Benefits
For the Year Ended June 30, 2009**

Retiree Health Plan						
Valuation Date	Normal Accrued Liability (in thousands)	Actuarial Value of Assets (in thousands)	Unfunded (Overfunded) Liability (in thousands)	Funded Ratio	Annual Covered Payroll (in thousands)	UAAL as a % of Payroll
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2009	\$ 13,372	\$ 2,278	\$ 11,094	17.04%	\$ 6,279	56.60%

City of Norco
Notes to Required Supplementary Information
For the Year Ended June 30, 2009

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.

Note 1: Excess of expenditures over appropriations

Fund/Function	Expenditures	Appropriations	Excess
<i>General fund:</i>			
Public safety	\$11,298,908	\$ 11,178,125	\$ (120,783)
Debt service	1,875	-	(1,875)
Streets and highways	69,670	69,611	(59)

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

This page left blank intentionally.

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 299,917	\$ 299,917
Intergovernmental	1,078,570	1,078,570	1,038,739	(39,831)
Total revenues	1,078,570	1,078,570	1,338,656	260,086
EXPENDITURES				
Current:				
Community and economic development	10,416,963	10,416,963	10,416,963	-
Debt service:				
Principal	1,834,000	1,834,000	1,834,000	-
Interest	3,365,174	3,365,174	3,365,174	-
Bond issuance costs	425,240	425,240	425,240	-
Total expenditures	16,041,377	16,041,377	16,041,377	-
Excess (deficiency) of revenues over (under) expenditures	(14,962,807)	(14,962,807)	(14,702,721)	260,086
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	12,200,000	12,200,000	12,200,000	-
Payment to bond escrow agent	(171,672)	(171,672)	(171,672)	-
Transfer in	5,199,174	5,199,174	3,556,601	(1,642,573)
Transfer out	-	-	(205,000)	(205,000)
Total other financing sources (uses)	17,227,502	17,227,502	15,379,929	(1,847,573)
Net change in fund balance	2,264,695	2,264,695	677,208	(1,587,487)
Fund balance, beginning of year	7,446,390	7,446,390	7,446,390	-
Fund balance, end of year	\$ 9,711,085	\$ 9,711,085	\$ 8,123,598	\$ (1,587,487)

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 13,466,805	\$ 13,466,805	\$ 12,789,168	\$ (677,637)
Investment earnings	921,284	921,284	745,233	(176,051)
Other	161,683	161,683	206,885	45,202
Total revenues	14,549,772	14,549,772	13,741,286	(808,486)
EXPENDITURES				
Current:				
Community and economic development	11,994,216	14,213,018	9,325,136	4,887,882
Debt service:				
Principal	226,908	226,908	-	226,908
Interest	10,778	10,778	8,084	2,694
Total expenditures	12,231,902	14,450,704	9,333,220	5,117,484
Excess (deficiency) of revenues over (under) expenditures	2,317,870	99,068	4,408,066	4,308,998
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	-	-	243,772	243,772
Transfers out	(16,342,374)	(20,243,132)	(7,544,973)	12,698,159
Total other financing sources (uses)	(16,342,374)	(20,243,132)	(7,301,201)	12,941,931
Net change in fund balance	(14,024,504)	(20,144,064)	(2,893,135)	17,250,929
Fund balance, beginning of year	34,407,515	34,407,515	34,407,515	-
Fund balance, end of year	<u>\$ 20,383,011</u>	<u>\$ 14,263,451</u>	<u>\$ 31,514,380</u>	<u>\$ 17,250,929</u>

COMBINING NONMAJOR FUNDS

This page left blank intentionally.

Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

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

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

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

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

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

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

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

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 6th Street and California. Financing is through special assessments.

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

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

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

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

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

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

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

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

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
ASSETS			
Cash and investments	\$ 18,052	\$ -	\$ 240,167
Receivables, net:			
Accounts	-	-	-
Interest	-	-	-
Due from other governments	9,575	84,376	93,511
Total assets	\$ 27,627	\$ 84,376	\$ 333,678
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,286	\$ 1,598	\$ 15,780
Retentions payable	-	7,295	-
Due to other funds	9,575	75,483	-
Deferred revenues	16,766	-	-
Total liabilities	27,627	84,376	15,780
Fund balances:			
Reserved for:			
Unreserved, reported in:			
Special revenue funds	-	-	317,898
Capital projects funds	-	-	-
Total fund balances	-	-	317,898
Total liabilities and fund balances	\$ 27,627	\$ 84,376	\$ 333,678

Special Revenue Funds				
Measure A	NPDES	Air Quality Improvement Trust	Local Law Enforcement Block Grant	Supplemental Law Enforcement Block Grant
\$ 2,828,718	\$ -	\$ 63,815	\$ 559	\$ -
-	-	-	-	-
9,618	-	207	2	-
156,658	26,625	7,700	-	29,456
<u>\$ 2,994,994</u>	<u>\$ 26,625</u>	<u>\$ 71,722</u>	<u>\$ 561</u>	<u>\$ 29,456</u>
\$ 11,652	\$ 17,180	\$ 57	\$ -	\$ -
-	-	-	-	-
-	69,068	-	-	17,350
-	-	-	-	-
<u>11,652</u>	<u>86,248</u>	<u>57</u>	<u>-</u>	<u>17,350</u>
2,983,342	(59,623)	71,665	561	12,106
-	-	-	-	-
<u>2,983,342</u>	<u>(59,623)</u>	<u>71,665</u>	<u>561</u>	<u>12,106</u>
<u>\$ 2,994,994</u>	<u>\$ 26,625</u>	<u>\$ 71,722</u>	<u>\$ 561</u>	<u>\$ 29,456</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
ASSETS			
Cash and investments	\$ 5,355	\$ 21,073	\$ 31,542
Receivables, net:			
Accounts	-	-	-
Interest	19	-	110
Due from other governments	-	84,589	188
	<u>\$ 5,374</u>	<u>\$ 105,662</u>	<u>\$ 31,840</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 105,662	\$ 535
Retentions payable	-	-	-
Due to other funds	-	-	39
Deferred revenues	-	-	-
	<u>-</u>	<u>105,662</u>	<u>574</u>
Fund balances:			
Reserved for:			
Unreserved, reported in:			
Special revenue funds	5,374	-	31,266
Capital projects funds	-	-	-
	<u>5,374</u>	<u>-</u>	<u>31,266</u>
Total fund balances	<u>5,374</u>	<u>-</u>	<u>31,266</u>
Total liabilities and fund balances	<u>\$ 5,374</u>	<u>\$ 105,662</u>	<u>\$ 31,840</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
\$ 59,917	\$ 89,224	\$ 348,941	\$ 31,984	\$ 1,274,274	\$ 5,013,621
-	-	-	-	6,723	6,723
195	302	1,242	101	4,541	16,337
8,975	1,830	20,569	2,732	-	526,784
<u>\$ 69,087</u>	<u>\$ 91,356</u>	<u>\$ 370,752</u>	<u>\$ 34,817</u>	<u>\$ 1,285,538</u>	<u>\$ 5,563,465</u>
\$ 4,939	\$ 2,835	\$ 18,660	\$ 1,639	\$ -	\$ 181,823
-	-	-	-	-	7,295
2,498	1,282	2,492	683	-	178,470
-	-	6,400	-	-	23,166
<u>7,437</u>	<u>4,117</u>	<u>27,552</u>	<u>2,322</u>	<u>-</u>	<u>390,754</u>
61,650	87,239	343,200	32,495	1,285,538	5,172,711
-	-	-	-	-	-
<u>61,650</u>	<u>87,239</u>	<u>343,200</u>	<u>32,495</u>	<u>1,285,538</u>	<u>5,172,711</u>
<u>\$ 69,087</u>	<u>\$ 91,356</u>	<u>\$ 370,752</u>	<u>\$ 34,817</u>	<u>\$ 1,285,538</u>	<u>\$ 5,563,465</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	<u>Capital Projects Funds</u>		
	<u>Storm Drain</u>	<u>General Government Improvement</u>	<u>Fire Improvement</u>
ASSETS			
Cash and investments	\$ 525,569	\$ 2,488,563	\$ 719,974
Receivables, net:			
Accounts	-	-	-
Interest	1,920	8,877	2,606
Due from other governments	5,280	-	-
	<u>532,769</u>	<u>2,497,440</u>	<u>722,580</u>
Total assets	<u>\$ 532,769</u>	<u>\$ 2,497,440</u>	<u>\$ 722,580</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 169,169	\$ 13,500	\$ 71,460
Retentions payable	109,101	-	-
Due to other funds	-	-	-
Deferred revenues	-	-	-
	<u>278,270</u>	<u>13,500</u>	<u>71,460</u>
Total liabilities	<u>278,270</u>	<u>13,500</u>	<u>71,460</u>
Fund balances:			
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	254,499	2,483,940	651,120
	<u>254,499</u>	<u>2,483,940</u>	<u>651,120</u>
Total fund balances	<u>254,499</u>	<u>2,483,940</u>	<u>651,120</u>
Total liabilities and fund balances	<u>\$ 532,769</u>	<u>\$ 2,497,440</u>	<u>\$ 722,580</u>

