



CITY OF NORCO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2010

CITY OF NORCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by the Fiscal and Support Services Department

**CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010**

Table of Contents

	PAGE
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	viii
Directory of City Officials	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
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	64
Redevelopment Special Revenue Fund	65
Schedule of Funding Progress-Other Post-Employment Benefits	66
Notes to Required Supplementary Information	67

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

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	68
Redevelopment Agency Capital Projects Fund	69
Combining Nonmajor Governmental Funds	
Fund Descriptions	70
Combining Balance Sheet	73
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Funds	
Nonmajor Fund Budgetary Comparison Schedules	89
Cal Home Grant Fund Special Revenue Fund	90
Miscellaneous Grant Fund Special Revenue Fund	91
Community Development Block Grant Special Revenue Fund	92
Gas Tax Special Revenue Fund	93
Measure A Special Revenue Fund	94
NPDES Special Revenue Fund	95
Air Quality Improvement Trust Special Revenue Fund	96
Justice Assistance Grant Special Revenue Fund	97
Supplemental Law Enforcement Block Grant Special Revenue Fund	98
California Law Enforcement Equipment Program Special Revenue Fund	99
Office of Traffic Safety Special Revenue Fund	100
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Funds	
Storm Drain Capital Projects Fund	101
General Government Improvement Capital Projects Fund	102
Fire Improvement Capital Projects Fund	103
Trails Improvement Capital Projects Fund	104
Street Improvement Capital Projects Fund	105
Park Improvement Capital Projects Fund	106
Public Library Capital Projects Fund	107
Public Meeting Capital Projects Fund	108
Aquatics Center Capital Projects Fund	109
Animal Control Capital Projects Fund	110
Internal Service Funds	
Internal Service Funds	111
Combining Statement of Net Assets - Internal Service Funds	112
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	113
Combining Statement of Cash Flows - Internal Service Funds	114

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

Table of Contents

	PAGE
Agency Funds	
Agency Funds	116
Combining Statement of Fiduciary Assets and Liabilities	117
Combining Statement of Changes in Fiduciary Assets and Liabilities	119
STATISTICAL SECTION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT):	
Contents	122
Net Assets by Component - Last Eight Fiscal Years	123
Changes in Net Assets - Last Eight Fiscal Years	125
Fund Balances - Governmental Funds - Last Ten Fiscal Years	129
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	131
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	133
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	134
Principal Property Tax Payers - Current Year and Nine Years Ago	135
Property Tax Levies and Collections - Last Ten Fiscal Years	137
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	138
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	140
Direct and Overlapping Activities Debt	142
Legal Debt Margin Information - Last Ten Fiscal Years	143
Pledged-Revenue Coverage - Last Ten Fiscal Years	145
Demographic and Economic Statistics - Last Ten Fiscal Years	148
Principal Employers - Current Year and Seven Years Ago	149
Full-time Equivalent City Government Employees by Function / Program - Last Ten Fiscal Years	151
Operating Indicators by Function / Program - Last Eight Fiscal Years	153
Capital Asset Statistics by Function / Program - Last Eight Fiscal Years	155

INTRODUCTORY SECTION



CITY of NORCO

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

December 16, 2010

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, 2010 (FY2010). This report provides a comprehensive view of the results of the City's financial activities for the year and financial position at the end of the fiscal year. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants.

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

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

The City's basic financial statements have been audited by 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, 2010, 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 an unqualified (clean) opinion that the City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies under the Single Audit Act Amendments of 1996 and related OMB Circular A-133. Under the Single Audit Act, the independent auditor is required to report not only on fair presentation of financial statements, but

CITY COUNCIL

BERWIN HANNA
Mayor

KEVIN BASH
Mayor Pro Tem

KATHY AZEVEDO
Council Member

GREG NEWTON
Council Member

HARVEY SULLIVAN
Council Member

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 also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Norco, California

The City of Norco, California was incorporated as a general law City on December 28, 1964, and is located in southwestern Riverside County (part of the Inland Empire), approximately 45 miles east of Los Angeles. During most of 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 27,000. The City is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the 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. Within 30 miles, there are several public and private colleges and universities providing a wide range of education facilities and opportunities. These include University of California–Riverside, University of California – Irvine, California State University – San Bernardino, California State University – Fullerton, California Polytechnic University – Pomona, Norco College, and others.

The City operates under the Council-Manager form of government. Under this form of government, policy-making and legislative authority are vested in the City Council consisting of five members elected at large. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees or commissions, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council; overseeing the day-to-day operations of the City; 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 an 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 haven animal shelter; sponsors adoption and placement of animals while enforcing laws to protect the well

being of all animals in the community. The animal shelter cares for more than 2,000 impounded animals 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 development projects to the City. As a result of a 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 potable 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 within the same fund 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 the 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. For the past two years, the Inland Empire has 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 14.2% 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 of business, and two other dealers consolidated into one dealership. Due to dealership closings and consolidations, compounded by significant decline in domestic automobile and general merchandise, sales tax receipts for the fiscal year ended June 2010 decline by 22.4% compared to the previous fiscal year. However, based on recent data received after the close of the fiscal year, it appears that the worst is over with respect to sales tax receipts. Assessed values of real property in the City also decreased by 2.9% during the fiscal year due to weak real estate market in the area.

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

- Economic development and marketing efforts were undertaken to fill vacant sites throughout the City.
- Significant investments were made in infrastructure improvements including street widening, park improvements, right of way acquisitions, traffic signals, street extensions and façade improvements.
- A preservation and development zone was established to encourage creative development, in conjunction with preservation of historical resources.
- Revision of the budget process and systems to more effectively track the number of part time employees. The revision also allows for better documentation and review maintenance and operations costs. Additionally, a process was also put into place to ensure that all discretionary expenditure requests for the last three months of the fiscal year were subject to additional review by the City Manager's or Fiscal and Support Services departments.
- Attrition management practice continued during the fiscal year. Under this strategic financial initiative which began in fiscal year 2005, all positions that became vacant due to retirement, termination or resignation are reviewed for potential elimination from budget funding.
- To ensure accuracy of water billing, the City began a project to replace all existing water reading meters with automated reading smart meters. This strategic initiative will improve revenues to the water and sewer funds.
- The City Council also approved a new fee policy in the Parks and Recreation Department that is intended to recover a greater percentage of the cost of providing services which specifically benefit users. Previously, local community groups and horse clubs received these services at highly subsidized rates. With the implementation of the new policy, these groups will see fee increases over the next two years.

Relevant Financial Policies

Budgetary Control Policies: As the City's revenues have shrunk over the last three years, strict expenditure control procedures and policies have been implemented. Personnel costs represent the bulk of the City's general government operating budget. To reduce personnel costs, the City has adopted a policy of negotiating short term labor agreements with employee organizations. These short term agreements provide the City with the flexibility to make further expenditure reduction in the future as revenues continue to decline. Additionally, in those instances where the City has outstanding long-term contracts, the City has adopted a policy of re-opening the labor agreements as part of each budget process. This approach has resulted in significant cost reduction concession by employee groups over the last three years. The City also achieves personnel expenditure reduction through the implementation of Attrition Management Program. Through this program, all positions that become vacant in the City are reviewed for potential elimination or conversion to part-time position. The program has already resulted in significant reduction of the City's work force.

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

Risk Management Policies: The cost of claims arising from various liability and workers compensation exposures can negatively impact the City's current budget and long-term financial condition. To minimize losses from claims, the City employs a proactive claims management policy 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. With respect to workers compensation, the City has adopted early return to work policy. This policy is designed to bring injured workers back to work as quickly as possible through a practice of reasonable accommodation for the injured workers.

Cash Management Policies: In this low interest earnings rate and difficult budget conditions, managing cash has become more critical for the City than has been the case in years past. First, as the City's operating cash portfolio dwindles, it has become necessary to monitor cash balances on a weekly basis and sometimes on a daily basis for City's General Fund. Because of the need to meet cash flow needs, the City now looks at the budget not only from revenue and expenditure perspective, but also from a cash flow perspective. This is necessary to address the usual uneven flow of tax receipts relative to the usually more even flow of expenditures. To monitor cash, a weekly cash flow log is maintained, a more comprehensive quarter by quarter cash flow projections is performed. Due to the low interest rate earning environment, anticipation of future rate increases and the desire to meet cash needs, operating funds of the City are now being invested in short term maturing securities or the State's Local Agency Investment Fund.

Pension and Post Retirement Policies: 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. During the year, as part of the City's overall strategy to reduce costs, the City adopted a policy whereby all new non safety hires are required to pay for the employee's portion of pension contribution.

The City also provides post-retirement health benefits for eligible retirees and their dependents. As part of the implementation of GASB 45, the City established a Trust Account to accumulate funds for the payment of post retirement healthcare costs. The City also adopted a funding policy. Under the policy the City will pre-fund the Annual Required Contribution (ARC) over a 12-year phased in basis through California Employees Retirement Benefit Trust. This policy is designed to minimize the budget impact of fully funding the ARC for the first 12 years while at the same time accumulating funds to meet benefit obligations.

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, during the fiscal year, the State took \$4.9 million of property tax increment from the City with additional \$1 million planned takeaway next fiscal year. 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.

Major Initiatives

For the year, the City of Norco embarked and/or completed the following major capital improvement and infrastructure projects:

1. Work was substantially complete on the multi-million dollar second arena facility at the George Ingalls Park Equestrian Center. This facility which is designed to accommodate the needs of local horse groups will also enhance the City's image as "Horsetown USA" while attracting economic development opportunities. Funding for this project came from the City's Redevelopment Agency Tax Allocation Bond proceeds.
2. The City Hall including the Sheriff Station underwent major renovations. This renovation project resulted in the addition of rest rooms, upgrade of communication lines, wall structures, re-configuration of City Hall administrative offices and the expansion of Sheriff's station at City Hall. The Sheriff's station renovation part of the project was primarily funded by Redevelopment Agency Tax Allocation Bond proceeds while the City Hall component was funded by development related fees.
3. With funding from Enterprise Revenue Bonds, the City embarked on several water infrastructure projects including the construction of a 4-million gallon reservoir; expansion of treatment facilities; replacement/expansion of water lines; and installation of automated meter reading infrastructure. The reservoir, treatment and expansion facilities were designed to improve water quality, storage capacity and water availability while the automated meter reading project is designed to improve meter reading efficiency and accuracy.
4. Several street projects including Hamner Avenue widening, reconstruction, overlay and traffic signal projects were started and/or completed during the fiscal year. The Hamner Avenue widening project is being funded with Transportation Uniform Mitigation Fund allocation from Western Riverside County Council of Governments. The other street projects are funded by a combination of Measure A allocation, Redevelopment Agency Tax Allocation Bond proceeds and street impact fees.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norco for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the seventh straight year that the City has received this prestigious award. In order to receive this award, the City published an easily readable and efficiently organized CAFR.

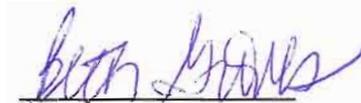
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirement and we will be submitting it to the GFOA to determine eligibility for another certificate GFOA.

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 staff in Fiscal and Support Services Department who worked tirelessly to compile the information needed to prepare the CAFR. The City Council is to be commended for providing direction in developing strategies for dealing with the City's challenging fiscal environment. Special credit should also be given to the late Mayor Malcolm G. Miller MD, for bringing the highest level of professionalism to the management of City affairs.

Respectfully Submitted,

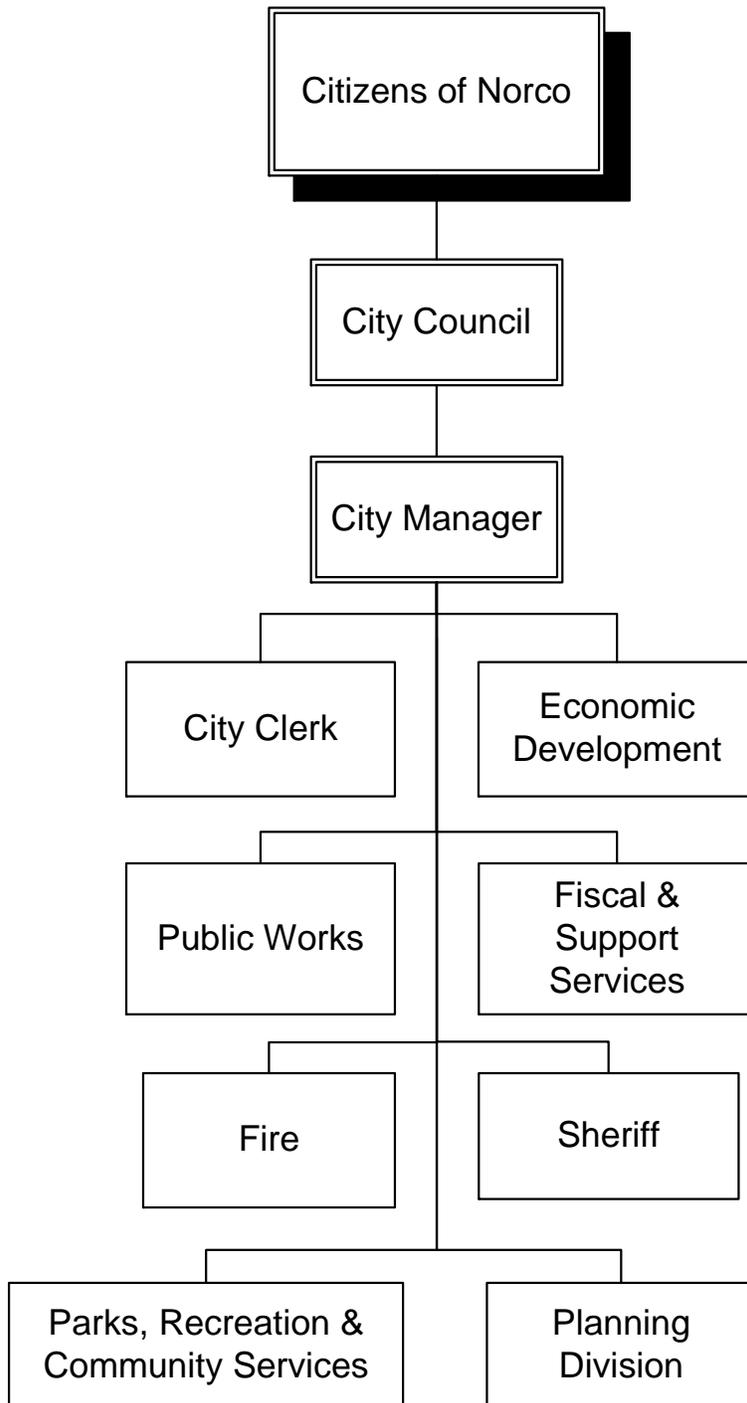


V. Andy Okoro, CPA
Deputy City Manager &
Director of Finance



Beth Groves
City Manager

CITY OF NORCO
ORGANIZATIONAL CHART
June 30, 2010



CITY OF NORCO
Directory of City Officials
June 30, 2010

MAYOR

Malcolm Miller

CITY COUNCIL

Berwin Hanna, Mayor Pro Tem
Kathy Azevedo
Kevin Bash
Harvey Sullivan

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**

Brenda Jacobs
City Clerk

Steve King
Planning Director

Dave Carlson
Fire Chief

William Thompson
Director of Public Works

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, 2009

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



A stylized, handwritten signature in black ink, appearing to be "J.R. Emen".

President

A handwritten signature in black ink that reads "Jeffrey R. Emen".

Executive Director

FINANCIAL SECTION



ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT B. MEMORY, C.P.A. (1945-2009)

OF COUNSEL
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.
BRADFERD A. WELEBIR, C.P.A.
JENNY LIU, C.P.A.
KATIE L. MILLSOM, C.P.A.
JONATHAN R. KUHN, C.P.A.
PAPA MATAR THIAW, C.P.A.
MAYA S. IVANOVA, C.P.A.
CHRISTOPHER MONTOYA, C.P.A.
DANIELLE E. ODGERS, C.P.A.

To the Honorable City Council
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, 2010, 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, 2010, and the respective changes in financial positions, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, 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, Malody + Scott, LLP

December 15, 2010

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, 2010. 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 2010 by \$187.5 million. The difference between total assets and total liabilities is referred to as total net assets. Net assets of the City at June 30, 2010 include the cost of governmental activities' infrastructure assets.
- The City's total net assets decreased by \$5.4 million during the year. The decrease in net assets was primarily due to expenses exceeding revenues by \$1.1 million in the business-type activities and expenditures exceeding revenues by \$4.3 in the governmental activities. The increase in expenses in the business-type activities was due to higher interest expense in the Sewer Fund and higher purchased water costs in the Water Fund. Expenditures exceeded revenues in the governmental activities due to anticipated lower revenues in the General Fund and one-time expenditures in the Redevelopment Fund.
- As of June 30, 2010, the City's governmental funds reported combined fund balance of \$68.0 million, a net decrease of \$12.6 million from prior fiscal year. Approximately \$36.5 million of the governmental funds' fund balances is unreserved.
- Unreserved fund balance for the general fund was \$3.4 million or 21 percent of total General Fund recurring expenditures in fiscal year 2010. This represents a decrease of \$3.2 million from last fiscal year due to expenditures exceeding revenues during the current fiscal year.
- The City's total long-term debt increased by a net of \$2.3 million during the fiscal year due primarily to additional financing. New Tax Allocation Bonds in the amount of \$24.5 million were issued during the fiscal year. Principal payments on outstanding long-term debt during the year were \$2.6 million and \$19.7 million of Tax Allocation Bonds were legally 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 balances for the General, Redevelopment Debt Service, Low-Mod Housing and Redevelopment Capital Projects Funds, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation called 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 Funds, 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 29-63 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 64-67 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 68-121 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, 2010, total City assets exceeded total liabilities by \$187.5 million as summarized below:

City of Norco, California Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 77,861,812	\$ 90,098,303	\$ 26,841,391	\$ 29,932,732	\$ 104,703,203	\$ 120,031,035
Capital assets (net of depreciation)	163,689,370	156,655,554	59,391,524	57,885,000	223,080,894	214,540,554
Total assets	<u>241,551,182</u>	<u>246,753,857</u>	<u>86,232,915</u>	<u>87,817,732</u>	<u>327,784,097</u>	<u>334,571,589</u>
Liabilities:						
Current and other						
Liabilities	4,142,521	7,629,202	2,187,814	2,447,036	6,330,335	10,076,238
Long-term liabilities	95,109,464	92,335,235	38,865,109	39,279,160	133,974,573	131,614,395
Total liabilities	<u>99,251,985</u>	<u>99,964,437</u>	<u>41,052,923</u>	<u>41,726,196</u>	<u>140,304,908</u>	<u>141,690,633</u>
Net assets:						
Invested in capital assets, net of related debt	163,648,731	156,655,554	41,658,817	39,797,357	205,307,548	196,452,911
Restricted	49,857,462	43,502,275	4,722,120	5,772,311	54,579,582	49,274,586
Unrestricted	(71,206,996)	(53,368,409)	(1,200,945)	521,868	(72,407,941)	(52,846,541)
Total net assets	<u>\$ 142,299,197</u>	<u>\$ 146,789,420</u>	<u>\$ 45,179,992</u>	<u>\$ 46,091,536</u>	<u>\$ 187,479,189</u>	<u>\$ 192,880,956</u>

Net assets for the fiscal year ended June 30, 2010, 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 \$205.3 million as of June 30, 2010. 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, \$54.6 million for fiscal year 2010 and \$49.3 million for fiscal year 2009, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net assets), is (\$72.4) million and (\$52.8) million for fiscal years 2010 and 2009 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.

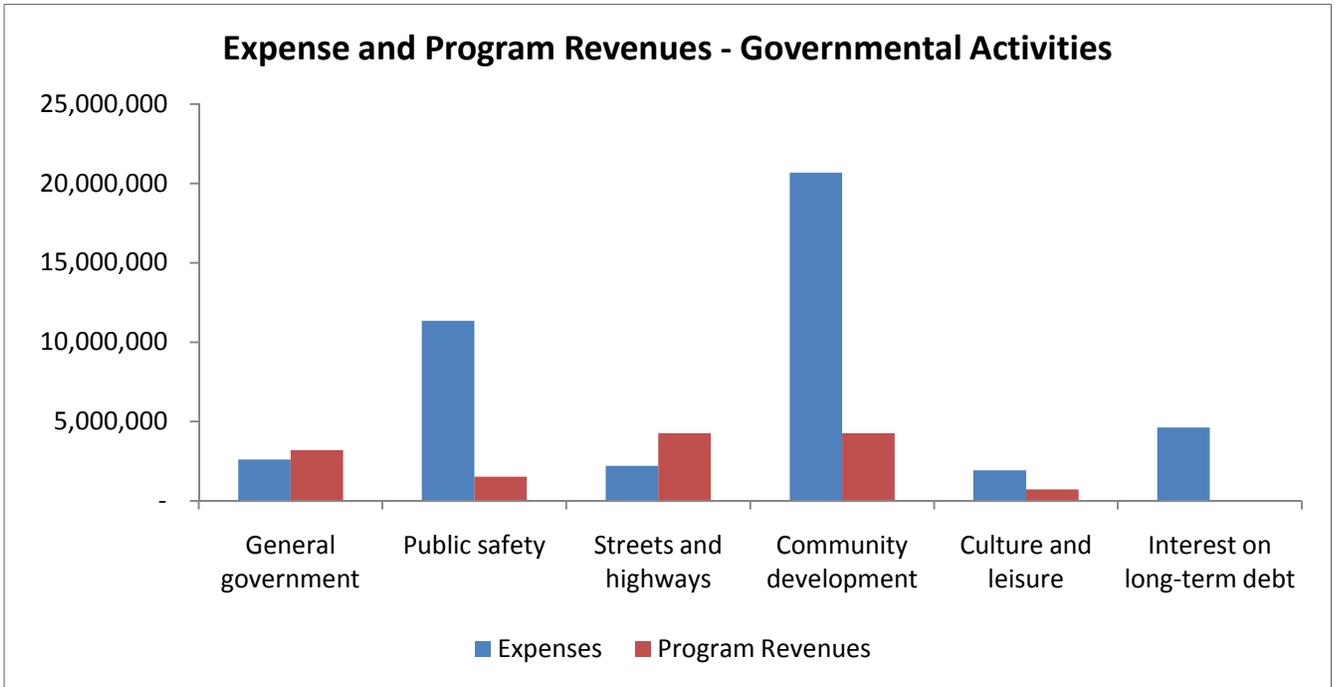
City of Norco, California
Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 4,097,812	\$ 5,679,597	\$ 10,851,457	\$ 10,861,790	\$ 14,949,269	\$ 16,541,387
Operating Grants and contributions	5,677,361	2,687,615	-	-	5,677,361	2,687,615
Capital grants and contributions	4,166,378	867,513	1,824,809	1,483,544	5,991,187	2,351,057
General revenues	24,552,245	29,022,940	74,294	272,070	24,626,539	29,295,010
Total revenues	38,493,796	38,257,665	12,750,560	12,617,404	51,244,356	50,875,069
Expenses:						
General Government	2,608,199	4,663,233	-	-	2,608,199	4,663,233
Public safety	11,347,403	11,363,732	-	-	11,347,403	11,363,732
Streets and Highways	2,091,368	6,838,398	-	-	2,091,368	6,838,398
Community development	20,675,524	18,645,627	-	-	20,675,524	18,645,627
Culture and leisure	1,920,577	2,317,752	-	-	1,920,577	2,317,752
Interest on long-term debt	4,606,449	4,260,255	-	-	4,606,449	4,260,255
Water	-	-	8,354,123	7,718,048	8,354,123	7,718,048
Sewer	-	-	5,042,480	4,396,358	5,042,480	4,396,358
Total expenses	43,249,520	48,088,997	13,396,603	12,114,406	56,646,123	60,203,403
Change in net assets before transfers	(4,755,724)	(9,831,332)	(646,043)	502,998	(5,401,767)	(9,328,334)
Transfers	444,457	265,505	(444,457)	(265,505)	-	-
Change in net assets	(4,311,267)	(9,565,827)	(1,090,500)	237,493	(5,401,767)	(9,328,334)
Net assets - beginning, as restated	146,610,464	156,355,247	46,270,492	45,854,043	192,880,956	202,209,290
Net assets - ending	\$ 142,299,197	\$ 146,789,420	\$ 45,179,992	\$ 46,091,536	\$ 187,479,189	\$ 192,880,956

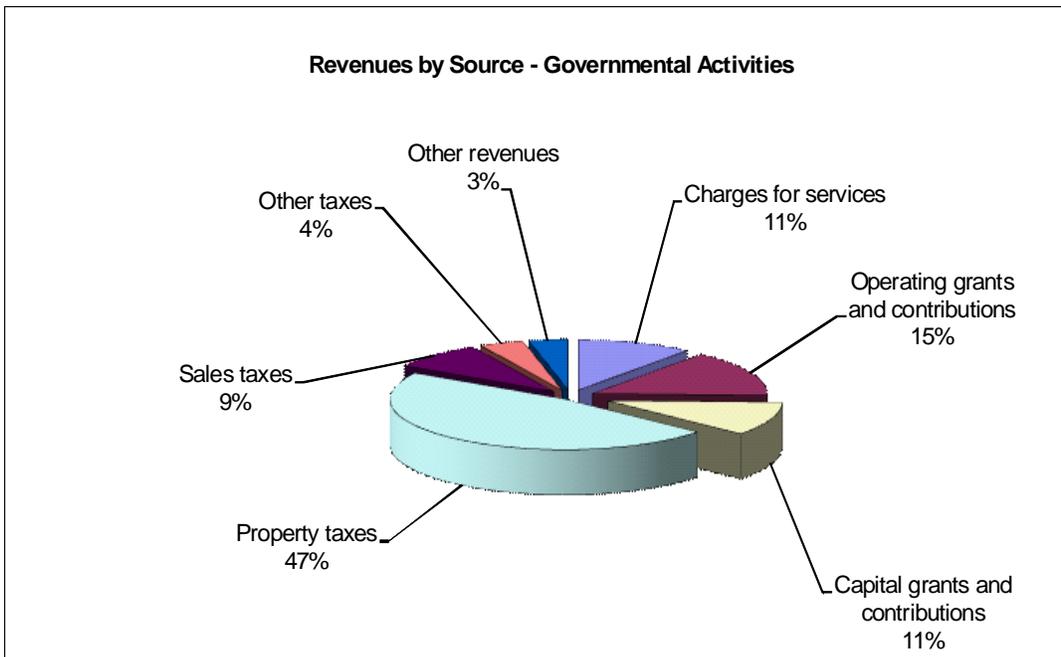
During the year, net assets decreased by \$5.4 million. Further analyses are provided below.

Governmental activities: Total net assets from governmental activities decreased by \$4.5 million or 3% during the year during the year primarily as a result of operating expenditures exceeding revenues. Expenditures exceeded revenues in the governmental activities due to anticipated lower revenues in the General Fund and one-time expenditures in the Redevelopment Fund.

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.

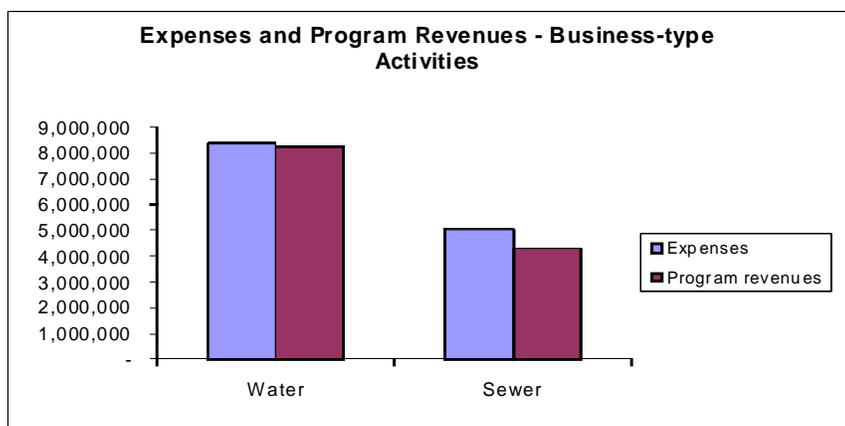


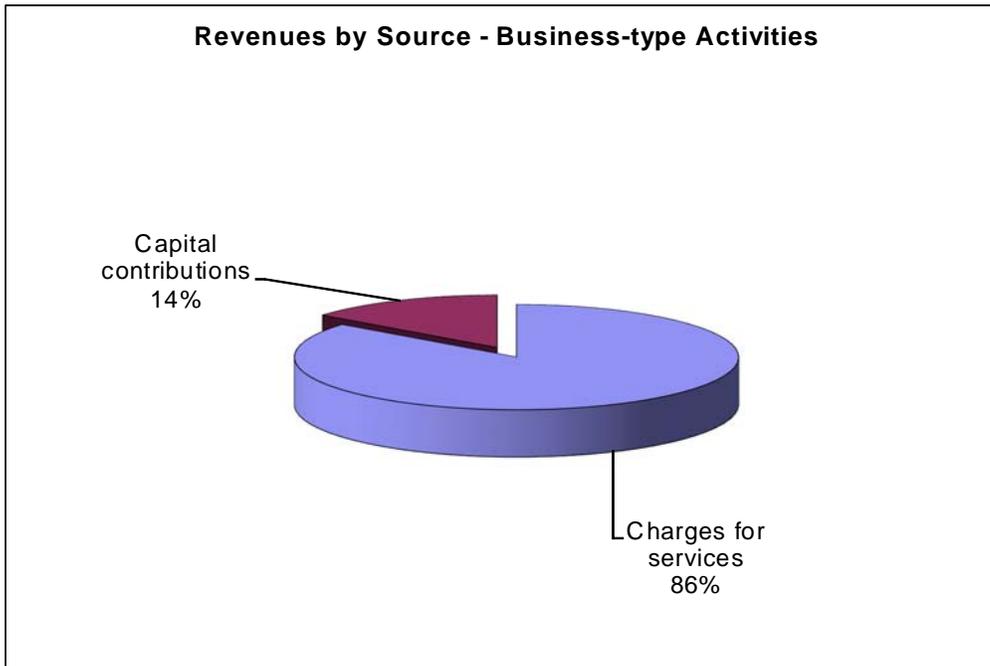
The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable 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 82 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 third party 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 though the City's sales tax receipts have declined significantly over the past three years, sales tax revenues still account for a significant portion of general fund revenues. During the year, sales tax revenue declined by more than 22 percent due to continued weakness in the general economy and significant drop off in auto sales from the City's auto dealers. The other taxes category represents taxes derived from business license, franchises and transient occupancy taxes.

Business-type activities: Including non-operating income, net assets for the business type activities decreased by \$1.1 million during the fiscal year. The change in net assets is attributable to operating expenses, including transfers-out, exceeding operating income by \$2.6 million. This is partially offset by contributed capital receipts in the amount of \$1.6 million. Operating losses include depreciation on fixed assets and amortization of intangibles totaling \$1.8 million. The remaining loss of \$0.8 million is associated with sewer and water rates that were not sufficient to fully recover costs based on usage during the fiscal year. It is anticipated that future rate adjustments will address the current year revenue shortfall. Individually, the net assets of Water Fund decreased by \$0.3 million while net assets of the Sewer Fund decreased by \$0.8 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 62 percent of total business-type activities expenses while sewer fund expenses make up the remaining 38 percent of total expenses. Total charges for services from business-type activities consist of 61 percent derived from water fund and 39 percent from sewer fund. As shown on the revenues by source chart on the next page, charges for services represent 86 percent of business-type activities' revenue while capital contributions represent the remaining 14 percent.





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, 2010, the City's governmental funds reported combined ending fund balances of \$68.0 million, a decrease of \$12.6 million in comparison with the prior year. Of the \$68.0 million, \$36.5 million, or 54 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because of restriction or not being available for appropriation within the next budget cycle. Unreserved fund balances include balances that have been designated for future capital projects, debt service, emergencies, facilities replacement and claims. The decrease in fund balance is from expenditures exceeding revenues in various Funds. In the General Fund, expenditures and transfers out exceeded revenues by \$3.2 million. Of the total decrease, \$2.7 is due to City action to mitigate the impact of declining revenues on services by drawing from existing fund balance to cover current year expenditures. The remaining \$0.5 million is due to one-time transfer from the General Fund to Insurance and Benefit Internal Service Fund. In the Redevelopment Capital Projects Funds expenditures exceeded revenues due to capital project expenditures that are funded from existing bond proceeds. The decrease in the general and redevelopment capital projects funds was partially offset by increases in redevelopment special revenue, debt service and other non-major funds where revenues exceeded expenditures.

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 both the water and sewer funds at the end of the year remained negative due to high investments in capital assets used to deliver services to customers. The investments in fixed assets are needed to ensure ongoing delivery of water and sewer services. Unrestricted net asset would likely grow in future fiscal years if 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 \$0.3 million. This decrease came largely from operating expenses exceeding operating income due to inclusion of depreciation and amortization in operating costs and rates that did not sufficiently cover all operating costs. Like the water fund, the net assets of the sewer fund also decreased by \$0.8 million during the fiscal year as operating income and capital contributions were not sufficient to cover 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, 2010, unreserved fund balance was \$3.3 million which is set aside for emergencies. As a measure of the General Fund's financial condition, it may be useful to compare the unreserved fund balance to total expenditures. Unreserved fund balance represents 21 percent of general fund recurring expenditures. For the fiscal year, General Fund's total fund balance decreased by \$3.2 million due to City action to mitigate the impact of declining revenues on services by drawing from fund balance to cover part of current year expenditures as well as one-time transfer to internal service fund. With respect to the comparison of General Fund actual revenues and expenditures to final budget, the biggest difference on revenues is on charges for services. Actual revenues from charges for services were nearly \$0.5 million lower than final budget amount. The unfavorable variance was due to more than anticipated decline in building activities. On the expenditure side, there were no material differences between the final budget and actual expenditures at the end of the fiscal year.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$223.1 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 \$7 million for governmental activities and by \$1.5 million for business-type activities.

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

- Equipment purchases consisting of computers and autos \$0.1 million
- Land acquisition/donation \$2.8 million
- Building improvements including City Hall, Senior Citizens Center and Animal Control Facilities \$1.5 million
- Parking lot expansion \$0.3 million
- Construction of park improvements \$2.5 million
- Storm drain improvements \$0.4 million
- Various street widening and construction improvements \$1.0 million
- Various water facilities \$1.6 million and sewer facilities of \$0.9 million

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

**City of Norco
Capital Assets (net of depreciation)
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 95,661,034	\$ 1,644,507	\$ 97,305,541
Building and improvements	9,470,470	504,853	9,975,323
Equipment and machinery	1,706,622	54,920,128	56,626,750
Infrastructure	44,715,904	-	44,715,904
Intangible	194,082	-	194,082
Construction in progress	11,941,258	2,322,036	14,263,294
Total capital assets, net	<u>\$ 163,689,370</u>	<u>\$ 59,391,524</u>	<u>\$ 223,080,894</u>

Long-term debt: At the end of fiscal year 2010, the City's total long debt outstanding was \$134.0 million. Of this amount, \$92.6 million is debt of the redevelopment agency backed by pledge of tax increment revenues. Of the remaining \$41.4 million, \$38.9 million is the debt of the sewer and water funds while \$2.5 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 46-55 in the notes to basic financial statements.