continued

Capital Projects Funds

<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>	<u>Community Facilities District 2002-1</u>	<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>
\$ 466,406	\$ 3,550,006	\$ 57,393	\$ 208,939	\$ 795,992	\$ -
-	936	-	-	-	-
1,647	12,368	203	738	2,810	-
-	109,704	-	-	-	-
<u>\$ 468,053</u>	<u>\$ 3,673,014</u>	<u>\$ 57,596</u>	<u>\$ 209,677</u>	<u>\$ 798,802</u>	<u>\$ -</u>
\$ -	\$ 156,259	\$ -	\$ -	\$ -	\$ -
-	132,850	-	-	-	-
-	-	-	-	-	-
-	36,967	-	-	-	-
-	326,076	-	-	-	-
-	-	-	-	-	-
<u>468,053</u>	<u>3,346,938</u>	<u>57,596</u>	<u>209,677</u>	<u>798,802</u>	<u>-</u>
<u>468,053</u>	<u>3,346,938</u>	<u>57,596</u>	<u>209,677</u>	<u>798,802</u>	<u>-</u>
<u>\$ 468,053</u>	<u>\$ 3,673,014</u>	<u>\$ 57,596</u>	<u>\$ 209,677</u>	<u>\$ 798,802</u>	<u>\$ -</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
ASSETS			
Cash and investments	\$ 1,493,191	\$ 12,981	\$ 36,132
Receivables, net:			
Accounts	-	-	-
Interest	4,595	46	128
Due from other governments	-	-	-
	\$ 1,497,786	\$ 13,027	\$ 36,260
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 241,172	\$ -	\$ -
Retentions payable	92,464	-	-
Due to other funds	-	-	-
Deferred revenues	-	-	-
	333,636	-	-
Fund balances:			
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	1,164,150	13,027	36,260
	1,164,150	13,027	36,260
Total liabilities and fund balances	\$ 1,497,786	\$ 13,027	\$ 36,260

Capital Projects Funds

<u>Aquatics Center</u>	<u>Animal Control</u>	<u>Facility Improvement</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 8,338	\$ 328,436	\$ 150,098	\$ 10,842,018	\$ 15,855,639
-	-	-	936	7,659
29	1,180	-	37,147	53,484
-	-	-	114,984	641,768
<u>\$ 8,367</u>	<u>\$ 329,616</u>	<u>\$ 150,098</u>	<u>\$ 10,995,085</u>	<u>\$ 16,558,550</u>
\$ -	\$ 9,911	\$ -	\$ 661,471	\$ 843,294
-	-	-	334,415	341,710
-	-	-	-	178,470
-	-	-	36,967	60,133
<u>-</u>	<u>9,911</u>	<u>-</u>	<u>1,032,853</u>	<u>1,423,607</u>
-	-	-	-	5,172,711
<u>8,367</u>	<u>319,705</u>	<u>150,098</u>	<u>9,962,232</u>	<u>9,962,232</u>
<u>8,367</u>	<u>319,705</u>	<u>150,098</u>	<u>9,962,232</u>	<u>15,134,943</u>
<u>\$ 8,367</u>	<u>\$ 329,616</u>	<u>\$ 150,098</u>	<u>\$ 10,995,085</u>	<u>\$ 16,558,550</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	73,116	399,625	732,647
Charges for services	-	-	-
Investment earnings	-	-	551
	<u>73,116</u>	<u>399,625</u>	<u>733,198</u>
Total revenues	<u>73,116</u>	<u>399,625</u>	<u>733,198</u>
EXPENDITURES			
Current:			
Public safety	73,116	-	-
Streets and highways	-	-	439,199
Community and economic development	-	381,309	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Other	-	-	-
	<u>73,116</u>	<u>381,309</u>	<u>439,199</u>
Total expenditures	<u>73,116</u>	<u>381,309</u>	<u>439,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>18,316</u>	<u>293,999</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(18,316)	-
	<u>-</u>	<u>(18,316)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(18,316)</u>	<u>-</u>
Net change in fund balances	-	-	293,999
Fund balances, beginning of year	-	-	23,899
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,898</u>

continued

Special Revenue Funds				
Measure A	NPDES	Air Quality Improvement Trust	Local Law Enforcement Block Grant	Supplemental Law Enforcement Block Grant
\$ 660,675	\$ 65,114	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	30,771	-	100,000
-	-	-	-	-
66,054	-	1,089	13	3,713
<u>726,729</u>	<u>65,114</u>	<u>31,860</u>	<u>13</u>	<u>103,713</u>
-	-	-	-	100,000
455,325	107,285	-	-	-
-	-	6,526	-	-
170,180	-	-	-	-
8,084	-	-	-	-
-	-	-	-	-
<u>633,589</u>	<u>107,285</u>	<u>6,526</u>	<u>-</u>	<u>100,000</u>
<u>93,140</u>	<u>(42,171)</u>	<u>25,334</u>	<u>13</u>	<u>3,713</u>
-	50,000	-	-	-
-	-	(1,500)	-	-
-	50,000	(1,500)	-	-
93,140	7,829	23,834	13	3,713
2,890,202	(67,452)	47,831	548	8,393
<u>\$ 2,983,342</u>	<u>\$ (59,623)</u>	<u>\$ 71,665</u>	<u>\$ 561</u>	<u>\$ 12,106</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	8,031
Development fees	-	-	-
Intergovernmental	-	229,337	-
Charges for services	-	-	-
Investment earnings	121	-	704
	121	-	704
Total revenues	121	229,337	8,735
EXPENDITURES			
Current:			
Public safety	-	229,337	-
Streets and highways	-	-	6,219
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Other	-	-	-
	-	-	-
Total expenditures	-	229,337	6,219
Excess (deficiency) of revenues over (under) expenditures	121	-	2,516
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(5,380)
	-	-	(5,380)
Total other financing sources (uses)	-	-	(5,380)
Net change in fund balances	121	-	(2,864)
Fund balances, beginning of year	5,253	-	34,130
Fund balances, end of year	\$ 5,374	\$ -	\$ 31,266

continued

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725,789
130,731	72,161	208,791	52,866	-	472,580
-	-	-	-	-	-
-	-	-	-	7,661	1,573,157
-	-	-	-	-	-
922	1,620	9,064	317	29,287	113,455
<u>131,653</u>	<u>73,781</u>	<u>217,855</u>	<u>53,183</u>	<u>36,948</u>	<u>2,884,981</u>
-	-	-	-	-	402,453
130,008	62,876	384,817	30,219	-	1,615,948
-	-	-	-	-	387,835
-	-	-	-	-	170,180
-	-	-	-	-	8,084
-	-	-	-	-	-
<u>130,008</u>	<u>62,876</u>	<u>384,817</u>	<u>30,219</u>	<u>-</u>	<u>2,584,500</u>
<u>1,645</u>	<u>10,905</u>	<u>(166,962)</u>	<u>22,964</u>	<u>36,948</u>	<u>300,481</u>
-	-	-	-	-	50,000
(17,572)	(8,644)	(19,203)	(8,224)	(29,287)	(108,126)
<u>(17,572)</u>	<u>(8,644)</u>	<u>(19,203)</u>	<u>(8,224)</u>	<u>(29,287)</u>	<u>(58,126)</u>
(15,927)	2,261	(186,165)	14,740	7,661	242,355
<u>77,577</u>	<u>84,978</u>	<u>529,365</u>	<u>17,755</u>	<u>1,277,877</u>	<u>4,930,356</u>
<u>\$ 61,650</u>	<u>\$ 87,239</u>	<u>\$ 343,200</u>	<u>\$ 32,495</u>	<u>\$ 1,285,538</u>	<u>\$ 5,172,711</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Capital Projects		
	Storm Drain	General Government Improvement	Fire Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	23,094	11,926	21,225
Intergovernmental	5,280	-	-
Charges for services	3,739	-	-
Investment earnings	14,233	89,819	19,499
Total revenues	46,346	101,745	40,724
EXPENDITURES			
Current:			
Public safety	-	-	-
Streets and highways	1,208,555	-	-
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay:			
Other	-	29,347	110,415
Total expenditures	1,208,555	29,347	110,415
Excess (deficiency) of revenues over (under) expenditures	(1,162,209)	72,398	(69,691)
OTHER FINANCING SOURCES (USES)			
Transfers in	775,808	25,407	50,428
Transfers out	(2,597)	(2,117,724)	(328,911)
Total other financing sources (uses)	773,211	(2,092,317)	(278,483)
Net change in fund balances	(388,998)	(2,019,919)	(348,174)
Fund balances, beginning of year	643,497	4,503,859	999,294
Fund balances, end of year	<u>\$ 254,499</u>	<u>\$ 2,483,940</u>	<u>\$ 651,120</u>

Capital Projects

<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>	<u>Community Facilities District 2002-1</u>	<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	213,538	-	-	-	-
-	174,374	-	-	-	-
-	-	-	-	-	-
<u>10,526</u>	<u>84,070</u>	<u>1,295</u>	<u>4,714</u>	<u>17,959</u>	<u>-</u>
<u>10,526</u>	<u>471,982</u>	<u>1,295</u>	<u>4,714</u>	<u>17,959</u>	<u>-</u>
-	-	-	-	-	-
-	2,343,516	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	371,973	-	37
-	2,343,516	-	371,973	-	37
<u>10,526</u>	<u>(1,871,534)</u>	<u>1,295</u>	<u>(367,259)</u>	<u>17,959</u>	<u>(37)</u>
-	1,335,403	-	-	-	-
(164)	(26,982)	-	-	-	-
<u>(164)</u>	<u>1,308,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,362	(563,113)	1,295	(367,259)	17,959	(37)
<u>457,691</u>	<u>3,910,051</u>	<u>56,301</u>	<u>576,936</u>	<u>780,843</u>	<u>37</u>
<u>\$ 468,053</u>	<u>\$ 3,346,938</u>	<u>\$ 57,596</u>	<u>\$ 209,677</u>	<u>\$ 798,802</u>	<u>\$ -</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Capital Projects		
	Park Improvement	Public Library	Public Meeting
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	45,242	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	20,882	292	817
Total revenues	<u>66,124</u>	<u>292</u>	<u>817</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Streets and highways	-	-	-
Community and economic development	-	-	-
Debt service:			
Principal	-	-	-
Interest	7,699	-	-
Capital outlay:			
Other	742,742	-	-
Total expenditures	<u>750,441</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(684,317)</u>	<u>292</u>	<u>817</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,938,008	-	-
Transfers out	(7,197)	-	-
Total other financing sources (uses)	<u>1,930,811</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,246,494	292	817
Fund balances, beginning of year	<u>(82,344)</u>	<u>12,735</u>	<u>35,443</u>
Fund balances, end of year	<u>\$ 1,164,150</u>	<u>\$ 13,027</u>	<u>\$ 36,260</u>

Capital Projects Funds			Total Capital Projects Funds	Total Non-major Governmental Funds
Aquatics Center	Animal Control	Facility Improvement		
\$ -	\$ -	\$ -	\$ -	\$ 725,789
-	-	-	-	472,580
-	669	-	315,694	315,694
-	-	-	179,654	1,752,811
-	-	-	3,739	3,739
187	7,655	-	271,948	385,403
187	8,324	-	771,035	3,656,016
-	-	-	-	402,453
-	-	-	3,552,071	5,168,019
-	-	-	-	387,835
-	-	-	-	170,180
-	-	-	7,699	15,783
-	28,669	-	1,283,183	1,283,183
-	28,669	-	4,842,953	7,427,453
187	(20,345)	-	(4,071,918)	(3,771,437)
-	-	-	4,125,054	4,175,054
-	-	-	(2,483,575)	(2,591,701)
-	-	-	1,641,479	1,583,353
187	(20,345)	-	(2,430,439)	(2,188,084)
8,180	340,050	150,098	12,392,671	17,323,027
\$ 8,367	\$ 319,705	\$ 150,098	\$ 9,962,232	\$ 15,134,943

City of Norco
For the Year Ended June 30, 2009
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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,362	\$ 100,362	\$ 73,116	\$ (27,246)
Total revenues	80,362	100,362	73,116	(27,246)
EXPENDITURES				
Current:				
Public safety	61,077	81,077	73,116	7,961
Total expenditures	61,077	81,077	73,116	7,961
Net change in fund balance	19,285	19,285	-	(19,285)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 19,285	\$ 19,285	\$ -	\$ (19,285)

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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 537,277	\$ 1,107,246	\$ 399,625	\$ (707,621)
Total revenues	537,277	1,107,246	399,625	(707,621)
EXPENDITURES				
Current:				
Community and economic development	521,709	721,709	381,309	340,400
Total expenditures	521,709	721,709	381,309	340,400
Excess (deficiency) of revenues over (under) expenditures	15,568	385,537	18,316	(367,221)
OTHER FINANCING SOURCES (USES)				
Transfers out	(385,537)	(385,537)	(18,316)	367,221
Total other financing sources (uses)	(385,537)	(385,537)	(18,316)	367,221
Net change in fund balance	(369,969)	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ (369,969)	\$ -	\$ -	\$ -

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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 584,000	\$ 514,000	\$ 732,647	\$ 218,647
Investment earnings	-	-	551	551
Total revenues	584,000	514,000	733,198	219,198
EXPENDITURES				
Current:				
Streets and highways	491,122	491,122	439,199	51,923
Total expenditures	491,122	491,122	439,199	51,923
Net change in fund balance	92,878	22,878	293,999	271,121
Fund balance, beginning of year	23,899	23,899	23,899	-
Fund balance, end of year	<u>\$ 116,777</u>	<u>\$ 46,777</u>	<u>\$ 317,898</u>	<u>\$ 271,121</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure A Special Revenue Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,216,908	\$ 1,216,908	\$ 660,675	\$ (556,233)
Investment earnings	83,514	83,514	66,054	(17,460)
Total revenues	<u>1,300,422</u>	<u>1,300,422</u>	<u>726,729</u>	<u>(573,693)</u>
EXPENDITURES				
Current:				
Street and highways	1,960,000	2,176,000	455,325	1,720,675
Debt service:				
Principal	226,908	226,908	170,180	56,728
Interest	10,778	10,778	8,084	2,694
Total expenditures	<u>2,197,686</u>	<u>2,413,686</u>	<u>633,589</u>	<u>1,780,097</u>
Net change in fund balance	(897,264)	(1,113,264)	93,140	1,206,404
Fund balance, beginning of year	<u>2,890,202</u>	<u>2,890,202</u>	<u>2,890,202</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,992,938</u></u>	<u><u>\$ 1,776,938</u></u>	<u><u>\$ 2,983,342</u></u>	<u><u>\$ 1,206,404</u></u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
NPDES Special Revenue Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 65,114	\$ 5,114
Total revenues	60,000	60,000	65,114	5,114
EXPENDITURES				
Current:				
Streets and highways	96,438	96,438	107,285	(10,847)
Total expenditures	96,438	96,438	107,285	(10,847)
Excess (deficiency) of revenues over (under) expenditures	(36,438)	(36,438)	(42,171)	(5,733)
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net change in fund balance	13,562	13,562	7,829	(5,733)
Fund balance, beginning of year	(67,452)	(67,452)	(67,452)	-
Fund balance, end of year	<u>\$ (53,890)</u>	<u>\$ (53,890)</u>	<u>\$ (59,623)</u>	<u>\$ (5,733)</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 30,771	\$ (229)
Investment earnings	-	-	1,089	1,089
Total revenues	31,000	31,000	31,860	860
EXPENDITURES				
Current:				
Community and economic development	-	-	6,526	(6,526)
Total expenditures	-	-	6,526	(6,526)
Excess (deficiency) of revenues over (under) expenditures	31,000	31,000	25,334	(5,666)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,500)	(1,500)	(1,500)	-
Total other financing sources (uses)	(1,500)	(1,500)	(1,500)	-
Net change in fund balance	29,500	29,500	23,834	(5,666)
Fund balance, beginning of year	47,831	47,831	47,831	-
Fund balance, end of year	<u>\$ 77,331</u>	<u>\$ 77,331</u>	<u>\$ 71,665</u>	<u>\$ (5,666)</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Investment earnings	-	-	13	13
Total revenues	15,000	15,000	13	(14,987)
EXPENDITURES				
Current:				
Public safety	15,000	15,000	-	15,000
Total expenditures	15,000	15,000	-	15,000
Net change in fund balance	-	-	13	13
Fund balance, beginning of year	548	548	548	-
Fund balance, end of year	<u>\$ 548</u>	<u>\$ 548</u>	<u>\$ 561</u>	<u>\$ 13</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment earnings	-	-	3,713	3,713
Total revenues	100,000	100,000	103,713	3,713
EXPENDITURES				
Current:				
Public safety	100,000	100,000	100,000	-
Total expenditures	100,000	100,000	100,000	-
Net change in fund balance	-	-	3,713	3,713
Fund balance, beginning of year	8,393	8,393	8,393	-
Fund balance, end of year	<u>\$ 8,393</u>	<u>\$ 8,393</u>	<u>\$ 12,106</u>	<u>\$ 3,713</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 66,630	\$ 252,505	\$ 229,337	\$ (23,168)
Total revenues	66,630	252,505	229,337	(23,168)
EXPENDITURES				
Current:				
Public safety	66,630	252,505	229,337	23,168
Total expenditures	66,630	252,505	229,337	23,168
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Storm Drain Capital Projects Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 98,507	\$ 98,507	\$ 23,094	\$ (75,413)
Intergovernmental	3,439,390	3,439,390	5,280	(3,434,110)
Charges for services	-	-	3,739	3,739
Investment earnings	19,608	19,608	14,233	(5,375)
Total revenues	3,557,505	3,557,505	46,346	(3,511,159)
EXPENDITURES				
Current:				
Streets and highways	4,178,490	4,954,298	1,208,555	3,745,743
Total expenditures	4,178,490	4,954,298	1,208,555	3,745,743
Excess (deficiency) of revenues over (under) expenditures	(620,985)	(1,396,793)	(1,162,209)	234,584
OTHER FINANCING SOURCES (USES)				
Transfers in	-	775,808	775,808	-
Transfers out	(2,597)	(2,597)	(2,597)	-
Total other financing sources (uses)	(2,597)	773,211	773,211	-
Net change in fund balance	(623,582)	(623,582)	(388,998)	234,584
Fund balance, beginning of year	643,497	643,497	643,497	-
Fund balance, end of year	<u>\$ 19,915</u>	<u>\$ 19,915</u>	<u>\$ 254,499</u>	<u>\$ 234,584</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 66,089	\$ 66,089	\$ 11,926	\$ (54,163)
Investment earnings	113,699	113,699	89,819	(23,880)
Total revenues	179,788	179,788	101,745	(78,043)
EXPENDITURES				
Capital outlay:				
Other	2,386,683	1,786,683	29,347	1,757,336
Total expenditures	2,386,683	1,786,683	29,347	1,757,336
Excess (deficiency) of revenues over (under) expenditures	(2,206,895)	(1,606,895)	72,398	1,679,293
OTHER FINANCING SOURCES (USES)				
Transfers in	1,100,000	500,000	25,407	(474,593)
Transfers out	(1,901,092)	(3,801,092)	(2,117,724)	1,683,368
Total other financing sources (uses)	(801,092)	(3,301,092)	(2,092,317)	1,208,775
Net change in fund balance	(3,007,987)	(4,907,987)	(2,019,919)	2,888,068
Fund balance, beginning of year	4,503,859	4,503,859	4,503,859	-
Fund balance, end of year	<u>\$ 1,495,872</u>	<u>\$ (404,128)</u>	<u>\$ 2,483,940</u>	<u>\$ 2,888,068</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 272,830	\$ 272,830	\$ 21,225	\$ (251,605)
Investment earnings	31,377	31,377	19,499	(11,878)
Total revenues	304,207	304,207	40,724	(263,483)
EXPENDITURES				
Capital outlay:				
Other	115,132	115,132	110,415	4,717
Total expenditures	115,132	115,132	110,415	4,717
Excess (deficiency) of revenues over (under) expenditures	189,075	189,075	(69,691)	(258,766)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,428	50,428
Transfers out	(328,911)	(328,911)	(328,911)	-
Total other financing sources (uses)	(328,911)	(328,911)	(278,483)	50,428
Net change in fund balance	(139,836)	(139,836)	(348,174)	(208,338)
Fund balance, beginning of year	999,294	999,294	999,294	-
Fund balance, end of year	\$ 859,458	\$ 859,458	\$ 651,120	\$ (208,338)