**City of Norco
Outstanding Long Term Debt
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital leases	\$ 40,639	\$ 1,038,379	\$ 1,079,018
Tax allocation bonds	92,617,412	-	92,617,412
Notes/loans payable/advances	-	622,295	622,295
Revenue bonds	-	37,204,435	37,204,435
Compensated absences	1,319,544	-	1,319,544
Claims and judgment	1,131,869	-	1,131,869
Total long-term debt	<u>\$ 95,109,464</u>	<u>\$ 38,865,109</u>	<u>\$ 133,974,573</u>

Economic Factors and Next Year's Budgets and Rates

- During the most recently completed fiscal year 2009-2010, the City continued to experience significant drop in sales tax revenues. As previously discussed, sales tax for the fiscal year ended June 30, 2010 decreased by 22 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. The economic slow-down has also resulted in outright closure of two dealerships in the City. Based on recent sales tax information, it appears that City sales tax receipt has bottomed. However, it is not anticipated that the small signs of progress will result in any material change in sales tax receipt over the next two years. The City's current sales tax receipt is still only slightly higher than 50% of what it was just three years ago. This decline in sales tax revenue is notable because prior to the rapid decline, this revenue category represented 37% of total general fund revenues. For the fiscal year just ended, sales tax revenue made up only 24% of the much reduced total general fund revenues. With this major decline in sales tax revenue, the City will continue to face significant challenges balancing general fund budget. This problem will be compounded in the near term by the significantly reduced fund balance. To address this challenge, the City is working to diversify general fund revenues by seeking economic opportunities that complements the City's "Horsetown USA" motto.

- In the last four years preceding FY 2009-2010, 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 especially the redevelopment agency. However, over the last two years, assessed values have continued to decline in the City due to a significantly depressed real estate market caused by the sub-prime mortgage crisis. New residential home construction has also essentially stopped. Consequently, future property tax receipts are expected to be lower than the amount received in most recent years. For the City's redevelopment agency, net tax increment receipts will also be much lower due to changes in sharing formula between the agency and other taxing entities.
- The state of California's worsening budget situation is also 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, and/or re-directing local government revenues. During the fiscal year just ended, the state took nearly \$5 million from the City's Redevelopment Agency. The state has also approved another \$1 million to be taken from the Agency during fiscal year 2010-2011. These ongoing actions by the state are already negatively impacting the City's ability to provide services and ultimately may impact the Agency's ability to meet payment requirements on outstanding obligations.
- In fiscal year 2007, the City Council approved multi-year water and sewer rate adjustments to offset the rising cost of purchasing, producing and delivering water and sewer services to residents and businesses. The final phase of the rate adjustments were implemented during the fiscal year ended June 30, 2010. Due to continuing increase in the costs of purchased water sewer treatment, the current water and sewer rate levels are not sufficient to cover the cost of operating and maintaining the systems. Consequently, the City will be conducting follow up rate studies to adjust sewer and water rates as necessary to recover the cost of operations, maintenance and capital replacements. Without these rate adjustments, it will be difficult for the water and sewer funds to meet cash flow obligations.
- 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 has risen significantly. However, due to one-time deposit by the City to a trust account in 2009 boosted by investment earnings on the deposit, the City has been able to meet the annual required contributions for the last two years. Meeting future annual required contributions will be more difficult. Recognizing this situation the City has already started to implement changes to employee healthcare benefits which will ultimately help drive down the amount of future City contributions.
- In addition to post-retirement healthcare costs, due to significant decline in the value of pension investments managed by the California Public Employees Retirement System, required employer pension contribution rates have started to show more than normal increase. This increase in pension contribution rates will further stress City budgets. .

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

City of Norco
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 32,727,115	\$ 4,687,773	\$ 37,414,888
Cash and investments with fiscal agents	16,829,080	19,210,626	36,039,706
Receivables:			
Accounts, net	1,108,652	1,824,892	2,933,544
Interest	144,246	27,833	172,079
Loans	10,463,261	-	10,463,261
Due from other governments	2,851,693	-	2,851,693
Net OPEB asset	462,000	-	462,000
Internal balances	(8,219)	8,219	-
Inventories	-	91,048	91,048
Prepays	660,062	1,977	662,039
Land held for resale	10,823,271	-	10,823,271
Deferred charges	1,800,651	989,023	2,789,674
Capital assets			
Land, improvements and construction in progress	107,602,292	3,966,543	111,568,835
Other capital assets, net of depreciation	56,087,078	55,424,981	111,512,059
	<u>241,551,182</u>	<u>86,232,915</u>	<u>327,784,097</u>
LIABILITIES			
Accounts payable	1,830,194	1,376,672	3,206,866
Accrued interest payable	1,528,206	506,731	2,034,937
Retentions payable	350,283	131,314	481,597
Unearned revenue	425,156	-	425,156
Deposits payable	8,682	173,097	181,779
Noncurrent liabilities:			
Due within one year	2,771,072	742,252	3,513,324
Due in more than one year	92,338,392	38,122,857	130,461,249
	<u>99,251,985</u>	<u>41,052,923</u>	<u>140,304,908</u>
NET ASSETS			
Invested in capital assets, net of related debt	163,648,731	41,658,817	205,307,548
Restricted for:			
Debt service	8,709,832	1,437,024	10,146,856
Public safety	821,786	-	821,786
Capital projects	25,840,133	3,285,096	29,125,229
Community development	14,485,711	-	14,485,711
Unrestricted	(71,206,996)	(1,200,945)	(72,407,941)
	<u>\$ 142,299,197</u>	<u>\$ 45,179,992</u>	<u>\$ 187,479,189</u>

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

**City of Norco
Statement of Activities
For the Year Ended June 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
General government	\$ 2,608,199	\$ 1,258,834	\$ 19,377	\$ 1,907,244
Public safety	11,347,403	960,461	563,271	-
Streets and highways	2,091,368	808,465	1,227,016	2,218,139
Community and economic development	20,675,524	346,741	3,867,697	40,616
Culture and leisure	1,920,577	723,311	-	379
Interest on long-term debt	4,606,449	-	-	-
Total governmental activities	<u>43,249,520</u>	<u>4,097,812</u>	<u>5,677,361</u>	<u>4,166,378</u>
Business-type activities:				
Water	8,354,123	6,641,183	-	1,623,767
Sewer	5,042,480	4,210,274	-	201,042
Total business-type activities	<u>13,396,603</u>	<u>10,851,457</u>	<u>-</u>	<u>1,824,809</u>
Total primary government	<u>\$ 56,646,123</u>	<u>\$ 14,949,269</u>	<u>\$ 5,677,361</u>	<u>\$ 5,991,187</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
\$ 577,256	\$ -	\$ 577,256
(9,823,671)	-	(9,823,671)
2,162,252	-	2,162,252
(16,420,470)	-	(16,420,470)
(1,196,887)	-	(1,196,887)
(4,606,449)	-	(4,606,449)
<u>(29,307,969)</u>	<u>-</u>	<u>(29,307,969)</u>
-	(89,173)	(89,173)
<u>-</u>	<u>(631,164)</u>	<u>(631,164)</u>
-	(720,337)	(720,337)
<u>-</u>	<u>(720,337)</u>	<u>(720,337)</u>
3,261,322	-	3,261,322
14,921,558	-	14,921,558
173,293	-	173,293
1,037,604	-	1,037,604
2,601,697	-	2,601,697
721,616	-	721,616
76,802	-	76,802
302,379	-	302,379
609,154	74,294	683,448
846,820	-	846,820
444,457	(444,457)	-
<u>24,996,702</u>	<u>(370,163)</u>	<u>24,626,539</u>
(4,311,267)	(1,090,500)	(5,401,767)
<u>146,610,464</u>	<u>46,270,492</u>	<u>192,880,956</u>
<u>\$ 142,299,197</u>	<u>\$ 45,179,992</u>	<u>\$ 187,479,189</u>

FUND FINANCIAL STATEMENTS

**City of Norco
Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General</u>	<u>Redevelopment Special Revenue</u>	<u>Redevelopment Debt Service</u>
ASSETS			
Cash and investments	\$ 3,465,329	\$ 2,604,615	\$ 9,351
Cash and investments with fiscal agents	-	1,915,850	8,744,138
Receivables, net:			
Accounts	338,210	-	-
Interest	7,650	17,264	89,358
Loans	-	9,599,095	-
Prepaid	44,785	-	-
Due from other governments	617,358	127,949	-
Due from other funds	168,501	-	-
Advances to other funds	-	3,000,000	-
Land held for resale	-	3,369,583	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,641,833</u>	<u>\$ 20,634,356</u>	<u>\$ 8,842,847</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,100,655	\$ 95,570	\$ 5,250
Retentions payable	-	15,785	-
Deposits payable	-	-	-
Due to other funds	-	205	-
Advances from other funds	-	-	-
Deferred revenues	158,815	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,259,470</u>	<u>111,560</u>	<u>5,250</u>
Fund balances:			
Reserved	-	15,968,678	7,238,038
Unreserved:			
Designated	3,382,363	-	-
Undesignated, reported in:			
Special revenue funds	-	4,554,118	-
Debt service funds	-	-	1,599,559
Capital projects funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,382,363</u>	<u>20,522,796</u>	<u>8,837,597</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,641,833</u>	<u>\$ 20,634,356</u>	<u>\$ 8,842,847</u>

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

Redevelopment Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 7,232,378	\$ 14,961,347	\$ 28,273,020
6,169,092	-	16,829,080
71,442	699,000	1,108,652
11,348	14,347	139,967
838,585	25,581	10,463,261
7,840	19,705	72,330
1,532,721	573,665	2,851,693
-	-	168,501
-	-	3,000,000
7,453,688	-	10,823,271
<u>\$ 23,317,094</u>	<u>\$ 16,293,645</u>	<u>\$ 73,729,775</u>
\$ 176,013	\$ 410,623	\$ 1,788,111
38,729	295,769	350,283
2,282	6,400	8,682
819	175,696	176,720
3,000,000	-	3,000,000
-	266,341	425,156
<u>3,217,843</u>	<u>1,154,829</u>	<u>5,748,952</u>
8,292,273	25,581	31,524,570
-	-	3,382,363
-	5,584,589	10,138,707
-	-	1,599,559
11,806,978	9,528,646	21,335,624
<u>20,099,251</u>	<u>15,138,816</u>	<u>67,980,823</u>
<u>\$ 23,317,094</u>	<u>\$ 16,293,645</u>	<u>\$ 73,729,775</u>

City of Norco
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds \$ 67,980,823

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. 162,366,385

Internal service funds are used by management to charge the costs of equipment usage, and certain employee benefits and City-wide insurance coverage. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. 6,327,008

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

Bonds and leases payable	\$	(95,400,639)	
Less: Deferred charge for issuance costs		1,800,651	
Plus: Premium on issuance of debt		(244,886)	
Less: Deferred loss on refunding		2,439,928	
Less: Discount on issuance of debt		547,546	
Accrued interest payable		(1,528,206)	
Long-term compensated absences payable		(1,319,544)	
Long-term claims and judgments payable		<u>(1,131,869)</u>	(94,837,019)

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. The City has contributed more than the ARC to the retiree medical plan and reports the OPEB (asset) as an asset on the Statement of Net Assets. 462,000

Net assets of governmental activities \$ 142,299,197

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

City of Norco
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>Redevelopment Special Revenue</u>	<u>Redevelopment Debt Service</u>
REVENUES			
Taxes	\$ 8,305,398	\$ 2,924,741	\$ -
Assessments	-	-	-
Licenses and permits	305,400	-	-
Fines and forfeitures	752,125	-	-
Development fees	-	-	-
Intergovernmental	158,739	1,535,034	-
Charges for services	1,717,106	-	-
Investment earnings	135,548	46,572	260,473
Reimbursements	2,438	-	-
Other	571,565	88,940	-
	<u>11,948,319</u>	<u>4,595,287</u>	<u>260,473</u>
EXPENDITURES			
Current:			
General government	2,360,056	-	-
Public safety	10,669,915	-	-
Streets and highways	176,644	-	-
Community and economic development	493,192	2,625,140	-
Culture and leisure	1,903,494	-	-
Debt service:			
Principal	-	385,000	2,170,000
Interest	-	645,407	3,954,293
Advanced refunding escrow	-	-	1,583,999
Bond issue costs	-	49,000	460,660
	<u>15,603,301</u>	<u>3,704,547</u>	<u>8,168,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,654,982)</u>	<u>890,740</u>	<u>(7,908,479)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	4,553,966	19,856,544
Discount	-	(77,816)	(311,264)
Transfers in	1,436,308	-	5,202,171
Payment to refunded bond escrow	-	(4,031,243)	(16,124,973)
Transfers out	(985,280)	(46,057)	-
	<u>451,028</u>	<u>398,850</u>	<u>8,622,478</u>
Net change in fund balances	(3,203,954)	1,289,590	713,999
Fund balances, beginning of year	<u>6,586,317</u>	<u>19,233,206</u>	<u>8,123,598</u>
Fund balances, end of year	<u>\$ 3,382,363</u>	<u>\$ 20,522,796</u>	<u>\$ 8,837,597</u>

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

Redevelopment Capital Projects	Total Non major Governmental Funds	Total Governmental Funds
\$ 11,996,818	\$ 518,460	\$ 23,745,417
-	715,343	715,343
-	-	305,400
-	-	752,125
-	76,448	76,448
1,966,346	3,264,728	6,924,847
-	1,388	1,718,494
228,384	90,487	761,464
-	-	2,438
439,919	-	1,100,424
<u>14,631,467</u>	<u>4,666,854</u>	<u>36,102,400</u>
-	1,362,295	3,722,351
-	491,343	11,161,258
-	3,099,225	3,275,869
16,622,773	374,199	20,115,304
-	2,515,493	4,418,987
-	-	2,555,000
-	-	4,599,700
-	-	1,583,999
-	-	509,660
<u>16,622,773</u>	<u>7,842,555</u>	<u>51,942,128</u>
<u>(1,991,306)</u>	<u>(3,175,701)</u>	<u>(15,839,728)</u>
89,490	-	24,500,000
-	-	(389,080)
-	3,326,485	9,964,964
-	-	(20,156,216)
<u>(9,513,313)</u>	<u>(146,911)</u>	<u>(10,691,561)</u>
<u>(9,423,823)</u>	<u>3,179,574</u>	<u>3,228,107</u>
(11,415,129)	3,873	(12,611,621)
<u>31,514,380</u>	<u>15,134,943</u>	<u>80,592,444</u>
<u>\$ 20,099,251</u>	<u>\$ 15,138,816</u>	<u>\$ 67,980,823</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, 2010

Net change in fund balance - total governmental funds \$ (12,611,621)

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 (\$2,479,522) was exceeded by capital outlays (\$9,706,852). 7,227,330

Revenues that are measurable but not available are not recorded as revenues under the modified accrual basis of accounting. 77,354

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

Redevelopment agency bonds issued	\$ (24,500,000)	
Less: bond issuance costs	509,660	
Less: discount	389,080	
Payment to escrow agent	21,740,215	
Principal payments on debt	<u>2,558,055</u>	697,010

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in OPEB asset	\$ (445,000)	
Decrease in accrued interest payable on bonds	5,026	
Amortization of deferred costs	(72,123)	
Amortization of deferred loss on refunding	(16,255)	
Amortization of bond discount	(31,407)	
Amortization of bond premium	<u>38,032</u>	(521,727)

Internal service funds are used by management to charge the costs of equipment usage, and certain employee benefits and City-wide insurance coverage to individual funds. The net revenue of the internal service funds are reported with governmental activities. 820,387

Change in net assets of governmental activities \$ (4,311,267)

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 711,471	\$ 3,976,302	\$ 4,687,773	\$ 4,454,095
Cash and investments with fiscal agents	9,590,238	9,620,388	19,210,626	-
Receivables:				
Accounts, net	1,196,130	628,762	1,824,892	-
Interest	10,952	16,881	27,833	4,279
Prepays	1,009	968	1,977	587,732
Due from other funds	8,219	-	8,219	-
Inventories	91,048	-	91,048	-
Total current assets	<u>11,609,067</u>	<u>14,243,301</u>	<u>25,852,368</u>	<u>5,046,106</u>
Noncurrent assets:				
Deferred charges	360,202	628,821	989,023	-
Capital assets:				
Land	1,644,507	-	1,644,507	-
Buildings and improvements	967,676	69,175	1,036,851	-
Utility plant	8,121,280	1,895,030	10,016,310	-
Wastewater capacity rights	-	17,793,248	17,793,248	-
Pipelines	34,186,617	26,438,951	60,625,568	-
Vehicles and equipment	316,971	26,784	343,755	3,634,110
Construction in progress	1,428,716	893,320	2,322,036	-
Less accumulated amortization	-	(4,852,704)	(4,852,704)	-
Less accumulated depreciation	(19,619,094)	(9,918,953)	(29,538,047)	(2,505,207)
Intangible assets	-	-	-	429,245
Less accumulated amortization	-	-	-	(235,163)
Total noncurrent assets	<u>27,406,875</u>	<u>32,973,672</u>	<u>60,380,547</u>	<u>1,322,985</u>
Total assets	<u>39,015,942</u>	<u>47,216,973</u>	<u>86,232,915</u>	<u>6,369,091</u>

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 734,366	\$ 642,306	\$ 1,376,672	\$ 42,083
Accrued interest payable	184,158	322,573	506,731	-
Retentions payable	131,314	-	131,314	-
Deposits payable	101,017	72,080	173,097	-
Compensated absences	-	-	-	329,887
Capital lease payable	-	117,619	117,619	7,026
Claims and judgements	-	-	-	621,060
Loan payable	77,464	-	77,464	-
Bonds payable	207,061	340,108	547,169	-
Total current liabilities	<u>1,435,380</u>	<u>1,494,686</u>	<u>2,930,066</u>	<u>1,000,056</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	989,657
Capital lease payable	-	920,760	920,760	33,613
Claims and judgements	-	-	-	510,809
Loan payable	544,831	-	544,831	-
Bonds payable	13,262,468	23,394,798	36,657,266	-
Total noncurrent liabilities	<u>13,807,299</u>	<u>24,315,558</u>	<u>38,122,857</u>	<u>1,534,079</u>
Total liabilities	<u>15,242,679</u>	<u>25,810,244</u>	<u>41,052,923</u>	<u>2,534,135</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,867,551	18,791,266	41,658,817	1,282,346
Restricted for capital projects	711,071	2,574,025	3,285,096	-
Restricted for debt service	523,364	913,660	1,437,024	-
Unrestricted	(328,723)	(872,222)	(1,200,945)	2,552,610
Total net assets	<u>\$ 23,773,263</u>	<u>\$ 21,406,729</u>	<u>\$ 45,179,992</u>	<u>\$ 3,834,956</u>