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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 10,935	\$ 10,935	\$ -	\$ (10,935)
Investment earnings	13,648	13,648	10,526	(3,122)
Total revenues	<u>24,583</u>	<u>24,583</u>	<u>10,526</u>	<u>(14,057)</u>
EXPENDITURES				
Capital outlay:				
Other	<u>285,000</u>	<u>285,000</u>	<u>-</u>	<u>285,000</u>
Total expenditures	<u>285,000</u>	<u>285,000</u>	<u>-</u>	<u>285,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(260,417)</u>	<u>(260,417)</u>	<u>10,526</u>	<u>270,943</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(164)</u>	<u>(164)</u>	<u>(164)</u>	<u>-</u>
Total other financing sources (uses)	<u>(164)</u>	<u>(164)</u>	<u>(164)</u>	<u>-</u>
Net change in fund balance	(260,581)	(260,581)	10,362	270,943
Fund balance, beginning of year	<u>457,691</u>	<u>457,691</u>	<u>457,691</u>	<u>-</u>
Fund balance, end of year	<u>\$ 197,110</u>	<u>\$ 197,110</u>	<u>\$ 468,053</u>	<u>\$ 270,943</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 976,688	\$ 976,688	\$ 213,538	\$ (763,150)
Intergovernmental	2,145,000	2,215,000	174,374	(2,040,626)
Investment earnings	120,127	120,127	84,070	(36,057)
Total revenues	3,241,815	3,311,815	471,982	(2,839,833)
EXPENDITURES				
Current:				
Streets and highways	7,060,700	8,579,507	2,343,516	6,235,991
Total expenditures	7,060,700	8,579,507	2,343,516	6,235,991
Excess (deficiency) of revenues over expenditures	(3,818,885)	(5,267,692)	(1,871,534)	3,396,158
OTHER FINANCING SOURCES (USES)				
Transfers in	3,860,700	5,000,700	1,335,403	(3,665,297)
Transfers out	(26,982)	(26,982)	(26,982)	-
Total other financing sources (uses)	3,833,718	4,973,718	1,308,421	(3,665,297)
Net change in fund balance	14,833	(293,974)	(563,113)	(269,139)
Fund balance, beginning of year	3,910,051	3,910,051	3,910,051	-
Fund balance, end of year	<u>\$ 3,924,884</u>	<u>\$ 3,616,077</u>	<u>\$ 3,346,938</u>	<u>\$ (269,139)</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 680,066	\$ 680,066	\$ 45,242	\$ (634,824)
Intergovernmental	100,000	100,000	-	(100,000)
Investment earnings	5,888	5,888	20,882	14,994
Total revenues	785,954	785,954	66,124	(719,830)
EXPENDITURES				
Debt service:				
Interest	-	-	7,699	(7,699)
Capital outlay:				
Other	7,163,349	6,888,111	742,742	6,145,369
Total expenditures	7,163,349	6,888,111	750,441	6,137,670
Excess (deficiency) of revenues over (under) expenditures	(6,377,395)	(6,102,157)	(684,317)	5,417,840
OTHER FINANCING SOURCES (USES)				
Transfers in	6,477,469	6,037,469	1,938,008	(4,099,461)
Transfers out	(7,197)	(7,197)	(7,197)	-
Total other financing sources (uses)	6,470,272	6,030,272	1,930,811	(4,099,461)
Net change in fund balance	92,877	(71,885)	1,246,494	1,318,379
Fund balance, beginning of year	(82,344)	(82,344)	(82,344)	-
Fund balance, end of year	<u>\$ 10,533</u>	<u>\$ (154,229)</u>	<u>\$ 1,164,150</u>	<u>\$ 1,318,379</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Library Capital Projects Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 21,345	\$ 21,345	\$ -	\$ (21,345)
Investment earnings	380	380	292	(88)
Total revenues	<u>21,725</u>	<u>21,725</u>	<u>292</u>	<u>(21,433)</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	21,725	21,725	292	(21,433)
Fund balance, beginning of year	<u>12,735</u>	<u>12,735</u>	<u>12,735</u>	<u>-</u>
Fund balance, end of year	<u>\$ 34,460</u>	<u>\$ 34,460</u>	<u>\$ 13,027</u>	<u>\$ (21,433)</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Meeting Capital Projects Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 61,140	\$ 61,140	\$ -	\$ (61,140)
Investment earnings	1,056	1,056	817	(239)
Total revenues	<u>62,196</u>	<u>62,196</u>	<u>817</u>	<u>(61,379)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	62,196	62,196	817	(61,379)
Fund balance, beginning of year	<u>35,443</u>	<u>35,443</u>	<u>35,443</u>	<u>-</u>
Fund balance, end of year	<u>\$ 97,639</u>	<u>\$ 97,639</u>	<u>\$ 36,260</u>	<u>\$ (61,379)</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Aquatics Center Capital Projects Fund
For the Year Ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 11,685	\$ 11,685	\$ -	\$ (11,685)
Investment earnings	238	238	187	(51)
Total revenues	<u>11,923</u>	<u>11,923</u>	<u>187</u>	<u>(11,736)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	11,923	11,923	187	(11,736)
Fund balance, beginning of year	<u>8,180</u>	<u>8,180</u>	<u>8,180</u>	<u>-</u>
Fund balance, end of year	<u>\$ 20,103</u>	<u>\$ 20,103</u>	<u>\$ 8,367</u>	<u>\$ (11,736)</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, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 12,996	\$ 12,996	\$ 669	\$ (12,327)
Investment earnings	10,120	10,120	7,655	(2,465)
Total revenues	23,116	23,116	8,324	(14,792)
EXPENDITURES				
Capital outlay:				
Other	-	3,329,097	28,669	3,300,428
Total expenditures	-	3,329,097	28,669	3,300,428
Excess (deficiency) of revenues over expenditures	23,116	(3,305,981)	(20,345)	3,285,636
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,000,000	-	(3,000,000)
Total other financing sources (uses)	-	3,000,000	-	(3,000,000)
Net change in fund balance	23,116	(305,981)	(20,345)	285,636
Fund balance, beginning of year	340,050	340,050	340,050	-
Fund balance, end of year	<u>\$ 363,166</u>	<u>\$ 34,069</u>	<u>\$ 319,705</u>	<u>\$ 285,636</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, 2009

	<u>Fleet Management</u>	<u>Information Management</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 3,287,992	\$ 457,260	\$ 3,745,252
Interest	11,519	1,805	13,324
Prepays	-	13,838	13,838
Total current assets	<u>3,299,511</u>	<u>472,903</u>	<u>3,772,414</u>
Noncurrent assets:			
Capital assets:			
Vehicles and equipment	3,557,960	178,368	3,736,328
Less accumulated depreciation	(2,240,822)	(163,718)	(2,404,540)
Intangible, net	-	184,709	184,709
Total noncurrent assets	<u>1,317,138</u>	<u>199,359</u>	<u>1,516,497</u>
 Total assets	 <u>4,616,649</u>	 <u>672,262</u>	 <u>5,288,911</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	18,979	14,515	33,494
Compensated absences	-	7,509	7,509
Capital lease payable	-	14,342	14,342
Total current liabilities	<u>18,979</u>	<u>36,366</u>	<u>55,345</u>
Noncurrent liabilities:			
Compensated absences			
Capital lease payable	-	22,526	22,526
Total noncurrent liabilities	<u>-</u>	<u>22,526</u>	<u>22,526</u>
 Total liabilities	 <u>18,979</u>	 <u>58,892</u>	 <u>77,871</u>
 NET ASSETS			
Invested in capital assets, net of related debt	1,317,138	185,017	1,502,155
Unrestricted	3,280,532	428,353	3,708,885
 Total net assets	 <u>\$ 4,597,670</u>	 <u>\$ 613,370</u>	 <u>\$ 5,211,040</u>

City of Norco
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2009

	Fleet Management	Information Management	Total
OPERATING REVENUES			
Sales and charges for services	\$ 610,260	\$ 424,644	\$ 1,034,904
Total operating revenues	610,260	424,644	1,034,904
OPERATING EXPENSES			
General administration	264,696	340,969	605,665
Amortization	-	11,639	11,639
Depreciation	258,880	9,592	268,472
Total operating expenses	523,576	362,200	885,776
Operating income	86,684	62,444	149,128
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	67,107	11,418	78,525
Interest and fiscal charges	-	(3,349)	(3,349)
Gain on disposal of assets	17,176	154	17,330
Total nonoperating revenues	84,283	8,223	92,506
Income before contributions and transfers	170,967	70,667	241,634
Capital contributions	83,410	-	83,410
Transfers in	325,000	100,000	425,000
Change in net assets	579,377	170,667	750,044
Net assets, beginning of year	4,018,293	442,703	4,460,996
Net assets, end of year	<u>\$ 4,597,670</u>	<u>\$ 613,370</u>	<u>\$ 5,211,040</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	Fleet Management	Information Management	Total
Cash flows from operating activities:			
Cash received from interfund services provided	\$ 610,260	\$ 424,644	\$ 1,034,904
Cash payments to suppliers	(287,440)	(153,015)	(440,455)
Cash payments to employees	-	(208,055)	(208,055)
Net cash provided by operating activities	<u>322,820</u>	<u>63,574</u>	<u>386,394</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	<u>325,000</u>	<u>100,000</u>	<u>425,000</u>
Net cash provided by noncapital financing activities	<u>325,000</u>	<u>100,000</u>	<u>425,000</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(44,296)	(158,868)	(203,164)
Proceeds from disposal of capital assets	17,454	154	17,608
Principal payments - capital lease	-	(22,268)	(22,268)
Interest and fiscal charges	-	(3,349)	(3,349)
Net cash (used for) capital and related financing activities	<u>(26,842)</u>	<u>(184,331)</u>	<u>(211,173)</u>
Cash flows from investing activities:			
Interest income	<u>74,723</u>	<u>12,923</u>	<u>87,646</u>
Net cash provided by investing activities	<u>74,723</u>	<u>12,923</u>	<u>87,646</u>
Net increase (decrease) in cash and investments	695,701	(7,834)	687,867
Cash and investments, beginning of year	<u>2,592,291</u>	<u>465,094</u>	<u>3,057,385</u>
Cash and investments, end of year	<u><u>\$ 3,287,992</u></u>	<u><u>\$ 457,260</u></u>	<u><u>\$ 3,745,252</u></u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	Fleet Management	Information Management	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 86,684	\$ 62,444	\$ 149,128
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/Amortization	258,880	21,231	280,111
(Increase) decrease in assets:			
Prepays	-	(13,013)	(13,013)
Increase (decrease) in liabilities:			
Accounts payable	(22,744)	(10,563)	(33,307)
Accrued wages	-	1,219	1,219
Compensated absences	-	2,256	2,256
Net cash provided by operating activities	\$ 322,820	\$ 63,574	\$ 386,394
Noncash, investing, capital and financing activities:			
Contributions of capital assets from government	\$ 83,410	\$ -	\$ 83,410

AGENCY FUNDS

This page left blank intentionally.

Agency Funds

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

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

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

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

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

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

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

City of Norco
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2009

	General Trust	Western Waste	Assessment District 195	Community Facilities District 93-1
ASSETS				
Cash and investments	\$ 956,133	\$ 21,718	\$ 109,147	\$ 60,016
Cash and investments with fiscal agent	-	-	389,872	330,677
Receivables, net:				
Accounts	2,564	382,886	-	-
Interest	-	-	128	427
Due from other governments	-	-	27,754	-
	<u>\$ 958,697</u>	<u>\$ 404,604</u>	<u>\$ 526,901</u>	<u>\$ 391,120</u>
LIABILITIES				
Accounts payable	\$ 1,113	\$ 382,900	\$ -	\$ -
Deposits payable	957,584	17,479	-	-
Due to others	-	4,225	-	-
Due to bondholders	-	-	526,901	391,120
	<u>\$ 958,697</u>	<u>\$ 404,604</u>	<u>\$ 526,901</u>	<u>\$ 391,120</u>

Community Facilities District 97-1	Community Facilities District 2001-1	Community Facilities District 2002-1	Total
\$ 546,971	\$ 1,924,082	\$ 169,596	\$ 3,787,663
515,784	1,760,700	158,822	3,155,855
-	-	-	385,450
1,664	5,635	503	8,357
39,206	258,666	11,267	336,893
<u>\$ 1,103,625</u>	<u>\$ 3,949,083</u>	<u>\$ 340,188</u>	<u>\$ 7,674,218</u>
\$ -	\$ -	\$ -	\$ 384,013
-	-	-	975,063
-	-	-	4,225
1,103,625	3,949,083	340,188	6,310,917
<u>\$ 1,103,625</u>	<u>\$ 3,949,083</u>	<u>\$ 340,188</u>	<u>\$ 7,674,218</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
GENERAL TRUST				
Assets				
Cash and investments	\$ 1,046,462	\$ 628,143	\$ 718,472	\$ 956,133
Accounts receivable	-	2,564	-	2,564
Total assets	<u>\$ 1,046,462</u>	<u>\$ 630,707</u>	<u>\$ 718,472</u>	<u>\$ 958,697</u>
Liabilities				
Accounts payable	\$ 1,577	\$ 253,076	\$ 253,540	\$ 1,113
Deposits payable	1,044,885	377,631	464,932	957,584
Total liabilities	<u>\$ 1,046,462</u>	<u>\$ 630,707</u>	<u>\$ 718,472</u>	<u>\$ 958,697</u>
WESTERN WASTE				
Assets				
Cash and investments	\$ -	\$ 4,761,850	\$ 4,740,132	\$ 21,718
Accounts receivable	477,295	6,043,003	6,137,412	382,886
Total assets	<u>\$ 477,295</u>	<u>\$ 10,804,853</u>	<u>\$ 10,877,544</u>	<u>\$ 404,604</u>
Liabilities				
Accounts payable	\$ 382,452	\$ 4,637,904	\$ 4,637,456	\$ 382,900
Deposits payable	15,126	8,379	6,026	17,479
Due to others	79,717	6,158,570	6,234,062	4,225
Total liabilities	<u>\$ 477,295</u>	<u>\$ 10,804,853</u>	<u>\$ 10,877,544</u>	<u>\$ 404,604</u>
ASSESSMENT DISTRICT 195				
Assets				
Cash and investments	\$ 84,980	\$ 548,966	\$ 524,799	\$ 109,147
Cash and investments with fiscal agents	387,249	477,593	474,970	389,872
Interest receivable	600	238	710	128
Due from other governments	25,907	27,754	25,907	27,754
Total assets	<u>\$ 498,736</u>	<u>\$ 1,054,551</u>	<u>\$ 1,026,386</u>	<u>\$ 526,901</u>
Liabilities				
Accounts payable	\$ 157	\$ 5,703	\$ 5,860	\$ -
Due to bondholders	498,579	1,048,848	1,020,526	526,901
Total liabilities	<u>\$ 498,736</u>	<u>\$ 1,054,551</u>	<u>\$ 1,026,386</u>	<u>\$ 526,901</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
CFD 93-1				
Assets				
Cash and investments	\$ 49,648	\$ 213,921	\$ 203,553	\$ 60,016
Cash and investments with fiscal agents	327,704	182,940	179,967	330,677
Interest receivable	1,089	1,209	1,871	427
Due from other governments	6,273	-	6,273	-
Total assets	<u>\$ 384,714</u>	<u>\$ 398,070</u>	<u>\$ 391,664</u>	<u>\$ 391,120</u>
Liabilities				
Due to bondholders	\$ 384,714	\$ 398,070	\$ 391,664	\$ 391,120
Total liabilities	<u>\$ 384,714</u>	<u>\$ 398,070</u>	<u>\$ 391,664</u>	<u>\$ 391,120</u>
CFD 97-1				
Assets				
Cash and investments	\$ 521,177	\$ 584,696	\$ 558,902	\$ 546,971
Cash and investments with fiscal agents	521,201	513,045	518,462	515,784
Interest receivable	3,942	4,809	7,087	1,664
Due from other governments	31,916	39,206	31,916	39,206
Total assets	<u>\$ 1,078,236</u>	<u>\$ 1,141,756</u>	<u>\$ 1,116,367</u>	<u>\$ 1,103,625</u>
Liabilities				
Accounts payable	\$ 1,057	\$ 1,831	\$ 2,888	\$ -
Due to bondholders	1,077,179	1,139,925	1,113,479	1,103,625
Total liabilities	<u>\$ 1,078,236</u>	<u>\$ 1,141,756</u>	<u>\$ 1,116,367</u>	<u>\$ 1,103,625</u>
CFD 2001-1				
Assets				
Cash and investments	\$ 1,388,555	\$ 2,609,861	\$ 2,074,334	\$ 1,924,082
Cash and investments with fiscal agents	1,761,946	2,065,692	2,066,938	1,760,700
Interest receivable	8,068	13,295	15,728	5,635
Due from other governments	179,171	258,666	179,171	258,666
Total assets	<u>\$ 3,337,740</u>	<u>\$ 4,947,514</u>	<u>\$ 4,336,171</u>	<u>\$ 3,949,083</u>
Liabilities				
Due to bondholders	\$ 3,337,740	\$ 4,947,514	\$ 4,336,171	\$ 3,949,083
Total liabilities	<u>\$ 3,337,740</u>	<u>\$ 4,947,514</u>	<u>\$ 4,336,171</u>	<u>\$ 3,949,083</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
CFD 2002-1				
Assets				
Cash and investments	\$ 28,876	\$ 214,282	\$ 73,562	\$ 169,596
Cash and investments with fiscal agents	24,250	429,256	294,684	158,822
Interest receivable	505	512	514	503
Due from other governments	9,583	11,267	9,583	11,267
Total assets	<u>\$ 63,214</u>	<u>\$ 655,317</u>	<u>\$ 378,343</u>	<u>\$ 340,188</u>
Liabilities				
Accounts payable	\$ 757	\$ 779	\$ 1,536	\$ -
Due to bondholders	62,457	654,538	376,807	340,188
Total liabilities	<u>\$ 63,214</u>	<u>\$ 655,317</u>	<u>\$ 378,343</u>	<u>\$ 340,188</u>
 TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 3,119,698	\$ 9,561,719	\$ 8,893,754	\$ 3,787,663
Cash and investments with fiscal agents	3,022,350	3,668,526	3,535,021	3,155,855
Accounts receivable	477,295	6,045,567	6,137,412	385,450
Interest receivable	14,204	20,063	25,910	8,357
Due from other governments	252,850	336,893	252,850	336,893
Total assets	<u>\$ 6,886,397</u>	<u>\$ 19,632,768</u>	<u>\$ 18,844,947</u>	<u>\$ 7,674,218</u>
Liabilities				
Accounts payable	\$ 386,000	\$ 4,899,293	\$ 4,901,280	\$ 384,013
Deposits payable	1,060,011	386,010	470,958	975,063
Due to others	79,717	6,158,570	6,234,062	4,225
Due to bondholders	5,360,669	8,188,895	7,238,647	6,310,917
Total liabilities	<u>\$ 6,886,397</u>	<u>\$ 19,632,768</u>	<u>\$ 18,844,947</u>	<u>\$ 7,674,218</u>