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

City of Norco
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Sales and charges for services	\$ 6,627,629	\$ 4,205,846	\$ 10,833,475	\$ 1,298,509
Connection fees	31,524	7,395	38,919	-
Miscellaneous	1,838	4,428	6,266	7,961
Total operating revenues	<u>6,660,991</u>	<u>4,217,669</u>	<u>10,878,660</u>	<u>1,306,470</u>
OPERATING EXPENSES				
General and administrative	280,673	285,319	565,992	1,412,839
Operations	6,443,734	2,420,470	8,864,204	-
Amortization	-	404,392	404,392	31,277
Depreciation	847,419	600,589	1,448,008	283,027
Total operating expenses	<u>7,571,826</u>	<u>3,710,770</u>	<u>11,282,596</u>	<u>1,727,143</u>
Operating income (loss)	<u>(910,835)</u>	<u>506,899</u>	<u>(403,936)</u>	<u>(420,673)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	147,326	172,237	319,563	28,659
Interest and fiscal charges	(776,325)	(1,321,285)	(2,097,610)	(2,146)
Amortization of deferred charges	(5,972)	(10,425)	(16,397)	-
Gain on disposal of assets	-	-	-	13,054
Total nonoperating revenues (expenses)	<u>(634,971)</u>	<u>(1,159,473)</u>	<u>(1,794,444)</u>	<u>39,567</u>
Income before contributions and transfers	<u>(1,545,806)</u>	<u>(652,574)</u>	<u>(2,198,380)</u>	<u>(381,106)</u>
Capital contributions	1,480,338	71,999	1,552,337	30,439
Transfers in	-	-	-	1,323,434
Transfers out	(245,445)	(199,012)	(444,457)	(152,380)
Change in net assets	(310,913)	(779,587)	(1,090,500)	820,387
Net assets, beginning of year	<u>24,084,176</u>	<u>22,186,316</u>	<u>46,270,492</u>	<u>3,014,569</u>
Net assets, end of year	<u>\$ 23,773,263</u>	<u>\$ 21,406,729</u>	<u>\$ 45,179,992</u>	<u>\$ 3,834,956</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, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 6,428,094	\$ 4,162,148	\$ 10,590,242	\$ -
Cash received from interfund services provided	-	-	-	1,306,470
Cash payments to suppliers	(5,735,484)	(1,722,838)	(7,458,322)	(1,476,844)
Cash payments to employees for services	(831,852)	(481,832)	(1,313,684)	(276,394)
Net cash provided by (used for) operating activities	<u>(139,242)</u>	<u>1,957,478</u>	<u>1,818,236</u>	<u>(446,768)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	269	-	269	1,323,434
Transfer to other funds	(474,043)	(309,811)	(783,854)	(152,380)
Net cash provided by (used for) noncapital financing activities	<u>(473,774)</u>	<u>(309,811)</u>	<u>(783,585)</u>	<u>1,171,054</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,500,708)	(894,337)	(3,395,045)	(47,547)
Capital contributions	1,500,415	71,730	1,572,145	-
Proceeds from disposal of capital assets	-	-	-	13,054
Principal payments - loans	(74,161)	-	(74,161)	-
Principal payments - capital lease	(1,527)	(115,946)	(117,473)	(16,508)
Principal payments - bonds	(155,811)	(356,357)	(512,168)	-
Interest and fiscal charges	(808,053)	(1,377,506)	(2,185,559)	(2,146)
Net cash (used for) capital and related financing activities	<u>(2,039,845)</u>	<u>(2,672,416)</u>	<u>(4,712,261)</u>	<u>(53,147)</u>
Cash flows from investing activities:				
Interest income	170,143	196,810	366,953	37,704
Net cash provided by investing activities	<u>170,143</u>	<u>196,810</u>	<u>366,953</u>	<u>37,704</u>
Net increase (decrease) in cash and investments	(2,482,718)	(827,939)	(3,310,657)	708,843
Cash and investments, beginning of year	<u>12,784,427</u>	<u>14,424,629</u>	<u>27,209,056</u>	<u>3,745,252</u>
Cash and investments, end of year	<u><u>\$ 10,301,709</u></u>	<u><u>\$ 13,596,690</u></u>	<u><u>\$ 23,898,399</u></u>	<u><u>\$ 4,454,095</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, 2010**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (910,835)	\$ 506,899	\$ (403,936)	\$ (420,673)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Amortization	-	404,392	404,392	31,277
Depreciation	847,419	600,589	1,448,008	283,027
Gain on disposal of assets	(2,174)	(2,175)	(4,349)	-
(Increase) decrease in assets:				
Accounts receivable	(23,946)	(62,266)	(86,212)	-
Prepays	(129)	(88)	(217)	(573,894)
Due from other funds	(260)	-	(260)	-
Inventories	1,976	-	1,976	-
Construction in progress	40,470	-	40,470	-
Increase (decrease) in liabilities:				
Accounts payable	70,991	499,446	570,437	7,672
Accrued wages	7,250	3,936	11,186	917
Deposits	7,753	6,745	14,498	-
Due to other funds	(216,444)	-	(216,444)	-
Retentions payable	38,687	-	38,687	-
Compensated absences	-	-	-	(18,927)
Claims and judgements	-	-	-	243,833
 Net cash provided by (used for) operating activities	 <u>\$ (139,242)</u>	 <u>\$ 1,957,478</u>	 <u>\$ 1,818,236</u>	 <u>\$ (446,768)</u>
Noncash, investing, capital and financing activities:				
Contributions of capital assets from government	\$ -	\$ -	\$ -	\$ 30,439
Purchase of capital asset through capital lease	-	-	-	42,805

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

City of Norco
Statement of Fiduciary Assets and Liabilities
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 4,820,432
Cash and investments with fiscal agents	3,012,424
Receivables:	
Accounts	372,509
Interest	13,697
Due from other governments	239,086
Total assets	<u>\$ 8,458,148</u>
 LIABILITIES	
Accounts payable	\$ 614,530
Deposits payable	1,042,926
Due to others	4,225
Due to bond holders	6,796,467
Total liabilities	<u>\$ 8,458,148</u>

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, 2010

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, 2010

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, 2010

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, 2010

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 and to allocate costs of compensated absences and claims and judgments charges to the funds on a pro-rata basis.

The *Agency Funds* are used to account for the receipt of property tax 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. Agency Funds are not reported utilizing a specific measurement focus as the assets and liabilities of the Funds are not the property of the City.

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, 2010

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, 2010

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 cannot accrue more than two and one half times their regular annual entitlement. General and Safety employees cannot 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, 2010

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, 2010

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

During the current fiscal year, the City changed its method for presenting compensated absences and claims payable liabilities. Rather than presenting these liabilities in various funds reported in the government-wide financial statements, the City now reports all liabilities related to compensated absences and claims payable in a newly created Benefits and Insurance Fund, which is an internal service fund. To conform to the new presentation, the current year beginning net assets of the Water and Sewer Funds (business type activities) have been changed. Additionally, beginning net assets balance has been established for the newly created Benefits and Insurance Fund to correctly reflect the prior year balance for compensated absences and claims payable.

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, Special Asset and Landscape Maintenance Districts #1, #2, #3, #4 and #5; the Capital Projects Funds for Community Facilities Districts 93-1, 2002-1 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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

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.

b. 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>			
Cal Home Grant	\$ 1,950	\$ -	\$ (1,950)
Miscellaneous Grant	94,852	82,014	(12,838)
CLEEP	5,393	5,375	(18)

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

III. DETAIL NOTES ON ALL FUNDS

Note 2: Cash and Investments

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	\$ 37,414,888
Cash and investments with fiscal agents	36,039,706
 <i>Statement of Fiduciary Assets and Liabilities</i>	
Cash and investments	4,820,432
Cash and investments with fiscal agents	<u>3,012,424</u>
Total cash and investments	<u><u>\$ 81,287,450</u></u>

Cash and investments at June 30, 2010, consisted of the following:

Deposits with financial institutions and cash on hand	\$ (415,003)
Investments	<u>81,702,453</u>
Total cash and investments	<u><u>\$ 81,287,450</u></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, 2010

Note 2: Cash and Investments (continued)

Investments authorized by debt agreements

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

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

Disclosures relating to interest rate risk

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

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

Investment type	Total	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
State investment pool	\$ 39,355,559	\$ 39,355,559	\$ -	\$ -	\$ -
Certificates of deposit	3,294,764	3,294,764	-	-	-
Held by bond trustee:					
Money market funds	13,544,955	13,544,955	-	-	-
Investment contracts	3,243,016	-	-	734,450	2,508,566
Federal agency securities	22,264,159	8,513,010	10,515,000	2,006,149	1,230,000
	<u>\$ 81,702,453</u>	<u>\$ 64,708,288</u>	<u>\$ 10,515,000</u>	<u>\$ 2,740,599</u>	<u>\$ 3,738,566</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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	\$ 39,355,559	N/A	-	\$ 39,355,559
Certificates of deposit	3,294,764	N/A	-	3,294,764
Held by bond trustee:				
Money market funds	13,544,955	AAA/Aa	AAA	-
Investment contracts	3,243,016	N/A	-	3,243,016
Federal agency securities	<u>22,264,159</u>	N/A	AAA,Aaa	<u>-</u>
	<u>\$ 81,702,453</u>			<u>\$ 45,893,339</u>

Concentration of credit risk

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

Issuer	Investment type	Reported amount
Federal National Mortgage Association	Federal agency securities	\$ 18,743,010

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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, 2010, \$388,509 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.

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

Note 3: Receivables

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, 2010

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, 2010, the loans amount to \$4,775,789.

Loans are available to qualifying low and very low-income residents through the Cal Homes program to assist with the cost of rehabilitating owner-occupied residences. Loans carry interest rates of either 0% (for eligible senior citizens) or 3% (for non senior citizens). Loans are due up to 30 years after origination or in the event the property is sold or refinanced. As of June 30, 2010, the total amount of loans disbursed under the program amounted to \$25,581.

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. The balance at June 30, 2010 is \$4,823,306.

Community fair loan

In April 2010 the Agency entered into a Loan Agreement with a local community fair group to provide a short-term loan in the amount of \$15,000 to provide start-up funds for a community event to be held at one of the City's parks. The loan is due and payable in December 2010. The balance at June 30, 2010 is \$15,000.

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, 2010 is \$407,454.

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, 2010 is \$416,131.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 3: Receivables (continued)

As of June 30, 2010 the total loans receivable were as follows:

Developer loans	\$ 4,823,306
Deferred loans	4,801,370
Automobile and community loans	838,585
Total loans receivable	\$ 10,463,261

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	Capital projects		
Assessments	\$ -	\$ -	\$ -	\$ 36,905	\$ 36,905
Property taxes	88,623	9,512	7,168	-	105,303
Sales tax	434,536	-	-	-	434,536
Grants and contributions - restricted	-	-	-	536,760	536,760
Other	94,199	118,437	1,525,553	-	1,738,189
Totals	\$ 617,358	\$ 127,949	\$ 1,532,721	\$ 573,665	\$ 2,851,693

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 93,755,284	\$ 1,905,750	\$ -	\$ 95,661,034
Construction in progress	9,896,138	5,593,861	(3,548,741)	11,941,258
Total capital assets, not being depreciated	<u>103,651,422</u>	<u>7,499,611</u>	<u>(3,548,741)</u>	<u>107,602,292</u>
Capital assets, being depreciated:				
Buildings and improvements	14,025,110	63,594	-	14,088,704
Improvements other than buildings	386,867	-	-	386,867
Vehicles and equipment	5,089,526	80,140	(182,358)	4,987,308
Infrastructure	86,045,182	5,692,387	-	91,737,569
Intangible	388,595	40,650	-	429,245
Total capital assets, being depreciated	<u>105,935,280</u>	<u>5,876,771</u>	<u>(182,358)</u>	<u>111,629,693</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(4,563,547)	(359,057)	-	(4,922,604)
Improvements other than buildings	(63,153)	(19,344)	-	(82,497)
Vehicles and equipment	(3,093,255)	(369,789)	182,358	(3,280,686)
Infrastructure	(45,007,308)	(2,014,357)	-	(47,021,665)
Intangible	(203,886)	(31,277)	-	(235,163)
Total accumulated depreciation/amortization	<u>(52,931,149)</u>	<u>(2,793,824)</u>	<u>182,358</u>	<u>(55,542,615)</u>
Total capital assets, being depreciated net	<u>53,004,131</u>	<u>3,082,947</u>	<u>-</u>	<u>56,087,078</u>
Governmental activities capital assets, net	<u>\$ 156,655,553</u>	<u>\$ 10,582,558</u>	<u>\$ (3,548,741)</u>	<u>\$ 163,689,370</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 773,307	\$ 871,200	\$ -	\$ 1,644,507
Construction in progress	202,764	2,169,374	(50,102)	2,322,036
Total capital assets, not being depreciated	<u>976,071</u>	<u>3,040,574</u>	<u>(50,102)</u>	<u>3,966,543</u>
Capital assets, being depreciated:				
Buildings and improvements	1,036,851	-	-	1,036,851
Utility plant	9,937,345	78,965	-	10,016,310
Wastewater capacity rights	17,793,248	-	-	17,793,248
Pipelines	60,333,563	292,005	-	60,625,568
Vehicles and equipment	350,623	-	(6,868)	343,755
Total capital assets, being depreciated	<u>89,451,630</u>	<u>370,970</u>	<u>(6,868)</u>	<u>89,815,732</u>
Less accumulated depreciation for:				
Buildings and improvements	(509,533)	(22,465)	-	(531,998)
Utility plant	(2,819,181)	(237,141)	-	(3,056,322)
Wastewater capacity rights	(4,448,312)	(404,392)	-	(4,852,704)
Pipelines	(24,531,164)	(1,162,828)	-	(25,693,992)
Vehicles and equipment	(234,511)	(25,574)	4,350	(255,735)
Total accumulated depreciation	<u>(32,542,701)</u>	<u>(1,852,400)</u>	<u>4,350</u>	<u>(34,390,751)</u>
Total capital assets, being depreciated net	<u>56,908,929</u>	<u>(1,481,430)</u>	<u>(2,518)</u>	<u>55,424,981</u>
Business-type activities capital assets, net	<u>\$ 57,885,000</u>	<u>\$ 1,559,144</u>	<u>\$ (52,620)</u>	<u>\$ 59,391,524</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 4: Capital Assets (continued)

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

Governmental activities:	
General government	\$ 93,345
Public safety	176,409
Streets and highways	1,765,238
Community development	54,070
Culture and leisure	390,458
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
Depreciation	283,027
Amortization	<u>31,277</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,793,824</u></u>
Business-type activities:	
Water	\$ 847,419
Sewer - amortization	404,392
Sewer - depreciation	<u>600,589</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,852,400</u></u>

Note 5: Retirement Plan

Plan Description

The City contributes to the California Public Employees Retirement 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% (5% for Fire Chief and 9% for Fire Employees) 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 16.705% for non-safety employees and 12.59% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 5: Retirement Plan (continued)

Annual Pension Cost

For 2010, the City's annual pension cost of \$941,763 for PERS was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2007, 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
06/30/08	\$ 934,202	100%	\$ -
06/30/09	\$ 951,108	100%	\$ -
06/30/10	\$ 941,763	100%	\$ -

Note 6: Long-Term Debt

Governmental activities

a. Capital leases

Equipment

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 \$1,041 at June 30, 2010.

During 2010, the City entered into a capital lease to finance the purchase of eight copy machines. The present value of the future lease payments at the commencement of the lease was \$42,805. Lease payments of \$928 are due on a monthly basis and are due commencing March 2010. The equipment acquired with the lease has a net book value of \$39,952 at June 30, 2010.

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

Fiscal Years Ending June 30,	Capital leases
2011	\$ 11,133
2012	11,133
2013	11,132
2014	11,132
2015	7,421
Total minimum lease payments	51,951
Less: amount representing interest	(11,312)
Present value of minimum lease payments	\$ 40,639

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 6: Long-Term Debt (continued)

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. The bonds were advance refunded in April 2010 with proceeds from the 2010 Refunding Tax Allocation Bonds.

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. The bonds were advanced refunded in April 2010 with proceeds from the 2010 Refunding Tax Allocation Bonds.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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, 2010

Note 6: Long-Term Debt (continued)

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

The reacquisition price exceeded the net carrying amount of the old debt by \$2,196,103. This amount is being netted against the new debt and being amortized over the remaining life of the refunded debt. The advance refunding resulted in an increase in debt service payments over the next 25 years of \$22,802,534 and resulted in an economic loss of \$4,112,492.

The following schedule illustrates the annual debt service requirements to maturity for Bonds outstanding as of June 30, 2010:

Fiscal Years Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2011	\$ 1,945,000	\$ 4,857,723
2012	2,150,000	5,052,942
2013	2,240,000	4,960,341
2014	2,335,000	4,860,474
2015	2,450,000	4,748,655
2016-2020	14,200,000	21,803,473
2021-2025	18,160,000	17,843,597
2026-2030	23,475,000	12,522,000
2031-2035	26,100,000	5,142,013
2036	2,305,000	138,300
	<u>\$ 95,360,000</u>	<u>\$ 81,929,518</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 6: Long-Term Debt (continued)

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 \$177,289,518 (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, 2010, totaled \$16,887,905 with the required debt service amount of \$7,154,700 for the following Bonds:

2000 Tax allocation bonds
2001 Refunding tax allocation bonds
2003 Tax allocation bonds
2005 Refunding tax allocation bonds
2010 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)

c. *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. The short term portion of the compensated absences liability is reported in the statement of net assets and amount to \$329,886. The long-term portions are also recorded in the statement of net assets and amount to \$989,658.