STATISTICAL SECTION



STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	119
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	129
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.</i>	134
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	144
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.</i>	149

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

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 24,062,715	\$ 28,910,663	\$ 141,829,990
Restricted	55,699,255	62,724,936	58,521,550
Unrestricted	(54,759,688)	(61,502,408)	(62,492,997)
Total governmental activities, net assets	\$ 25,002,282	\$ 30,133,191	\$ 137,858,543
Business-type activities			
Invested in capital assets, net of related debt	\$ 15,513,017	\$ 20,521,154	\$ 30,722,040
Restricted	11,034,551	13,867,717	13,627,054
Unrestricted	(275,585)	(2,734,265)	(3,183,101)
Total business-type activities, net assets	\$ 26,271,983	\$ 31,654,606	\$ 41,165,993
Primary government			
Invested in capital assets, net of related debt	\$ 39,575,732	\$ 49,431,817	\$ 172,552,030
Restricted	66,733,806	76,592,653	72,148,604
Unrestricted	(55,035,273)	(64,236,673)	(65,676,098)
Total primary government net assets	\$ 51,274,265	\$ 61,787,797	\$ 179,024,536

Source: City's financial statements

Fiscal Year

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

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

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 3,024,963	\$ 1,880,302	\$ 2,628,746
Public safety	7,858,483	8,173,624	9,185,614
Public works	8,259,305	4,714,230	4,978,421
Community development	4,699,041	5,434,051	13,727,059
Culture and leisure	1,807,224	2,020,202	2,270,431
Interest on long-term debt	3,358,673	4,222,757	4,367,389
Total governmental activities expenses	<u>29,007,689</u>	<u>26,445,166</u>	<u>37,157,660</u>
Business-type activities:			
Water	4,853,365	5,443,482	6,192,775
Sewer	2,817,455	3,100,970	3,729,579
Total business-type activities expenses	<u>7,670,820</u>	<u>8,544,452</u>	<u>9,922,354</u>
Total primary government expenses	<u>\$ 36,678,509</u>	<u>\$ 34,989,618</u>	<u>\$ 47,080,014</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 226,087	\$ 844,047	\$ 1,017,412
Public safety	479,705	408,968	845,785
Public works	265,307	881,982	843,209
Community development	1,863,415	2,175,706	1,177,608
Culture and leisure	416,570	739,122	815,751
Operating grants and contributions	1,706,282	2,054,746	2,206,575
Capital grants and contributions	32,651,906	6,553,575	3,603,044
Total governmental activities program revenues	<u>37,609,272</u>	<u>13,658,146</u>	<u>10,509,384</u>
Business-type activities:			
Charges for services:			
Water	4,052,537	4,907,696	4,990,556
Sewer	2,047,143	2,487,983	2,791,789
Operating grants and contributions	-	-	-
Capital grants and contributions	2,963,586	901,809	1,219,879
Total business-type activities program revenues	<u>9,063,266</u>	<u>8,297,488</u>	<u>9,002,224</u>
Total primary government program revenues	<u>\$ 46,672,538</u>	<u>\$ 21,955,634</u>	<u>\$ 19,511,608</u>
Net(Expense)/Revenue			
Governmental activities	\$ 8,601,583	\$ (12,787,020)	\$ (26,648,276)
Business-type activities	1,392,446	(246,964)	(920,130)
Total primary government net	<u>\$ 9,994,029</u>	<u>\$ (13,033,984)</u>	<u>\$ (27,568,406)</u>

Source: City's financial statements

continued

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

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

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

Source: City's financial statements

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 1,239,755	\$ 3,760,792	\$ 3,891,236	\$ 3,773,245
12,748,278	14,852,364	16,154,389	15,888,548
87,306	82,074	84,812	145,043
903,919	1,021,058	1,081,221	1,128,130
4,915,052	4,458,665	4,062,531	3,079,645
1,159,702	1,753,052	1,333,569	1,206,201
2,053,194	147,265	121,269	97,794
492,305	392,975	194,507	324,347
-	-	476,537	-
41,735	-	-	-
2,209,818	3,458,518	2,361,965	1,563,647
1,272,881	1,102,572	1,258,696	1,816,340
290,792	289,765	265,373	265,505
<u>27,414,737</u>	<u>31,319,100</u>	<u>31,286,105</u>	<u>29,288,445</u>
491,369	-	-	-
36,910	43,886	44,914	251,589
-	5,658	27,427	20,481
<u>(290,792)</u>	<u>(289,765)</u>	<u>(265,373)</u>	<u>(265,505)</u>
<u>237,487</u>	<u>(240,221)</u>	<u>(193,032)</u>	<u>6,565</u>
<u>\$ 27,652,224</u>	<u>\$ 31,078,879</u>	<u>\$ 31,093,073</u>	<u>\$ 29,295,010</u>
\$ 5,010,472	\$ 8,343,057	\$ 5,143,176	\$ (9,565,827)
3,812,545	592,144	283,361	237,493
<u>\$ 8,823,017</u>	<u>\$ 8,935,201</u>	<u>\$ 5,426,537</u>	<u>\$ (9,328,334)</u>

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

	Fiscal Year			
	2000	2001	2002	2003
General Fund				
Reserved	\$ 199,557	\$ 364,055	\$ 214,003	\$ -
Unreserved	4,484,063	4,823,436	4,015,642	4,191,414
Total general fund	<u>\$ 4,683,620</u>	<u>\$ 5,187,491</u>	<u>\$ 4,229,645</u>	<u>\$ 4,191,414</u>
All Other Governmental Funds				
Reserved	\$ 10,662,534	\$ 7,185,131	\$ 16,356,234	\$ 21,222,500
Unreserved, reported in:				
Special revenue funds	(885,949)	(75,081)	352,726	3,973,650
Capital projects funds	20,882,623	21,016,851	28,378,019	35,380,191
Debt service funds	10,269,608	12,723,509	8,129,789	332,518
Total all other governmental funds	<u>\$ 40,928,816</u>	<u>\$ 40,850,410</u>	<u>\$ 53,216,768</u>	<u>\$ 60,908,859</u>

Source: City's financial statements

Fiscal Year

2004	2005	2006	2007	2008	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,208,159	7,313,336	7,791,835	8,431,607	7,960,962	6,586,317
<u>\$ 6,208,159</u>	<u>\$ 7,313,336</u>	<u>\$ 7,791,835</u>	<u>\$ 8,431,607</u>	<u>\$ 7,960,962</u>	<u>\$ 6,586,317</u>
\$ 29,431,509	\$ 14,506,168	\$ 14,836,751	\$ 21,050,335	\$ 25,982,755	\$ 28,891,668
3,739,360	17,224,928	17,873,478	12,617,135	9,366,361	11,222,427
43,274,103	45,303,565	43,403,902	41,297,924	40,526,118	33,074,129
2,121,337	1,014,496	1,175,963	803,414	1,148,975	817,903
<u>\$ 78,566,309</u>	<u>\$ 78,049,157</u>	<u>\$ 77,290,094</u>	<u>\$ 75,768,808</u>	<u>\$ 77,024,209</u>	<u>\$ 74,006,127</u>

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

	Fiscal Year			
	2000	2001	2002	2003
Revenues				
Taxes	\$ 10,139,302	\$ 12,615,079	\$ 13,813,835	\$ 16,306,364
Assessments	-	67,719	164,136	189,043
Licenses and permits	761,714	1,055,759	718,620	817,824
Fines and forfeitures	274,287	243,763	180,047	342,259
Development fees	30,945	-	-	5,333,366
Intergovernmental	3,557,484	3,264,249	2,858,251	3,111,610
Charges for services	2,715,976	3,582,686	2,655,150	1,804,344
Use of money and property	1,894,124	2,152,133	1,775,281	1,363,052
Reimbursements	-	-	-	128,255
Contributions from property owners	-	-	-	26,009,728
Gain on sale of land held for resale	-	-	-	-
Other	293,035	264,390	1,012,017	736,487
Total revenues	<u>19,666,867</u>	<u>23,245,778</u>	<u>23,177,337</u>	<u>56,142,332</u>
Expenditures				
Current:				
General government	2,703,405	2,759,947	2,925,745	3,002,995
Public safety	6,809,903	6,635,572	7,560,157	7,822,149
Public works	1,004,107	1,302,762	1,758,834	8,210,335
Community development	1,300,136	621,693	691,853	2,319,002
Culture and leisure	1,230,692	1,297,681	1,616,585	1,712,556
Pass through payments	1,169,890	1,440,050	1,734,472	2,192,565
ERAF payment	-	-	-	197,614
Capital outlay	3,971,711	2,949,029	10,281,055	5,301,767
Debt service:				
Principal	1,016,642	1,183,369	1,555,923	1,514,811
Interest	2,820,379	2,548,910	4,304,064	3,363,470
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>22,026,865</u>	<u>20,739,013</u>	<u>32,428,688</u>	<u>35,637,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,359,998)</u>	<u>2,506,765</u>	<u>(9,251,351)</u>	<u>20,505,068</u>
Other Financing Sources (Uses)				
Proceeds from the sale of property	-	(2,623,734)	(889,580)	(219,084)
Transfers in	1,430,252	2,265,104	16,759,764	8,208,464
Transfers out	(1,430,252)	(2,265,104)	(16,516,291)	(7,454,996)
Bond/loan proceeds	9,175,000	-	50,675,000	-
Capital leases	-	-	-	-
Other	(352,273)	(23,230)	(27,216,847)	-
Total other financial sources (uses)	<u>8,822,727</u>	<u>(2,646,964)</u>	<u>22,812,046</u>	<u>534,384</u>
Special Item				
Sale of park land	-	-	-	-
Net change in fund balances	<u>\$ 6,462,729</u>	<u>\$ (140,199)</u>	<u>\$ 13,560,695</u>	<u>\$ 21,039,452</u>
Debt service as a percentage of noncapital expenditures	21.25%	20.98%	26.46%	16.08%

Source: City's financial statements

Fiscal Year

2004	2005	2006	2007	2008	2009
\$ 17,737,373	\$ 20,028,396	\$ 22,896,670	\$ 27,620,892	\$ 27,979,088	\$ 26,508,928
201,162	194,978	648,033	428,045	412,101	472,580
1,699,483	957,262	754,346	533,440	452,002	366,686
288,053	444,622	502,036	709,921	753,353	771,840
2,734,809	1,189,177	905,912	1,166,958	527,656	315,694
2,142,909	3,543,982	4,451,260	2,923,419	4,772,323	3,018,500
2,780,610	2,481,304	2,326,672	2,252,724	2,317,287	2,451,917
1,517,394	1,858,310	2,886,973	4,348,986	2,968,648	1,903,673
63,810	78,502	6,574	-	-	-
2,883,760	1,258,068	461,503	-	-	-
16,457	469,783	-	106,723	-	-
1,919,415	1,474,132	686,584	619,413	870,910	889,349
<u>33,985,235</u>	<u>33,978,516</u>	<u>36,526,563</u>	<u>40,710,521</u>	<u>41,053,368</u>	<u>36,699,167</u>
1,848,398	2,505,763	2,406,997	2,327,377	2,394,908	3,907,426
8,163,974	8,933,781	9,869,667	10,825,459	11,544,491	11,701,361
4,068,334	2,291,359	1,079,977	1,464,876	1,230,672	5,237,689
2,451,938	9,304,391	3,447,292	5,096,755	5,617,017	14,770,016
1,915,561	2,054,588	2,190,517	2,195,327	2,386,547	2,062,853
2,547,511	3,501,777	5,405,502	5,965,252	7,000,593	7,147,710
363,557	716,633	665,577	-	-	-
16,518,304	5,669,830	5,343,724	7,694,237	5,322,329	1,283,183
2,136,051	2,015,973	2,382,999	2,286,811	2,355,246	2,376,569
4,758,761	4,286,532	4,202,649	4,227,387	4,146,410	4,048,679
-	-	1,448,228	-	-	-
-	544,466	627,555	-	-	425,240
<u>44,772,389</u>	<u>41,825,093</u>	<u>39,070,684</u>	<u>42,083,481</u>	<u>41,998,213</u>	<u>52,960,726</u>
<u>(10,787,154)</u>	<u>(7,846,577)</u>	<u>(2,544,121)</u>	<u>(1,372,960)</u>	<u>(944,845)</u>	<u>(16,261,559)</u>
138,757	-	-	300,659	978,948	-
10,194,123	2,398,992	5,881,144	7,363,720	6,441,043	10,307,179
(9,776,083)	(1,718,281)	(5,742,106)	(7,172,933)	(6,150,670)	(10,466,674)
22,086,049	7,912,213	2,117,651	-	-	12,200,000
-	-	6,868	-	-	-
-	-	-	-	-	(171,672)
<u>22,642,846</u>	<u>8,592,924</u>	<u>2,263,557</u>	<u>491,446</u>	<u>1,269,321</u>	<u>11,868,833</u>
5,500,000	-	-	-	-	-
<u>\$ 17,355,692</u>	<u>\$ 746,347</u>	<u>\$ (280,564)</u>	<u>\$ (881,514)</u>	<u>\$ 324,476</u>	<u>\$ (4,392,726)</u>

24.40%

17.43%

19.53%

19.46%

17.70%

13.53%

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

Fiscal Year Ended June 30,	Secured Property	Unsecured Property	Total Taxable Assessed Value	Total Direct Tax Rate
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%
2008	2,797,733	112,741	2,910,474	1.00000%
2009	2,828,056	82,418	2,910,474	1.00000%

Source: California Municipal Statistics

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

Fiscal Year	City Direct Rates		Overlapping Rates	
	Basic Rate	Total Direct	Corona/Norco Unified School District	Metro Water District
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%
2008	1.00000%	1.00000%	0.03794%	0.00450%
2009	1.00000%	1.00000%	0.04105%	0.00430%

Source: Riverside County Office of Auditor-Controller

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

<u>Taxpayer</u>	2009		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
CRV SC Norco Partners	\$ 19,847,495	1	0.67%
Norco Corona Associates	16,898,196	2	0.58%
Cable Inv Norco	14,749,908	3	0.51%
Yihua International Inv	13,921,100	4	0.48%
Sena Prop	13,902,120	5	0.48%
Grayburn Properties Inc	13,209,828	6	0.45%
Dayton Hudson Corporation	12,207,242	7	0.42%
140 Hidden Valley Parkway	11,577,000	8	0.40%
H & H Property	11,498,759	9	0.40%
ASP Realty Inc.	9,018,198	10	0.31%
Western Pacific Housing Norco Estates			
Hemborg Robert Eugene			
Frahm Louis H.			
Norco Ranch Inc.			
Beazer Home Holdings Corp.			
Professor Fund IV			
Norco Centre Partnership			
Total	\$ 136,829,846		4.70%

Source: Riverside County Assessor's Office

2000

<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
\$ 6,362,646	3	0.61%
11,694,241	1	1.11%
8,449,400	2	0.80%
6,339,713	4	0.60%
5,868,551	5	0.56%
5,601,934	6	0.53%
5,463,978	7	0.52%
4,900,375	8	0.47%
3,666,704	9	0.35%
<u>3,639,452</u>	10	<u>0.35%</u>
<u>\$ 61,986,994</u>		<u>5.90%</u>

This page left blank intentionally.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2008	1,409,820	1,271,605	90.2%	86,677	1,358,282	96.3%
2009	1,419,800	1,151,263	81.1%	170,270	1,321,533	93.1%