The short term portion of the claims and judgments liability is recorded in the statement of net assets and amount to \$621,060. The long-term portion of \$510,809 is also recorded on the statement of net assets, governmental activities.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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
2011	\$ 146,694
2012	146,693
2013	146,693
2014	146,693
2015	146,693
2016-2018	440,083
Total minimum lease payments	1,173,549
Less: amount representing interest	(135,170)
Present value of minimum lease payments	\$ 1,038,379

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	(4,852,704)
Total:	\$ 12,940,544

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 6: Long-Term Debt (continued)

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, 2010 the balance due was \$622,295. Debt service requirements on this loan are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2011	\$ 77,464	\$ 28,284
2012	80,933	24,815
2013	84,575	21,173
2014	88,399	17,349
2015	92,415	13,333
2016-2017	198,509	13,806
Totals	\$ 622,295	\$ 118,760

c. 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, 2010

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:

Fiscal Years Ending June 30,	2009 Revenue Refunding Bonds	
	Principal	Interest
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	700,000	1,917,373
2016-2020	3,960,000	9,092,307
2021-2025	5,035,000	7,984,830
2026-2030	6,495,000	6,469,020
2031-2035	8,510,000	4,396,782
2036-2040	11,190,000	1,642,220
Totals	<u>\$ 38,430,000</u>	<u>\$ 39,432,599</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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, 2010:

Changes in long-term liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental activities:					
<i>Capital leases:</i>					
Copiers	\$ 17,398	\$ 42,805	\$ 19,564	\$ 40,639	\$ 7,026
Total capital leases	<u>17,398</u>	<u>42,805</u>	<u>19,564</u>	<u>40,639</u>	<u>7,026</u>
<i>Bonds payable:</i>					
2000 Tax allocation bonds	2,010,000	-	2,010,000	-	-
2001 Refunding tax allocation bonds	29,320,000	-	1,255,000	28,065,000	1,305,000
2001 Refunding tax allocation bonds (school district)	4,235,000	-	115,000	4,120,000	120,000
2003 Tax allocation bonds	18,310,000	-	18,310,000	-	-
2004 Tax allocation refunding bonds (School district pass-through)	10,185,000	-	245,000	9,940,000	255,000
2005 Refunding tax allocation bonds	16,860,000	-	55,000	16,805,000	65,000
2009 Tax allocation bonds (School district pass-through)	12,200,000	-	270,000	11,930,000	200,000
2010 Refunding tax allocation bonds	-	24,500,000	-	24,500,000	-
Subtotal bonds payable	<u>93,120,000</u>	<u>24,500,000</u>	<u>22,260,000</u>	<u>95,360,000</u>	<u>1,945,000</u>
Plus/(less) deferred amounts:					
For deferred loss on refunding	(260,080)	(2,196,103)	(16,255)	(2,439,928)	(126,060)
For issuance premium	717,028	-	472,142	244,886	16,326
For issuance discount	(165,069)	(389,080)	(6,603)	(547,546)	(22,166)
Total bonds payable	<u>93,411,879</u>	<u>21,914,817</u>	<u>22,709,284</u>	<u>92,617,412</u>	<u>1,813,100</u>
Claims and judgments	888,036	658,905	415,072	1,131,869	621,060
Compensated absences	<u>1,205,291</u>	<u>791,492</u>	<u>677,239</u>	<u>1,319,544</u>	<u>329,886</u>
Governmental activity long-term liabilities	<u>\$ 95,522,604</u>	<u>\$ 23,408,019</u>	<u>\$ 23,821,159</u>	<u>\$ 95,109,464</u>	<u>\$ 2,771,072</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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	\$ 1,152,796	\$ -	\$ 114,417	\$ 1,038,379	\$ 117,619
Copier	3,056	-	3,056	-	-
Total capital leases	1,155,852	-	117,473	1,038,379	117,619
<i>Bonds:</i>					
2009 Revenue bonds	39,000,000	-	570,000	38,430,000	605,000
<i>(Less) deferred amounts:</i>					
For deferred loss on issuance	(796,262)	-	(41,434)	(754,828)	(41,434)
For issuance discount	(487,134)	-	(16,397)	(470,737)	(16,397)
Total bonds	37,716,604	-	512,169	37,204,435	547,169
<i>Loan payable:</i>					
US Ecomnomic Development Administration	696,456	-	74,161	622,295	77,464
Compensated absences	178,956	-	178,956	-	-
Advances from other funds	319,320	-	319,320	-	-
Business-type activity long-term liabilities	<u>\$ 40,067,188</u>	<u>\$ -</u>	<u>\$ 1,202,079</u>	<u>\$ 38,865,109</u>	<u>\$ 742,252</u>

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

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, 2010, 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, the 1998 Certificates of Participation of \$9,410,000, the 2000 Tax Allocation Bonds of \$2,425,000 and the 2003 Tax Allocation Bonds of \$21,500,000 are considered defeased.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 8: Other Special Obligations

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

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

Note 9: Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2010, is as follows:

Due to/from other funds

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	\$ 168,501
		<u>168,501</u>
Water Utility	Redevelopment Capital Projects	205
	Redevelopment Special Revenue	819
	Nonmajor governmental funds	7,195
		<u>8,219</u>
	Total due to/from other funds	<u>\$ 176,720</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

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

Interfund transfers

Fund receiving transfers	Fund making transfers	Amount	
<i>General Fund</i>	Redevelopment Capital Projects	\$ 901,549	(5)
	Sewer Utility	134,618	(2)
	Water Utility	130,885	(2)
	Internal Service Fund	122,345	(1)
	Nonmajor funds	146,911	(1)
		1,436,308	
<i>Redevelopment Debt Service</i>	Redevelopment Capital Projects	5,202,171	(3)
<i>Nonmajor funds</i>	General Fund	25,000	(4)
	Redevelopment Capital Projects	3,301,485	(4)
		3,326,485	
Total governmental funds		9,964,964	
<i>Internal Service Funds</i>	General Fund	960,280	(1)
	Redevelopment Capital Projects	108,108	(1)
	Redevelopment Special Revenue	46,057	(1)
	Water Utility	114,560	(1)
	Sewer Utility	64,394	(1)
	Internal Service Fund	30,035	(1)
		1,323,434	
	Total transfers in	\$ 11,288,398	

- (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.
- (5) Transfers made for excess pass-through payments.

Note 10: Advances

Advances at June 30, 2010 consist of the following:

Advances to	Advances from	Amount
<i>Redevelopment Capital Projects</i>	Redevelopment Special Revenue	\$ 3,000,000

The advance from the Low and Moderate Housing Fund to the Capital Projects Fund was to fund the required Supplemental Educational Revenue Augmentation Fund property tax shift required by the State of California (see note 15).

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 11: 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	Non major Governmental Funds	Total
Reserved for:					
Long-term receivables	\$ 9,599,095	\$ -	\$ 838,585	\$ 25,581	\$ 10,463,261
Debt service	-	7,238,038	-	-	7,238,038
Advances	3,000,000	-	-	-	3,000,000
Land held for resale	3,369,583	-	7,453,688	-	10,823,271
Total reservations	<u>\$ 15,968,678</u>	<u>\$ 7,238,038</u>	<u>\$ 8,292,273</u>	<u>\$ 25,581</u>	<u>\$ 31,524,570</u>

Unreserved - designations:

General Fund Designated for emergencies	<u>\$ 3,382,363</u>
Total General Fund designations	<u>\$ 3,382,363</u>

Note 12: 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, 2010, 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	1,615,000	567,968	2,182,968
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, 2010

Note 12: 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 13: 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, 2010, the amount of these liabilities was \$1,131,869. The amount represents an estimate of \$356,905 for reported claims through June 30, 2010 and \$774,964 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, 2008 resulted from the following:

Year	Liability at beginning	Current year claims and changes in estimates	Claim payments	Liability at end
2009	\$ 888,036	\$ 271,742	\$ 271,742	\$ 888,036
2010	888,036	658,905	415,072	1,131,869

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2009 to 2010. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2007/08, 2008/09 and 2009/10.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 14: 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 2010, the city's OPEB cost (expense) of \$1,401,000 was equal to the annual required contribution (ARC). The city current year contribution was \$956,000, which reduced the net OPEB asset of \$907,000 to \$462,000. 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 2010 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, 2008	N/A	N/A	N/A
June 30, 2009	\$ 1,430	163.4%	\$ (907)
June 30, 2010	\$ 1,401	68.2%	\$ (462)

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 14: Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan as of the January 1, 2010 actuarial valuation was as follows:

	(in thousands)
Actuarial accrued liability (AAL)	
Actives	\$ 6,773
Retirees	8,146
Unfunded actuarial accrued liability	\$ 14,919
Covered payroll (active plan members)	\$ 5,784
UAAL as a percentage of covered payroll	38.7%
Present Value of Future Benefits	
Actives	\$ 11,025
Retirees	8,146
Total	\$ 19,171
Normal Cost	\$ 538
Normal Cost as a percent of payroll	9.3%

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, 2010 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, 2010

Note 14: 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)
01/01/2008	\$ 2,278*	\$ 13,372	\$ 11,094	17.04%
01/01/2010	2,207	14,919	12,712	14.79%

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

Note 15: Supplemental Educational Revenue Augmentation Fund

On July 24, 2009, the State Legislature passed Assembly Bill (AB)X4-26, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift was \$4,904,827 for fiscal year 2009-2010 and \$1,003,457 for fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to ABX4-26, the Agency funded the SERAF payment due in May 2010 with the Low/Mod Housing Fund.

City of Norco
Notes to the Basic Financial Statements
June 30, 2010

Note 15: Supplemental Educational Revenue Augmentation Fund (continued)

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate ABX4-26, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed the lawsuit on October 20, 2009. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments. While the State made adjustments in ABX4-26 to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional. In May 2010, the Superior Court upheld the legality of ABX4-26. In August 2010, the CRA filed an appeal with the Third District Court.

Note 16: Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Norco was \$396,106.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The Town participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the state had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value, and as a result, no gain or loss was recorded.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,725,679	\$ 8,370,262	\$ 8,305,398	\$ (64,864)
Licenses and permits	383,103	373,103	305,400	(67,703)
Fines and forfeitures	615,890	703,800	752,125	48,325
Intergovernmental	82,295	227,895	158,739	(69,156)
Charges for services	2,263,361	2,171,388	1,717,106	(454,282)
Investment earnings	234,513	140,010	135,548	(4,462)
Reimbursements	40,000	40,000	2,438	(37,562)
Other	580,866	580,866	571,565	(9,301)
	<u>13,925,707</u>	<u>12,607,324</u>	<u>11,948,319</u>	<u>(659,005)</u>
EXPENDITURES				
Current:				
General government	2,948,313	2,487,521	2,360,056	127,465
Public safety	10,673,998	10,581,871	10,669,915	(88,044)
Streets and highways	197,425	197,425	176,644	20,781
Community and economic development	530,849	527,749	493,192	34,557
Culture and leisure	2,187,839	2,049,596	1,903,494	146,102
	<u>16,538,424</u>	<u>15,844,162</u>	<u>15,603,301</u>	<u>240,861</u>
Excess (deficiency) of revenues over expenditures	<u>(2,612,717)</u>	<u>(3,236,838)</u>	<u>(3,654,982)</u>	<u>(418,144)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,074,951	1,755,165	1,436,308	(318,857)
Transfers out	(525,000)	(985,280)	(985,280)	-
	<u>549,951</u>	<u>769,885</u>	<u>451,028</u>	<u>(318,857)</u>
Net change in fund balance	(2,062,766)	(2,466,953)	(3,203,954)	(737,001)
Fund balance, beginning of year	6,586,317	6,586,317	6,586,317	-
Fund balance, end of year	<u>\$ 4,523,551</u>	<u>\$ 4,119,364</u>	<u>\$ 3,382,363</u>	<u>\$ (737,001)</u>

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - Redevelopment Special Revenue Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,037,500	\$ 2,754,571	\$ 2,924,741	\$ 170,170
Investment earnings	10,000	10,000	46,572	36,572
Intergovernmental	1,627,000	1,627,000	1,535,034	(91,966)
Other	45,100	45,100	88,940	43,840
Total revenues	<u>4,719,600</u>	<u>4,436,671</u>	<u>4,595,287</u>	<u>158,616</u>
EXPENDITURES				
Current:				
Community and economic development	6,393,852	6,390,802	2,625,140	3,765,662
Debt Service:				
Principal	385,000	385,000	385,000	-
Interest	645,408	645,408	645,407	1
Cost of issuance	-	49,000	49,000	-
Total expenditures	<u>7,424,260</u>	<u>7,470,210</u>	<u>3,704,547</u>	<u>3,765,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,704,660)</u>	<u>(3,033,539)</u>	<u>890,740</u>	<u>3,924,279</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	4,553,966	4,553,966	-
Payment to refunded bond escrow	-	(4,031,243)	(4,031,243)	-
Discount	-	(77,816)	(77,816)	-
Transfers out	-	-	(46,057)	(46,057)
Total other financing sources (uses)	<u>-</u>	<u>444,907</u>	<u>398,850</u>	<u>(46,057)</u>
Net change in fund balance	(2,704,660)	(2,588,632)	1,289,590	3,878,222
Fund balance, beginning of year	<u>19,233,206</u>	<u>19,233,206</u>	<u>19,233,206</u>	<u>-</u>
Fund balance, end of year	<u>\$ 16,528,546</u>	<u>\$ 16,644,574</u>	<u>\$ 20,522,796</u>	<u>\$ 3,878,222</u>

**Required Supplementary Information
City of Norco
Schedule of Funding Progress
Other Post-Employment Benefits
For the Year Ended June 30, 2010**

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
01/01/2008	\$ 13,372	\$ 2,278	\$ 11,094	17.04%	\$ 6,279	176.68%
01/01/2010	14,919	2,207	12,712	14.79%	5,784	219.78%

City of Norco
Notes to Required Supplementary Information
For the Year Ended June 30, 2010

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	\$ 10,669,915	\$ 10,581,871	\$ (88,044)

**INDIVIDUAL FUND SCHEDULES AND
COMBINING FINANCIAL STATEMENTS**

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Debt Service Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 260,473	\$ 260,473
Intergovernmental	1,038,200	-	-	-
 Total revenues	 1,038,200	 -	 260,473	 260,473
EXPENDITURES				
Debt service:				
Principal	1,900,000	2,170,000	2,170,000	-
Interest	3,298,624	3,954,293	3,954,293	-
Advance refunding escrow	-	1,583,999	1,583,999	-
Bond issue costs	-	460,660	460,660	-
 Total expenditures	 5,198,624	 8,168,952	 8,168,952	 -
 Excess (deficiency) of revenues over expenditures	 (4,160,424)	 (8,168,952)	 (7,908,479)	 260,473
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	19,856,544	19,856,544	-
Payment to refunded bond escrow	-	(16,124,973)	(16,124,973)	-
Discount	-	(311,264)	(311,264)	-
Transfers in	5,198,624	5,198,624	5,202,171	3,547
 Total other financing sources (uses)	 5,198,624	 8,618,931	 8,622,478	 3,547
 Net change in fund balance	 1,038,200	 449,979	 713,999	 264,020
 Fund balance, beginning of year	 8,123,598	 8,123,598	 8,123,598	 -
 Fund balance, end of year	 <u>\$ 9,161,798</u>	 <u>\$ 8,573,577</u>	 <u>\$ 8,837,597</u>	 <u>\$ 264,020</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Capital Projects Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,257,190	\$ 11,535,474	\$ 11,996,818	\$ 461,344
Intergovernmental	-	2,054,386	1,966,346	(88,040)
Investment earnings	436,672	265,636	228,384	(37,252)
Other	222,450	591,450	439,919	(151,531)
Total revenues	12,916,312	14,446,946	14,631,467	184,521
EXPENDITURES				
Current:				
Community and economic development	8,828,013	15,440,648	16,622,773	(1,182,125)
Capital outlay:				
Other	1,963,441	1,987,441	-	1,987,441
Total expenditures	10,791,454	17,428,089	16,622,773	805,316
Excess (deficiency) of revenues over (under) expenditures	2,124,858	(2,981,143)	(1,991,306)	989,837
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	89,490	89,490
Transfers out	(15,736,550)	(15,975,099)	(9,513,313)	6,461,786
Total other financing sources (uses)	(15,736,550)	(15,975,099)	(9,423,823)	6,551,276
Net change in fund balance	(13,611,692)	(18,956,242)	(11,415,129)	7,541,113
Fund balance, beginning of year	31,514,380	31,514,380	31,514,380	-
Fund balance, end of year	\$ 17,902,688	\$ 12,558,138	\$ 20,099,251	\$ 7,541,113

**COMBINING NONMAJOR
GOVERNMENTAL FUNDS**

Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

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

Cal Home Grant Fund – to account for home rehabilitation programs that are designed to assist senior citizens and those of low and very-low income make necessary repairs and general property improvements.

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.

Justice Assistance 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.