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>
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
2008		4	49,540	170
	83,125	1		
2009	93,120		48,320	-

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

¹ U.S. Department of Commerce, Bureau of Economic Analysis for Riverside County

** Personal income data not available. Unable to calculate the percentage.

Business-Type Activities

Bonds	Capital Leases	Term Loan Payable	Total Primary Government	Percentage of Personal Income	Percentage of Assessed Valuation	Per Capita¹
\$ -	\$ 16,331	\$ 1,239	\$ 66,377	12%	6.32%	\$ 2,754
-	16,065	1,188	64,855	11%	5.36%	2,658
-	15,800	1,135	85,428	14%	6.38%	3,431
-	15,348	1,080	127,703	22%	8.46%	5,058
-	15,039	1,023	146,116	23%	9.12%	5,730
-	14,723	963	150,955	23%	6.98%	5,654
-	14,389	901	155,180	31%	6.83%	5,692
-	13,965	835	151,061	22%	5.72%	5,541
-	13,535	767	147,178	**	5.06%	5,400
39,000	1,153	696	182,306	**	6.26%	6,712

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

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding ⁽¹⁾</u>			<u>Debt Service Reserve</u>
	<u>General Obligation Bonds</u>	<u>RDA Bonds</u>	<u>Total</u>	
2000	\$ -	\$ -	\$ -	\$ -
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-

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

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

(2) See population data in schedule of “Demographic and Economics Statistics”.

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

This page left blank intentionally.

**City of Norco
Direct and Overlapping Activities Debt
As of June 30, 2009**

2008-09 Assessed Valuation:	\$ 2,910,473,726
Redevelopment Incremental Valuation:	<u>1,511,221,698</u>
Adjusted Assessed Valuation:	<u>\$ 1,399,252,028</u>

	% Applicable (1)	Debt
<u>Direct and Overlapping Tax and Assessment Debt:</u>		
Metropolitan Water District	0.081%	\$ 265,044
Riverside City Community College District	2.124	3,001,554
Alvord Unified School District	0.011	11,554
Corona-Norco Unified School District	5.708	6,677,768
City of Norco	100.000	-
City of Norco Community Facilities District No. 93-1	100.000	1,615,000
City of Norco Community Facilities District No. 97-1	100.000	7,010,000
City of Norco Community Facilities District No. 2001-1	100.000	37,365,000
City of Norco Community Facilities District No. 2002-1	100.000	2,030,000
Corona-Norco Unified School District Community Facilities District No. 88-1	10.663	298,031
City of Norco 1915 Act Bonds	100.000	470,000
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 58,743,951</u>
<u>Overlapping General Fund Obligation Debt:</u>		
Riverside County General Fund Obligations	0.821%	\$ 5,687,103
Riverside County Pension Obligations	0.821	3,185,439
Riverside County Board of Education Certificates of Participation	0.821	67,897
Corona-Norco Unified School District Certificates of Participation	5.708	5,935,464
Total Gross Overlapping General Fund Obligation Debt		<u>\$ 14,875,903</u>
Less: Riverside County self-supporting obligations		<u>143,709</u>
Total Net Overlapping General Fund Obligation Debt		<u>\$ 14,732,194</u>
Gross Combined Total Debt		\$ 73,619,854 (2)
Net Combined Total Debt		<u>\$ 73,476,145</u>

Ratios to 2008-09 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.02%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	5.26%
Net Combined Total Debt	5.25%

State School Building Aid Repayable as of 6/30/09: \$ -

(1) Based on 2008-09 ratios.

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

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2000	2001	2002	2003
Debt limit	\$ 157,607	\$ 181,446	\$ 200,762	\$ 226,420
Total net debt applicable to limit (1)	-	-	-	-
Legal debt margin	<u>\$ 157,607</u>	<u>\$ 181,446</u>	<u>\$ 200,762</u>	<u>\$ 226,420</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	\$ 2,910,474
Debt limit (15% of assessed value)	436,571
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 436,571</u>

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 240,195	\$ 280,531	\$ 340,958	\$ 396,285	\$ 436,571	\$ 436,571
-	-	-	-	-	-
<u>\$ 240,195</u>	<u>\$ 280,531</u>	<u>\$ 340,958</u>	<u>\$ 396,285</u>	<u>\$ 436,571</u>	<u>\$ 436,571</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2008	9,929	8,094	1,835	200	393	3.09	
2009	10,768	9,372	1,396	210	194	3.46	

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

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

Special Assessment Bonds ⁽²⁾

Special Assessment Collections	Debt Service		Coverage
	Principal	Interest	
\$ 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
3,691	1,010	2,362	1.09
4,201	1,220	2,314	1.19

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

Fiscal Year	Property Tax Increment Bonds ⁽³⁾				
	Property Tax Increment	Debt Service		Coverage	
		Principal	Interest		
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	
2008	15,838	2,135	4,112	2.54	
2009	15,497	2,205	4,032	2.48	

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

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

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

Year	Estimated Population ⁽¹⁾	Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
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	672,000	81,182	51,885	4.6
2008	27,361	**	**	51,514	6.8
2009	27,160	**	**	52,396	12.3

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 Six Years ago**

Employer	2009		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
Corona-Norco Unified School District	4,970	1	36.28%
California Rehabilitation Center	1,350	2	9.85%
Naval Surface Warfare Center	972	3	7.09%
HCI, Inc.	360	4	2.63%
Norco Ranch	289	5	2.11%
Target Stores	206	6	1.50%
Quick Crete Products Corp.	160	7	1.17%
Riverside Community College	145	8	1.06%
Albertsons Sav-On	115	9	0.84%
Computer Science Corp (DynCorp)	101	10	0.74%
SeGi			
City of Norco			
Total	\$ 8,668		63.27%

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.

2003

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment ⁽¹⁾</u>
4,996	1	33.52%
1,200	2	8.05%
850	3	5.70%
600	4	4.03%
250	6	1.68%
210	7	1.41%
135	9	0.91%
325	5	2.18%
150	8	1.01%
107	10	0.72%
<hr/>		<hr/>
<u>\$ 8,823</u>		<u>59.21%</u>

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

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30			
	2000	2001	2002	2003
General government				
Administration	2	2	2	2
City clerk	2	2	2	3
Fiscal & support svcs.	11	11	13	16
Other	3	3	3	3
Public safety				
Police (Civilian)	-	-	1	1
Fire	22	22	28	28
Code enforcement	1	1	1	1
Animal control	7	7	5	5
Public works				
Maintenance	15	15	15	16
Culture and leisure				
Parks & recreation	9	9	11	12
Community development				
Planning	4	5	7	6
Engineering	5	5	5	5
Building	6	6	6	6
Economic development	3	3	3	3
Total	90	91	102	107

Source: City's annual adopted budgets

Full-time Equivalent Employees as of June 30

2004	2005	2006	2007	2008	2009
2	3	3	2	2	1
3	3	3	3	3	3
16	15	15	15	15	13
3	-	-	-	-	-
1	1	1	1	1	1
28	29	30	30	30	28
1	1	1	1	1	0
5	5	5	6	6	6
16	15	17	18	18	17
12	12	13	13	11	9
5	4	4	5	5	3
5	5	2	1	1	1
7	7	9	8	8	5
3	1	1	1	1	3
107	101	104	104	102	90

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

<u>Function/Program</u>	Fiscal Year		
	2003	2004	2005
Police			
UCR crime index total	1,019	1,023	1,095
Traffic collisions	433	527	487
Traffic violations	5,187	4,986	5,535
Fire			
Total number of responses	1,942	1,955	1,869
Fires extinguished	133	139	118
Water			
Number of service connections	6,950	7,085	7,174
Average daily consumption (in mil. of gallons)	7.5	8.1	7.9
Max. daily (groundwater wells) capacity (in mil. of gallons)	8.6	8.6	8.6
Max. daily import capacity (in mil. of gallons)	11.5	11.5	11.5
Storage capacity (in mil. of gallons)	10.2	10.2	10.2
Sewer			
Number of sewer connections	3,239	3,302	3,344
Average daily treatment (in mil. of gallons)	1.5	1.8	1.8
Max. daily capacity of treatment plans (in mil. Of gallons)	2.2	2.2	2.2

Source: Various City's departments

Fiscal Year			
2006	2007	2008	2009
1,171	1,014	1,040	824
553	588	405	327
3,591	7,046	9,278	7,339
1,958	1,987	2,002	1,846
95	115	96	105
7,500	7,590	7,628	7,645
8.3	8.9	8.9	8.9
8.6	8.8	8.8	8.8
11.5	11.6	11.6	11.6
10.2	10.2	10.2	12.4
3,496	3,538	3,555	3,563
1.8	1.9	1.9	1.9
2.2	2.2	2.2	2.2

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

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

Source: Various City's departments

Fiscal Year			
2006	2007	2008	2009
2	2	2	2
15	15	15	15
167.5	167.5	167.5	167.5
835.3	835.3	835.3	835.3
1	1	1	1
1	0	0	0
1	1	1	1
1	1	1	1
8	9	9	9
93.7	100.8	100.8	101.5
890	1,282	1,282	1,282
85.3	91.3	91.3	91.3
1	1	1	1

This page left blank intentionally.