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, 2010**

	Special Revenue Funds		
	Cal Home Grant Fund	Miscellaneous Grant Fund	Community Development Block Grant
ASSETS			
Cash and investments	\$ 200,622	\$ -	\$ -
Receivables, net:			
Accounts	-	-	-
Interest	213	-	-
Loans	25,581	-	-
Prepaid expenses	-	-	-
Due from other governments	-	56,139	112,088
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 226,416</u>	<u>\$ 56,139</u>	<u>\$ 112,088</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 450	\$ -	\$ -
Retentions payable	1,570	-	17,390
Due to other funds	-	34,374	94,698
Deposits payable	-	-	-
Deferred revenues	197,469	21,765	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>199,489</u>	<u>56,139</u>	<u>112,088</u>
 Fund balances:			
Reserved for:			
Long-term receivables	25,581	-	-
Unreserved, reported in:			
Special revenue funds	1,346	-	-
Capital projects funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>26,927</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 226,416</u>	<u>\$ 56,139</u>	<u>\$ 112,088</u>

continued

Special Revenue Funds					
Gas Tax	Measure A	NPDES	Air Quality Improvement Trust	Justice Assistance Grant	Supplemental Law Enforcement Block Grant
\$ 244,434	\$ 3,221,325	\$ 20,748	\$ 55,283	\$ 10,807	\$ -
-	-	-	-	-	-
145	3,235	-	51	11	4
-	-	-	-	-	-
-	-	-	-	-	-
113,379	106,221	-	8,259	-	25,773
<u>\$ 357,958</u>	<u>\$ 3,330,781</u>	<u>\$ 20,748</u>	<u>\$ 63,593</u>	<u>\$ 10,818</u>	<u>\$ 25,777</u>
\$ 103,879	\$ 14,326	\$ 2,180	\$ 239	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	12,828
-	-	-	-	-	-
-	-	-	-	10,140	-
<u>103,879</u>	<u>14,326</u>	<u>2,180</u>	<u>239</u>	<u>10,140</u>	<u>12,828</u>
-	-	-	-	-	-
254,079	3,316,455	18,568	63,354	678	12,949
-	-	-	-	-	-
<u>254,079</u>	<u>3,316,455</u>	<u>18,568</u>	<u>63,354</u>	<u>678</u>	<u>12,949</u>
<u>\$ 357,958</u>	<u>\$ 3,330,781</u>	<u>\$ 20,748</u>	<u>\$ 63,593</u>	<u>\$ 10,818</u>	<u>\$ 25,777</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
ASSETS			
Cash and investments	\$ 1,055	\$ -	\$ 27,774
Receivables, net:			
Accounts	-	-	-
Interest	-	-	28
Loans	-	-	-
Prepaid expenses	-	-	-
Due from other governments	-	77,933	188
	.		
Total assets	<u>\$ 1,055</u>	<u>\$ 77,933</u>	<u>\$ 27,990</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,055	\$ 51,332	\$ 485
Retentions payable	-	-	-
Due to other funds	-	26,601	27
Deposits payable	-	-	-
Deferred revenues	-	-	-
	<u>1,055</u>	<u>77,933</u>	<u>512</u>
 Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	27,478
Capital projects funds	-	-	-
	<u>-</u>	<u>-</u>	<u>27,478</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>27,478</u>
 Total liabilities and fund balances	<u>\$ 1,055</u>	<u>\$ 77,933</u>	<u>\$ 27,990</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
\$ 37,305	\$ 93,571	\$ 466,361	\$ 48,059	\$ 1,263,418	\$ 5,690,762
-	-	-	-	-	-
33	89	429	43	1,289	5,570
-	-	-	-	-	25,581
-	-	-	-	3,750	3,750
6,075	5,168	23,800	1,675	-	536,698
<u>\$ 43,413</u>	<u>\$ 98,828</u>	<u>\$ 490,590</u>	<u>\$ 49,777</u>	<u>\$ 1,268,457</u>	<u>\$ 6,262,361</u>
\$ 8,974	\$ 4,921	28,487	\$ 2,615	\$ 2,818	\$ 221,761
-	-	-	-	-	18,960
1,712	627	4,006	823	-	175,696
-	-	6,400	-	-	6,400
-	-	-	-	-	229,374
10,686	5,548	38,893	3,438	2,818	652,191
-	-	-	-	-	25,581
32,727	93,280	451,697	46,339	1,265,639	5,584,589
-	-	-	-	-	-
32,727	93,280	451,697	46,339	1,265,639	5,610,170
<u>\$ 43,413</u>	<u>\$ 98,828</u>	<u>\$ 490,590</u>	<u>\$ 49,777</u>	<u>\$ 1,268,457</u>	<u>\$ 6,262,361</u>

City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Capital Projects Funds		
	General		
	Storm Drain	Government Improvement	Fire Improvement
ASSETS			
Cash and investments	\$ 381,363	\$ 1,829,009	\$ 637,554
Receivables, net:			
Accounts	699,000	-	-
Interest	239	1,910	640
Loans	-	-	-
Prepaid expenses	-	-	15,955
Due from other governments	-	-	-
Total assets	\$ 1,080,602	\$ 1,830,919	\$ 654,149
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 70,328	\$ 20,021	\$ -
Retentions payable	7,088	21,665	-
Due to other funds	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	-
Total liabilities	77,416	41,686	-
 Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	1,003,186	1,789,233	654,149
Total fund balances	1,003,186	1,789,233	654,149
Total liabilities and fund balances	\$ 1,080,602	\$ 1,830,919	\$ 654,149

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>
\$ 471,107	\$ 3,482,589	\$ 57,906	\$ -	\$ 803,096
-	-	-	-	-
475	3,259	58	-	809
-	-	-	-	-
-	-	-	-	-
-	36,967	-	-	-
<u>\$ 471,582</u>	<u>\$ 3,522,815</u>	<u>\$ 57,964</u>	<u>\$ -</u>	<u>\$ 803,905</u>
\$ -	\$ 19,970	\$ -	\$ -	\$ -
-	32,933	-	-	-
-	-	-	-	-
-	-	-	-	-
-	36,967	-	-	-
<u>-</u>	<u>89,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>471,582</u>	<u>3,432,945</u>	<u>57,964</u>	<u>-</u>	<u>803,905</u>
<u>471,582</u>	<u>3,432,945</u>	<u>57,964</u>	<u>-</u>	<u>803,905</u>
<u>\$ 471,582</u>	<u>\$ 3,522,815</u>	<u>\$ 57,964</u>	<u>\$ -</u>	<u>\$ 803,905</u>

**City of Norco
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	<u>Capital Projects Funds</u>		
	<u>Park Improvement</u>	<u>Public Library</u>	<u>Public Meeting</u>
ASSETS			
Cash and investments	\$ 1,175,773	\$ 13,097	\$ 37,716
Receivables, net:			
Accounts	-	-	-
Interest	1,074	13	38
Loans	-	-	-
Prepaid expenses	-	-	-
Due from other governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,176,847</u>	<u>\$ 13,110</u>	<u>\$ 37,754</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 9,677	\$ -	\$ -
Retentions payable	215,123	-	-
Due to other funds	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>224,800</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Reserved for:			
Long-term receivables	-	-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	952,047	13,110	37,754
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>952,047</u>	<u>13,110</u>	<u>37,754</u>
	<u>\$ 1,176,847</u>	<u>\$ 13,110</u>	<u>\$ 37,754</u>

<u>Capital Projects Funds</u>				Total Nonmajor Governmental Funds
<u>Aquatics Center</u>	<u>Animal Control</u>	<u>Facility Improvement</u>	<u>Total Capital Projects Funds</u>	
\$ 8,654	\$ 222,623	\$ 150,098	\$ 9,270,585	\$ 14,961,347
-	-	-	699,000	699,000
9	253	-	8,777	14,347
-	-	-	-	25,581
-	-	-	15,955	19,705
-	-	-	36,967	573,665
<u>\$ 8,663</u>	<u>\$ 222,876</u>	<u>\$ 150,098</u>	<u>\$ 10,031,284</u>	<u>\$ 16,293,645</u>
\$ -	\$ 68,866	\$ -	\$ 188,862	\$ 410,623
-	-	-	276,809	295,769
-	-	-	-	175,696
-	-	-	-	6,400
-	-	-	36,967	266,341
<u>-</u>	<u>68,866</u>	<u>-</u>	<u>502,638</u>	<u>1,154,829</u>
-	-	-	-	25,581
-	-	-	-	5,584,589
<u>8,663</u>	<u>154,010</u>	<u>150,098</u>	<u>9,528,646</u>	<u>9,528,646</u>
<u>8,663</u>	<u>154,010</u>	<u>150,098</u>	<u>9,528,646</u>	<u>15,138,816</u>
<u>\$ 8,663</u>	<u>\$ 222,876</u>	<u>\$ 150,098</u>	<u>\$ 10,031,284</u>	<u>\$ 16,293,645</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		
	Cal Home Grant Fund	Miscellaneous Grant Fund	Community Development Block Grant
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	27,531	94,852	349,114
Charges for services	-	-	-
Investment earnings	1,346	-	-
	<u>28,877</u>	<u>94,852</u>	<u>349,114</u>
Total revenues			
	<u>28,877</u>	<u>94,852</u>	<u>349,114</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	20,000	-
Streets and highways	-	-	-
Community and economic development	1,950	-	333,497
Culture and leisure	-	74,852	-
	<u>1,950</u>	<u>94,852</u>	<u>333,497</u>
Total expenditures			
	<u>1,950</u>	<u>94,852</u>	<u>333,497</u>
Excess (deficiency) of revenues over expenditures	<u>26,927</u>	<u>-</u>	<u>15,617</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(15,617)
	<u>-</u>	<u>-</u>	<u>(15,617)</u>
Total other financing sources (uses)			
	<u>-</u>	<u>-</u>	<u>(15,617)</u>
Net change in fund balances	26,927	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<u>\$ 26,927</u>	<u>\$ -</u>	<u>\$ -</u>

continued

Special Revenue Funds					
<u>Gas Tax</u>	<u>Measure A</u>	<u>NPDES</u>	<u>Air Quality Improvement Trust</u>	<u>Justice Assistance Grant</u>	<u>Supplemental Law Enforcement Block Grant</u>
\$ -	\$ 426,847	\$ 91,613	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
693,744	-	-	31,573	41,681	100,773
-	-	-	-	-	-
<u>1,375</u>	<u>20,305</u>	<u>-</u>	<u>368</u>	<u>117</u>	<u>70</u>
<u>695,119</u>	<u>447,152</u>	<u>91,613</u>	<u>31,941</u>	<u>41,798</u>	<u>100,843</u>
-	-	-	-	-	-
-	-	-	-	41,681	100,000
758,938	114,039	63,422	-	-	-
-	-	-	38,752	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>758,938</u>	<u>114,039</u>	<u>63,422</u>	<u>38,752</u>	<u>41,681</u>	<u>100,000</u>
<u>(63,819)</u>	<u>333,113</u>	<u>28,191</u>	<u>(6,811)</u>	<u>117</u>	<u>843</u>
-	-	50,000	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
<u>(63,819)</u>	<u>333,113</u>	<u>78,191</u>	<u>(8,311)</u>	<u>117</u>	<u>843</u>
<u>317,898</u>	<u>2,983,342</u>	<u>(59,623)</u>	<u>71,665</u>	<u>561</u>	<u>12,106</u>
<u>\$ 254,079</u>	<u>\$ 3,316,455</u>	<u>\$ 18,568</u>	<u>\$ 63,354</u>	<u>\$ 678</u>	<u>\$ 12,949</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		
	CLEEP	Office of Traffic Safety	Landscape Maintenance District #1
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	8,702
Development fees	-	-	-
Intergovernmental	-	153,981	-
Charges for services	-	-	-
Investment earnings	19	-	171
	<u>19</u>	<u>153,981</u>	<u>8,873</u>
Total revenues	19	153,981	8,873
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	5,393	153,981	-
Streets and highways	-	-	7,096
Community and economic development	-	-	-
Culture and leisure	-	-	-
	<u>5,393</u>	<u>153,981</u>	<u>7,096</u>
Total expenditures	5,393	153,981	7,096
Excess (deficiency) of revenues over expenditures	<u>(5,374)</u>	<u>-</u>	<u>1,777</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(5,565)
	<u>-</u>	<u>-</u>	<u>(5,565)</u>
Total other financing sources (uses)	-	-	(5,565)
Net change in fund balances	(5,374)	-	(3,788)
Fund balances, beginning of year	<u>5,374</u>	<u>-</u>	<u>31,266</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,478</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,460
126,255	74,692	453,988	51,706	-	715,343
-	-	-	-	-	-
-	-	-	-	6,255	1,499,504
-	-	-	-	-	-
146	485	2,080	210	8,164	34,856
<u>126,401</u>	<u>75,177</u>	<u>456,068</u>	<u>51,916</u>	<u>14,419</u>	<u>2,768,163</u>
-	-	-	-	10,318	10,318
-	-	-	-	-	321,055
137,139	60,795	324,312	29,571	-	1,495,312
-	-	-	-	-	374,199
-	-	-	-	-	74,852
<u>137,139</u>	<u>60,795</u>	<u>324,312</u>	<u>29,571</u>	<u>10,318</u>	<u>2,275,736</u>
<u>(10,738)</u>	<u>14,382</u>	<u>131,756</u>	<u>22,345</u>	<u>4,101</u>	<u>492,427</u>
-	-	-	-	-	50,000
<u>(18,185)</u>	<u>(8,341)</u>	<u>(23,259)</u>	<u>(8,501)</u>	<u>(24,000)</u>	<u>(104,968)</u>
<u>(18,185)</u>	<u>(8,341)</u>	<u>(23,259)</u>	<u>(8,501)</u>	<u>(24,000)</u>	<u>(54,968)</u>
(28,923)	6,041	108,497	13,844	(19,899)	437,459
<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>\$ 32,727</u>	<u>\$ 93,280</u>	<u>\$ 451,697</u>	<u>\$ 46,339</u>	<u>\$ 1,265,639</u>	<u>\$ 5,610,170</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	5,151	2,186	5,659
Intergovernmental	1,199,000	-	-
Charges for services	1,388	-	-
Investment earnings	398	13,043	3,788
Total revenues	<u>1,205,937</u>	<u>15,229</u>	<u>9,447</u>
EXPENDITURES			
Current:			
General government	-	1,142,094	-
Public safety	-	-	2,507
Streets and highways	454,653	-	-
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	<u>454,653</u>	<u>1,142,094</u>	<u>2,507</u>
Excess (deficiency) of revenues over expenditures	<u>751,284</u>	<u>(1,126,865)</u>	<u>6,940</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	433,250	-
Transfers out	<u>(2,597)</u>	<u>(1,092)</u>	<u>(3,911)</u>
Total other financing sources (uses)	<u>(2,597)</u>	<u>432,158</u>	<u>(3,911)</u>
Net change in fund balances	748,687	(694,707)	3,029
Fund balances, beginning of year	<u>254,499</u>	<u>2,483,940</u>	<u>651,120</u>
Fund balances, end of year	<u>\$ 1,003,186</u>	<u>\$ 1,789,233</u>	<u>\$ 654,149</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
699	42,626	-	-	-
-	566,224	-	-	-
-	-	-	-	-
<u>2,994</u>	<u>20,313</u>	<u>368</u>	<u>206</u>	<u>5,103</u>
<u>3,693</u>	<u>629,163</u>	<u>368</u>	<u>206</u>	<u>5,103</u>
-	-	-	209,883	-
-	-	-	-	-
-	1,149,260	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,149,260</u>	<u>-</u>	<u>209,883</u>	<u>-</u>
<u>3,693</u>	<u>(520,097)</u>	<u>368</u>	<u>(209,677)</u>	<u>5,103</u>
-	633,086	-	-	-
<u>(164)</u>	<u>(26,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(164)</u>	<u>606,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,529	86,007	368	(209,677)	5,103
<u>468,053</u>	<u>3,346,938</u>	<u>57,596</u>	<u>209,677</u>	<u>798,802</u>
<u>\$ 471,582</u>	<u>\$ 3,432,945</u>	<u>\$ 57,964</u>	<u>\$ -</u>	<u>\$ 803,905</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	18,379	-	1,258
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	7,207	83	236
Total revenues	<u>25,586</u>	<u>83</u>	<u>1,494</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	-	-	-
Community and economic development	-	-	-
Culture and leisure	2,440,641	-	-
Total expenditures	<u>2,440,641</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(2,415,055)</u>	<u>83</u>	<u>1,494</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,210,149	-	-
Transfers out	(7,197)	-	-
Total other financing sources (uses)	<u>2,202,952</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(212,103)	83	1,494
Fund balances, beginning of year	<u>1,164,150</u>	<u>13,027</u>	<u>36,260</u>
Fund balances, end of year	<u>\$ 952,047</u>	<u>\$ 13,110</u>	<u>\$ 37,754</u>

<u>Capital Projects Funds</u>				Total Non-major Governmental Funds
<u>Aquatics Center</u>	<u>Animal Control</u>	<u>Facility Improvement</u>	<u>Total Capital Projects Funds</u>	
\$ -	\$ -	\$ -	\$ -	\$ 518,460
-	-	-	-	715,343
241	249	-	76,448	76,448
-	-	-	1,765,224	3,264,728
-	-	-	1,388	1,388
55	1,837	-	55,631	90,487
<u>296</u>	<u>2,086</u>	<u>-</u>	<u>1,898,691</u>	<u>4,666,854</u>
-	-	-	1,351,977	1,362,295
-	167,781	-	170,288	491,343
-	-	-	1,603,913	3,099,225
-	-	-	-	374,199
-	-	-	2,440,641	2,515,493
<u>-</u>	<u>167,781</u>	<u>-</u>	<u>5,566,819</u>	<u>7,842,555</u>
<u>296</u>	<u>(165,695)</u>	<u>-</u>	<u>(3,668,128)</u>	<u>(3,175,701)</u>
-	-	-	3,276,485	3,326,485
-	-	-	(41,943)	(146,911)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,234,542</u>	<u>3,179,574</u>
296	(165,695)	-	(433,586)	3,873
8,367	319,705	150,098	9,962,232	15,134,943
<u>\$ 8,663</u>	<u>\$ 154,010</u>	<u>\$ 150,098</u>	<u>\$ 9,528,646</u>	<u>\$ 15,138,816</u>

City of Norco
Nonmajor Fund Budgetary Comparison Schedules
For the Year Ended June 30, 2010

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
Cal Home Grant Fund Special Revenue Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 225,000	\$ 27,531	\$ (197,469)
Investment earnings	-	-	1,346	1,346
Total revenues	-	225,000	28,877	(196,123)
EXPENDITURES				
Current:				
Community and economic development	-	-	1,950	(1,950)
Total expenditures	-	-	1,950	(1,950)
Net change in fund balance	-	225,000	26,927	(198,073)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 225,000	\$ 26,927	\$ (198,073)

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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 83,921	\$ 83,921	\$ 94,852	\$ 10,931
Total revenues	83,921	83,921	94,852	10,931
EXPENDITURES				
Current:				
General government	7,200	7,200	-	7,200
Public safety	-	-	20,000	(20,000)
Culture and leisure	74,814	74,814	74,852	(38)
Total expenditures	82,014	82,014	94,852	(12,838)
Net change in fund balance	1,907	1,907	-	(1,907)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 1,907	\$ 1,907	\$ -	\$ (1,907)

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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 491,795	\$ 491,795	\$ 349,114	\$ (142,681)
Total revenues	491,795	491,795	349,114	(142,681)
EXPENDITURES				
Current:				
Community and economic development	471,795	471,795	333,497	138,298
Total expenditures	471,795	471,795	333,497	138,298
Excess (deficiency) of revenues over expenditures	20,000	20,000	15,617	(4,383)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(15,617)	4,383
Total other financing sources (uses)	(20,000)	(20,000)	(15,617)	4,383
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 704,151	\$ 704,151	\$ 693,744	\$ (10,407)
Investment earnings	-	-	1,375	1,375
 Total revenues	<u>704,151</u>	<u>704,151</u>	<u>695,119</u>	<u>(9,032)</u>
EXPENDITURES				
Current:				
Streets and highways	<u>503,368</u>	<u>764,959</u>	<u>758,938</u>	<u>6,021</u>
 Total expenditures	<u>503,368</u>	<u>764,959</u>	<u>758,938</u>	<u>6,021</u>
 Net change in fund balance	200,783	(60,808)	(63,819)	(3,011)
 Fund balance, beginning of year	<u>317,898</u>	<u>317,898</u>	<u>317,898</u>	<u>-</u>
 Fund balance, end of year	<u><u>\$ 518,681</u></u>	<u><u>\$ 257,090</u></u>	<u><u>\$ 254,079</u></u>	<u><u>\$ (3,011)</u></u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure A Special Revenue Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 512,000	\$ 512,000	\$ 426,847	\$ (85,153)
Investment earnings	11,315	11,315	20,305	8,990
Total revenues	<u>523,315</u>	<u>523,315</u>	<u>447,152</u>	<u>(76,163)</u>
EXPENDITURES				
Current:				
Streets and highways	<u>1,617,500</u>	<u>1,617,500</u>	<u>114,039</u>	<u>1,503,461</u>
Total expenditures	<u>1,617,500</u>	<u>1,617,500</u>	<u>114,039</u>	<u>1,503,461</u>
Net change in fund balance	(1,094,185)	(1,094,185)	333,113	1,427,298
Fund balance, beginning of year	<u>2,983,342</u>	<u>2,983,342</u>	<u>2,983,342</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,889,157</u></u>	<u><u>\$ 1,889,157</u></u>	<u><u>\$ 3,316,455</u></u>	<u><u>\$ 1,427,298</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 91,613	\$ 31,613
Total revenues	60,000	60,000	91,613	31,613
EXPENDITURES				
Current:				
Streets and highways	105,984	105,984	63,422	42,562
Total expenditures	105,984	105,984	63,422	42,562
Excess (deficiency) of revenues over expenditures	(45,984)	(45,984)	28,191	74,175
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	4,016	4,016	78,191	74,175
Fund balance, beginning of year	(59,623)	(59,623)	(59,623)	-
Fund balance, end of year	<u>\$ (55,607)</u>	<u>\$ (55,607)</u>	<u>\$ 18,568</u>	<u>\$ 74,175</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 31,573	\$ 573
Investment earnings	-	-	368	368
Total revenues	<u>31,000</u>	<u>31,000</u>	<u>31,941</u>	<u>941</u>
EXPENDITURES				
Current:				
Community and economic development	-	61,000	38,752	22,248
Total expenditures	-	<u>61,000</u>	<u>38,752</u>	<u>22,248</u>
Excess (deficiency) of revenues over expenditures	<u>31,000</u>	<u>(30,000)</u>	<u>(6,811)</u>	<u>23,189</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Net change in fund balance	29,500	(31,500)	(8,311)	23,189
Fund balance, beginning of year	<u>71,665</u>	<u>71,665</u>	<u>71,665</u>	<u>-</u>
Fund balance, end of year	<u>\$ 101,165</u>	<u>\$ 40,165</u>	<u>\$ 63,354</u>	<u>\$ 23,189</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Justice Assistance Grant Special Revenue Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 41,681	\$ 51,821	\$ 41,681	\$ (10,140)
Investment earnings	-	-	117	117
Total revenues	41,681	51,821	41,798	(10,023)
EXPENDITURES				
Current:				
Public safety	41,681	51,821	41,681	10,140
Total expenditures	41,681	51,821	41,681	10,140
Net change in fund balance	-	-	117	117
Fund balance, beginning of year	561	561	561	-
Fund balance, end of year	<u>\$ 561</u>	<u>\$ 561</u>	<u>\$ 678</u>	<u>\$ 117</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,773	\$ 773
Investment earnings	-	-	70	70
Total revenues	100,000	100,000	100,843	843
EXPENDITURES				
Current:				
Public safety	100,000	100,000	100,000	-
Total expenditures	100,000	100,000	100,000	-
Net change in fund balance	-	-	843	843
Fund balance, beginning of year	12,106	12,106	12,106	-
Fund balance, end of year	<u>\$ 12,106</u>	<u>\$ 12,106</u>	<u>\$ 12,949</u>	<u>\$ 843</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
California Law Enforcement Equipment Program Special Revenue Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 19	\$ 19
Total revenues	-	-	19	19
EXPENDITURES				
Current:				
Public safety	-	5,375	5,393	(18)
Total expenditures	-	5,375	5,393	(18)
Net change in fund balance	-	(5,375)	(5,374)	1
Fund balance, beginning of year	5,374	5,374	5,374	-
Fund balance, end of year	<u>\$ 5,374</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 59,453	\$ 164,027	\$ 153,981	\$ (10,046)
Investment earnings	-	-	-	-
Total revenues	<u>59,453</u>	<u>164,027</u>	<u>153,981</u>	<u>(10,046)</u>
EXPENDITURES				
Current:				
Public safety	<u>59,453</u>	<u>164,027</u>	<u>153,981</u>	<u>10,046</u>
Total expenditures	<u>59,453</u>	<u>164,027</u>	<u>153,981</u>	<u>10,046</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Storm Drain Capital Projects Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 58,705	\$ 58,705	\$ 5,151	\$ (53,554)
Intergovernmental	2,287,500	2,287,500	1,199,000	(1,088,500)
Charges for services	-	-	1,388	1,388
Investment earnings	3,142	3,142	398	(2,744)
Total revenues	2,349,347	2,349,347	1,205,937	(1,143,410)
EXPENDITURES				
Current:				
Streets and highways	2,994,100	2,994,100	454,653	2,539,447
Total expenditures	2,994,100	2,994,100	454,653	2,539,447
Excess (deficiency) of revenues over (under) expenditures	(644,753)	(644,753)	751,284	1,396,037
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,597)	(2,597)	(2,597)	-
Total other financing sources (uses)	(2,597)	(2,597)	(2,597)	-
Net change in fund balance	(647,350)	(647,350)	748,687	1,396,037
Fund balance, beginning of year	254,499	254,499	254,499	-
Fund balance, end of year	<u>\$ (392,851)</u>	<u>\$ (392,851)</u>	<u>\$ 1,003,186</u>	<u>\$ 1,396,037</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 23,617	\$ 23,617	\$ 2,186	\$ (21,431)
Investment earnings	12,523	12,523	13,043	520
Total revenues	<u>36,140</u>	<u>36,140</u>	<u>15,229</u>	<u>(20,911)</u>
EXPENDITURES				
Current:				
General government	<u>1,853,300</u>	<u>1,853,300</u>	<u>1,142,094</u>	<u>711,206</u>
Total expenditures	<u>1,853,300</u>	<u>1,853,300</u>	<u>1,142,094</u>	<u>711,206</u>
Excess (deficiency) of revenues over expenditures	<u>(1,817,160)</u>	<u>(1,817,160)</u>	<u>(1,126,865)</u>	<u>690,295</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	433,250	433,250	433,250	-
Transfers out	<u>(1,092)</u>	<u>(1,092)</u>	<u>(1,092)</u>	<u>-</u>
Total other financing sources (uses)	<u>432,158</u>	<u>432,158</u>	<u>432,158</u>	<u>-</u>
Net change in fund balance	(1,385,002)	(1,385,002)	(694,707)	690,295
Fund balance, beginning of year	<u>2,483,940</u>	<u>2,483,940</u>	<u>2,483,940</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,098,938</u>	<u>\$ 1,098,938</u>	<u>\$ 1,789,233</u>	<u>\$ 690,295</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 125,126	\$ 125,126	\$ 5,659	\$ (119,467)
Investment earnings	3,656	3,656	3,788	132
Total revenues	<u>128,782</u>	<u>128,782</u>	<u>9,447</u>	<u>(119,335)</u>
EXPENDITURES				
Current:				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>2,507</u>	<u>17,493</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>2,507</u>	<u>17,493</u>
Excess (deficiency) of revenues over expenditures	<u>108,782</u>	<u>108,782</u>	<u>6,940</u>	<u>(101,842)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(365,140)</u>	<u>(365,140)</u>	<u>(3,911)</u>	<u>361,229</u>
Total other financing sources (uses)	<u>(365,140)</u>	<u>(365,140)</u>	<u>(3,911)</u>	<u>361,229</u>
Net change in fund balance	(256,358)	(256,358)	3,029	259,387
Fund balance, beginning of year	<u>651,120</u>	<u>651,120</u>	<u>651,120</u>	<u>-</u>
Fund balance, end of year	<u>\$ 394,762</u>	<u>\$ 394,762</u>	<u>\$ 654,149</u>	<u>\$ 259,387</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Trails Improvement Capital Projects Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 3,645	\$ 3,645	\$ 699	\$ (2,946)
Investment earnings	2,619	2,619	2,994	375
Total revenues	<u>6,264</u>	<u>6,264</u>	<u>3,693</u>	<u>(2,571)</u>
EXPENDITURES				
Capital outlay:				
Other	180,000	180,000	-	180,000
Total expenditures	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Excess (deficiency) of revenues over expenditures	<u>(173,736)</u>	<u>(173,736)</u>	<u>3,693</u>	<u>177,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(164)	(164)	(164)	-
Total other financing sources (uses)	<u>(164)</u>	<u>(164)</u>	<u>(164)</u>	<u>-</u>
Net change in fund balance	(173,900)	(173,900)	3,529	177,429
Fund balance, beginning of year	<u>468,053</u>	<u>468,053</u>	<u>468,053</u>	<u>-</u>
Fund balance, end of year	<u>\$ 294,153</u>	<u>\$ 294,153</u>	<u>\$ 471,582</u>	<u>\$ 177,429</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 579,072	\$ 579,072	\$ 42,626	\$ (536,446)
Intergovernmental	3,500,000	3,500,000	566,224	(2,933,776)
Investment earnings	17,030	17,030	20,313	3,283
Total revenues	4,096,102	4,096,102	629,163	(3,466,939)
EXPENDITURES				
Current:				
Streets and highways	8,239,000	8,436,539	1,149,260	7,287,279
Total expenditures	8,239,000	8,436,539	1,149,260	7,287,279
Excess (deficiency) of revenues over expenditures	(4,142,898)	(4,340,437)	(520,097)	3,820,340
OTHER FINANCING SOURCES (USES)				
Transfers in	3,190,595	3,190,595	633,086	(2,557,509)
Transfers out	(26,982)	(26,982)	(26,982)	-
Total other financing sources (uses)	3,163,613	3,163,613	606,104	(2,557,509)
Net change in fund balance	(979,285)	(1,176,824)	86,007	1,262,831
Fund balance, beginning of year	3,346,938	3,346,938	3,346,938	-
Fund balance, end of year	<u>\$ 2,367,653</u>	<u>\$ 2,170,114</u>	<u>\$ 3,432,945</u>	<u>\$ 1,262,831</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 162,260	\$ 162,260	\$ 18,379	\$ (143,881)
Investment earnings	6,452	6,452	7,207	755
Total revenues	<u>168,712</u>	<u>168,712</u>	<u>25,586</u>	<u>(143,126)</u>
EXPENDITURES				
Current:				
Culture and leisure	4,898,712	4,887,990	2,440,641	2,447,349
Total expenditures	<u>4,898,712</u>	<u>4,887,990</u>	<u>2,440,641</u>	<u>2,447,349</u>
Excess (deficiency) of revenues over expenditures	<u>(4,730,000)</u>	<u>(4,719,278)</u>	<u>(2,415,055)</u>	<u>2,304,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,676,081	3,676,081	2,210,149	(1,465,932)
Transfers out	<u>(7,197)</u>	<u>(7,197)</u>	<u>(7,197)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,668,884</u>	<u>3,668,884</u>	<u>2,202,952</u>	<u>(1,465,932)</u>
Net change in fund balance	(1,061,116)	(1,050,394)	(212,103)	838,291
Fund balance, beginning of year	<u>1,164,150</u>	<u>1,164,150</u>	<u>1,164,150</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 103,034</u></u>	<u><u>\$ 113,756</u></u>	<u><u>\$ 952,047</u></u>	<u><u>\$ 838,291</u></u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Library Capital Projects Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 2,355	\$ 2,355	\$ -	\$ (2,355)
Investment earnings	65	65	83	18
Total revenues	<u>2,420</u>	<u>2,420</u>	<u>83</u>	<u>(2,337)</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	2,420	2,420	83	(2,337)
Fund balance, beginning of year	<u>13,027</u>	<u>13,027</u>	<u>13,027</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 15,447</u></u>	<u><u>\$ 15,447</u></u>	<u><u>\$ 13,110</u></u>	<u><u>\$ (2,337)</u></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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 6,560	\$ 6,560	\$ 1,258	\$ (5,302)
Investment earnings	180	180	236	56
Total revenues	<u>6,740</u>	<u>6,740</u>	<u>1,494</u>	<u>(5,246)</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	6,740	6,740	1,494	(5,246)
Fund balance, beginning of year	<u>36,260</u>	<u>36,260</u>	<u>36,260</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 43,000</u></u>	<u><u>\$ 43,000</u></u>	<u><u>\$ 37,754</u></u>	<u><u>\$ (5,246)</u></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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,255	\$ 1,255	\$ 241	\$ (1,014)
Investment earnings	41	41	55	14
Total revenues	<u>1,296</u>	<u>1,296</u>	<u>296</u>	<u>(1,000)</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	1,296	1,296	296	(1,000)
Fund balance, beginning of year	<u>8,367</u>	<u>8,367</u>	<u>8,367</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 9,663</u></u>	<u><u>\$ 9,663</u></u>	<u><u>\$ 8,663</u></u>	<u><u>\$ (1,000)</u></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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 2,379	\$ 2,379	\$ 249	\$ (2,130)
Investment earnings	586	586	1,837	1,251
Total revenues	<u>2,965</u>	<u>2,965</u>	<u>2,086</u>	<u>(879)</u>
EXPENDITURES				
Current:				
Public safety	<u>2,697,879</u>	<u>2,588,583</u>	<u>167,781</u>	<u>2,420,802</u>
Total expenditures	<u>2,697,879</u>	<u>2,588,583</u>	<u>167,781</u>	<u>2,420,802</u>
Excess (deficiency) of revenues over expenditures	<u>(2,694,914)</u>	<u>(2,585,618)</u>	<u>(165,695)</u>	<u>2,419,923</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
Total other financing sources (uses)	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
Net change in fund balance	(194,914)	(85,618)	(165,695)	(80,077)
Fund balance, beginning of year	<u>319,705</u>	<u>319,705</u>	<u>319,705</u>	<u>-</u>
Fund balance, end of year	<u>\$ 124,791</u>	<u>\$ 234,087</u>	<u>\$ 154,010</u>	<u>\$ (80,077)</u>

INTERNAL SERVICE FUNDS

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.

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

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

City of Norco
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 2,703,027	\$ 1,373,641	\$ 377,427	\$ 4,454,095
Interest	2,730	1,144	405	4,279
Prepays	575,000	-	12,732	587,732
Total current assets	<u>3,280,757</u>	<u>1,374,785</u>	<u>390,564</u>	<u>5,046,106</u>
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	3,412,936	-	221,174	3,634,110
Less accumulated depreciation	(2,331,565)	-	(173,642)	(2,505,207)
Intangibles	-	-	429,245	429,245
Less accumulated amortization	-	-	(235,163)	(235,163)
Total noncurrent assets	<u>1,081,371</u>	<u>-</u>	<u>241,614</u>	<u>1,322,985</u>
Total assets	<u>4,362,128</u>	<u>1,374,785</u>	<u>632,178</u>	<u>6,369,091</u>
LIABILITIES				
Current liabilities:				
Accounts payable	14,955	2,652	24,476	42,083
Compensated absences	-	329,887	-	329,887
Capital lease payable	-	-	7,026	7,026
Claims and judgements	-	621,060	-	621,060
Total current liabilities	<u>14,955</u>	<u>953,599</u>	<u>31,502</u>	<u>1,000,056</u>
Noncurrent liabilities:				
Compensated absences	-	989,657	-	989,657
Capital lease payable	-	-	33,613	33,613
Claims and judgements	-	510,809	-	510,809
Total noncurrent liabilities	<u>-</u>	<u>1,500,466</u>	<u>33,613</u>	<u>1,534,079</u>
Total liabilities	<u>14,955</u>	<u>2,454,065</u>	<u>65,115</u>	<u>2,534,135</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,081,371	-	200,975	1,282,346
Unrestricted	<u>3,265,802</u>	<u>(1,079,280)</u>	<u>366,088</u>	<u>2,552,610</u>
Total net assets	<u>\$ 4,347,173</u>	<u>\$ (1,079,280)</u>	<u>\$ 567,063</u>	<u>\$ 3,834,956</u>

City of Norco
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
OPERATING REVENUES				
Sales and charges for services	\$ 386,062	\$ 500,251	\$ 412,196	\$ 1,298,509
Miscellaneous	-	-	7,961	7,961
	<u>386,062</u>	<u>500,251</u>	<u>420,157</u>	<u>1,306,470</u>
OPERATING EXPENSES				
General and administration	304,153	682,933	425,753	1,412,839
Amortization	-	-	31,277	31,277
Depreciation	273,102	-	9,925	283,027
	<u>577,255</u>	<u>682,933</u>	<u>466,955</u>	<u>1,727,143</u>
Total operating revenues	<u>386,062</u>	<u>500,251</u>	<u>420,157</u>	<u>1,306,470</u>
Total operating expenses	<u>577,255</u>	<u>682,933</u>	<u>466,955</u>	<u>1,727,143</u>
Operating loss	<u>(191,193)</u>	<u>(182,682)</u>	<u>(46,798)</u>	<u>(420,673)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	19,677	6,475	2,507	28,659
Interest and fiscal charges	-	-	(2,146)	(2,146)
Gain on disposal of assets	12,925	-	129	13,054
	<u>32,602</u>	<u>6,475</u>	<u>490</u>	<u>39,567</u>
Total nonoperating revenues (expenses)	<u>32,602</u>	<u>6,475</u>	<u>490</u>	<u>39,567</u>
Loss before contributions and transfers	<u>(158,591)</u>	<u>(176,207)</u>	<u>(46,308)</u>	<u>(381,106)</u>
Capital contributions	30,439	-	-	30,439
Transfers in	-	1,323,434	-	1,323,434
Transfers out	(122,345)	-	(30,035)	(152,380)
	<u>(250,497)</u>	<u>1,147,227</u>	<u>(76,343)</u>	<u>820,387</u>
Change in net assets	<u>(250,497)</u>	<u>1,147,227</u>	<u>(76,343)</u>	<u>820,387</u>
Net assets, beginning of year	<u>4,597,670</u>	<u>(2,226,507)</u>	<u>643,406</u>	<u>3,014,569</u>
Net assets, end of year	<u>\$ 4,347,173</u>	<u>\$ (1,079,280)</u>	<u>\$ 567,063</u>	<u>\$ 3,834,956</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from interfund services provided	\$ 386,062	\$ 500,251	\$ 420,157	\$ 1,306,470
Cash payments to suppliers	(883,177)	(386,820)	(206,847)	(1,476,844)
Cash payments to employees	-	(68,555)	(207,839)	(276,394)
Net cash provided by (used for) operating activities	<u>(497,115)</u>	<u>44,876</u>	<u>5,471</u>	<u>(446,768)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	1,323,434	-	1,323,434
Transfer to other funds	(122,345)	-	(30,035)	(152,380)
Net cash provided by provided by (used for) noncapital financing activities	<u>(122,345)</u>	<u>1,323,434</u>	<u>(30,035)</u>	<u>1,171,054</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(6,896)	-	(40,651)	(47,547)
Proceeds from disposal of capital assets	12,925	-	129	13,054
Principal payments - capital lease	-	-	(16,508)	(16,508)
Interest and fiscal charges	-	-	(2,146)	(2,146)
Net cash provided by (used for) capital and related financing activities	<u>6,029</u>	<u>-</u>	<u>(59,176)</u>	<u>(53,147)</u>
Cash flows from investing activities:				
Interest income	28,466	5,331	3,907	37,704
Net cash provided by investing activities	<u>28,466</u>	<u>5,331</u>	<u>3,907</u>	<u>37,704</u>
Net increase (decrease) in cash and investments	(584,965)	1,373,641	(79,833)	708,843
Cash and investments, beginning of year	<u>3,287,992</u>	<u>-</u>	<u>457,260</u>	<u>3,745,252</u>
Cash and investments, end of year	<u>\$ 2,703,027</u>	<u>\$ 1,373,641</u>	<u>\$ 377,427</u>	<u>\$ 4,454,095</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (191,193)	\$ (182,682)	\$ (46,798)	\$ (420,673)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation/Amortization	273,102	-	41,202	314,304
(Increase) decrease in assets:				
Prepays	(575,000)	-	1,106	(573,894)
Increase (decrease) in liabilities:				
Accounts payable	(4,024)	2,652	9,044	7,672
Accrued wages	-	-	917	917
Compensated absences	-	(18,927)	-	(18,927)
Claims and judgements	-	243,833	-	243,833
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	<u>\$ (497,115)</u>	<u>\$ 44,876</u>	<u>\$ 5,471</u>	<u>\$ (446,768)</u>
Noncash, investing, capital and financing activities:				
Contributions of capital assets from government	\$ 30,439	\$ -	\$ -	\$ 30,439
Purchase of capital assets through capital lease	\$ -	\$ -	\$ 42,805	\$ 42,805

AGENCY FUNDS

Agency Funds

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

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

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

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

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

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

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

City of Norco
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2010

	General Trust	Western Waste	Assessment District 195	Community Facilities District 93-1
ASSETS				
Cash and investments	\$ 1,036,272	\$ 121,623	\$ 44,031	\$ 63,173
Cash and investments with fiscal agents	-	-	-	338,543
Receivables, net:				
Accounts	-	372,509	-	-
Interest	-	-	45	2,415
Due from other governments	-	-	12,099	2,634
 Total assets	<u>\$ 1,036,272</u>	<u>\$ 494,132</u>	<u>\$ 56,175</u>	<u>\$ 406,765</u>
LIABILITIES				
Accounts payable	\$ 11,565	\$ 471,688	\$ -	\$ -
Deposits payable	1,024,707	18,219	-	-
Due to others	-	4,225	-	-
Due to bond holders	-	-	56,175	406,765
 Total liabilities	<u>\$ 1,036,272</u>	<u>\$ 494,132</u>	<u>\$ 56,175</u>	<u>\$ 406,765</u>

<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>	<u>Community Facilities District 2002-1</u>	<u>Total</u>
\$ 599,134	\$ 2,531,841	\$ 424,358	\$ 4,820,432
525,284	1,987,313	161,284	3,012,424
-	-	-	372,509
6,752	2,177	2,308	13,697
27,272	190,411	6,670	239,086
<u>\$ 1,158,442</u>	<u>\$ 4,711,742</u>	<u>\$ 594,620</u>	<u>\$ 8,458,148</u>
\$ 7,802	\$ 118,659	\$ 4,816	\$ 614,530
-	-	-	1,042,926
-	-	-	4,225
1,150,640	4,593,083	589,804	6,796,467
<u>\$ 1,158,442</u>	<u>\$ 4,711,742</u>	<u>\$ 594,620</u>	<u>\$ 8,458,148</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
GENERAL TRUST				
Assets				
Cash and investments	\$ 956,133	\$ 612,229	\$ 532,090	\$ 1,036,272
Accounts receivable	2,564	31,362	33,926	-
Total assets	<u>\$ 958,697</u>	<u>\$ 643,591</u>	<u>\$ 566,016</u>	<u>\$ 1,036,272</u>
Liabilities				
Accounts payable	\$ 1,113	\$ 69,626	\$ 59,174	\$ 11,565
Deposits payable	957,584	573,965	506,842	1,024,707
Total liabilities	<u>\$ 958,697</u>	<u>\$ 643,591</u>	<u>\$ 566,016</u>	<u>\$ 1,036,272</u>
WESTERN WASTE				
Assets				
Cash and investments	\$ 21,718	\$ 4,968,751	\$ 4,868,846	\$ 121,623
Accounts receivable	382,886	4,593,776	4,604,153	372,509
Total assets	<u>\$ 404,604</u>	<u>\$ 9,562,527</u>	<u>\$ 9,472,999</u>	<u>\$ 494,132</u>
Liabilities				
Accounts payable	\$ 382,900	\$ 4,109,155	\$ 4,020,367	\$ 471,688
Deposits payable	17,479	7,074	6,334	18,219
Due to others	4,225	5,446,298	5,446,298	4,225
Total liabilities	<u>\$ 404,604</u>	<u>\$ 9,562,527</u>	<u>\$ 9,472,999</u>	<u>\$ 494,132</u>
ASSESSMENT DISTRICT 195				
Assets				
Cash and investments	\$ 109,147	\$ 47,489	\$ 112,605	\$ 44,031
Cash and investments with fiscal agents	389,872	92,113	481,985	-
Interest receivable	128	45	128	45
Due from other governments	27,754	12,099	27,754	12,099
Total assets	<u>\$ 526,901</u>	<u>\$ 151,746</u>	<u>\$ 622,472</u>	<u>\$ 56,175</u>
Liabilities				
Accounts Payable	\$ -	\$ 1,750	\$ 1,750	\$ -
Due to bondholders	526,901	149,996	620,722	56,175
Total liabilities	<u>\$ 526,901</u>	<u>\$ 151,746</u>	<u>\$ 622,472</u>	<u>\$ 56,175</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
CFD 93-1				
Assets				
Cash and investments	\$ 60,016	\$ 203,945	\$ 200,788	\$ 63,173
Cash and investments with fiscal agents	330,677	189,000	181,134	338,543
Interest receivable	427	2,415	427	2,415
Due from other governments	-	2,634	-	2,634
Total assets	<u>\$ 391,120</u>	<u>\$ 397,994</u>	<u>\$ 382,349</u>	<u>\$ 406,765</u>
Liabilities				
Accounts payable	\$ -	\$ 8,454	\$ 8,454	\$ -
Due to bondholders	391,120	389,540	373,895	406,765
Total liabilities	<u>\$ 391,120</u>	<u>\$ 397,994</u>	<u>\$ 382,349</u>	<u>\$ 406,765</u>
CFD 97-1				
Assets				
Cash and investments	\$ 546,971	\$ 583,634	\$ 531,471	\$ 599,134
Cash and investments with fiscal agents	515,784	521,746	512,246	525,284
Interest receivable	1,664	6,752	1,664	6,752
Due from other governments	39,206	27,272	39,206	27,272
Total assets	<u>\$ 1,103,625</u>	<u>\$ 1,139,404</u>	<u>\$ 1,084,587</u>	<u>\$ 1,158,442</u>
Liabilities				
Accounts Payable	\$ -	\$ 19,640	\$ 11,838	\$ 7,802
Due to bondholders	1,103,625	1,119,764	1,072,749	1,150,640
Total liabilities	<u>\$ 1,103,625</u>	<u>\$ 1,139,404</u>	<u>\$ 1,084,587</u>	<u>\$ 1,158,442</u>
CFD 2001-1				
Assets				
Cash and investments	\$ 1,924,081	\$ 2,903,110	\$ 2,295,350	\$ 2,531,841
Cash and investments with fiscal agents	1,760,700	2,377,761	2,151,148	1,987,313
Interest receivable	5,635	2,177	5,635	2,177
Due from other governments	258,666	190,411	258,666	190,411
Total assets	<u>\$ 3,949,082</u>	<u>\$ 5,473,459</u>	<u>\$ 4,710,799</u>	<u>\$ 4,711,742</u>
Liabilities				
Accounts Payable	\$ -	\$ 129,658	\$ 10,999	\$ 118,659
Due to bondholders	3,949,082	5,343,801	4,699,800	4,593,083
Total liabilities	<u>\$ 3,949,082</u>	<u>\$ 5,473,459</u>	<u>\$ 4,710,799</u>	<u>\$ 4,711,742</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
CFD 2002-1				
Assets				
Cash and investments	\$ 169,596	\$ 416,278	\$ 161,516	\$ 424,358
Cash and investments with fiscal agents	158,822	161,192	158,730	161,284
Interest receivable	503	2,308	503	2,308
Due from other governments	11,267	6,670	11,267	6,670
Total assets	<u>\$ 340,188</u>	<u>\$ 586,448</u>	<u>\$ 332,016</u>	<u>\$ 594,620</u>
Liabilities				
Accounts Payable	\$ -	\$ 12,370	\$ 7,554	\$ 4,816
Due to bondholders	340,188	574,078	324,462	589,804
Total liabilities	<u>\$ 340,188</u>	<u>\$ 586,448</u>	<u>\$ 332,016</u>	<u>\$ 594,620</u>
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 3,787,662	\$ 9,735,436	\$ 8,702,666	\$ 4,820,432
Cash and investments with fiscal agents	3,155,855	3,341,812	3,485,243	3,012,424
Accounts receivable	385,450	4,625,138	4,638,079	372,509
Interest receivable	8,357	13,697	8,357	13,697
Due from other governments	336,893	239,086	336,893	239,086
Total assets	<u>\$ 7,674,217</u>	<u>\$ 17,955,169</u>	<u>\$ 17,171,238</u>	<u>\$ 8,458,148</u>
Liabilities				
Accounts payable	\$ 384,013	\$ 4,350,653	\$ 4,120,136	\$ 614,530
Deposits payable	975,063	581,039	513,176	1,042,926
Due to others	4,225	5,446,298	5,446,298	4,225
Due to bondholders	6,310,916	7,577,179	7,091,628	6,796,467
Total liabilities	<u>\$ 7,674,217</u>	<u>\$ 17,955,169</u>	<u>\$ 17,171,238</u>	<u>\$ 8,458,148</u>

STATISTICAL SECTION

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

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>	123
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	133
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>	138
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>	148
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>	153

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

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
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	<u><u>\$ 25,002,282</u></u>	<u><u>\$ 30,133,191</u></u>	<u><u>\$ 137,858,543</u></u>
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	<u><u>\$ 26,271,983</u></u>	<u><u>\$ 31,654,606</u></u>	<u><u>\$ 41,165,993</u></u>
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	<u><u>\$ 51,274,265</u></u>	<u><u>\$ 61,787,797</u></u>	<u><u>\$ 179,024,536</u></u>

Source: City's financial statements

Note: Ten years of financial data not available as the adoption of GASB No. 34 has been in effect for less than that time period and the data is not available.

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 144,879,068	\$ 151,388,100	\$ 153,848,153	\$ 156,655,554	\$ 163,648,731
57,107,710	55,995,625	56,203,749	43,502,275	49,857,462
(59,117,764)	(56,171,654)	(53,696,655)	(53,368,409)	(71,206,996)
<u>\$ 142,869,014</u>	<u>\$ 151,212,071</u>	<u>\$ 156,355,247</u>	<u>\$ 146,789,420</u>	<u>\$ 142,299,197</u>
\$ 35,602,853	\$ 36,930,507	\$ 41,150,408	\$ 39,797,357	\$ 41,658,817
12,935,528	8,718,561	7,261,078	5,772,311	4,722,120
(3,559,843)	(78,386)	(2,557,443)	521,868	(1,200,945)
<u>\$ 44,978,538</u>	<u>\$ 45,570,682</u>	<u>\$ 45,854,043</u>	<u>\$ 46,091,536</u>	<u>\$ 45,179,992</u>
\$ 180,481,921	\$ 188,318,607	\$ 194,998,561	\$ 196,452,911	\$ 205,307,548
70,043,238	64,714,186	63,464,827	49,274,586	54,579,582
(62,677,607)	(56,250,040)	(56,254,098)	(52,846,541)	(72,407,941)
<u>\$ 187,847,552</u>	<u>\$ 196,782,753</u>	<u>\$ 202,209,290</u>	<u>\$ 192,880,956</u>	<u>\$ 187,479,189</u>

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

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
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 & leisure	1,807,224	2,020,202	2,270,431
Interest in 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 & 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 program 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)
	<u>\$ 9,994,029</u>	<u>\$ (13,033,984)</u>	<u>\$ (27,568,406)</u>

Source: City's financial statements

Note: Ten years of financial data not available as the adoption of GASB No. 34 has been in effect for less than that time period and the data is not available.

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,444,678	\$ 2,369,307	\$ 2,567,880	\$ 4,663,233	\$ 2,608,199
10,030,419	10,984,557	11,752,711	11,363,732	11,347,403
2,667,196	2,931,992	2,680,961	6,838,398	2,091,368
9,661,594	9,682,225	12,773,725	18,645,627	20,675,524
2,575,970	2,915,016	2,757,815	2,317,752	1,920,577
4,498,959	4,210,091	4,135,345	4,260,255	4,606,449
<u>31,878,816</u>	<u>33,093,188</u>	<u>36,668,437</u>	<u>48,088,997</u>	<u>43,249,520</u>
7,000,699	6,644,244	6,794,503	7,718,048	8,354,123
3,969,304	4,263,280	3,353,177	4,396,358	5,042,480
<u>10,970,003</u>	<u>10,907,524</u>	<u>10,147,680</u>	<u>12,114,406</u>	<u>13,396,603</u>
<u>\$ 42,848,819</u>	<u>\$ 44,000,712</u>	<u>\$ 46,816,117</u>	<u>\$ 60,203,403</u>	<u>\$ 56,646,123</u>
\$ 1,206,368	\$ 1,195,495	\$ 1,202,890	\$ 2,297,395	\$ 1,258,834
938,458	1,184,179	1,331,730	1,562,425	960,461
1,119,874	502,427	489,548	541,643	808,465
919,325	739,852	583,708	501,456	346,741
839,701	1,038,228	985,340	776,678	723,311
2,448,984	3,099,986	2,716,291	2,687,615	5,677,361
2,001,841	2,356,978	3,216,001	867,513	4,166,378
<u>9,474,551</u>	<u>10,117,145</u>	<u>10,525,508</u>	<u>9,234,725</u>	<u>13,941,551</u>
6,617,886	6,804,540	6,945,575	7,061,989	6,641,183
2,855,330	2,917,946	2,921,138	3,799,801	4,210,274
-	-	-	-	-
<u>5,071,845</u>	<u>2,017,403</u>	<u>757,360</u>	<u>1,483,544</u>	<u>1,824,809</u>
<u>14,545,061</u>	<u>11,739,889</u>	<u>10,624,073</u>	<u>12,345,334</u>	<u>12,676,266</u>
<u>\$ 24,019,612</u>	<u>\$ 21,857,034</u>	<u>\$ 21,149,581</u>	<u>\$ 21,580,059</u>	<u>\$ 26,617,817</u>
\$ (22,404,265)	\$ (22,976,043)	\$ (26,142,929)	\$ (38,854,272)	(29,307,969)
3,575,058	832,365	476,393	230,928	(720,337)
<u>\$ (18,829,207)</u>	<u>\$ (22,143,678)</u>	<u>\$ (25,666,536)</u>	<u>\$ (38,623,344)</u>	<u>\$ (30,028,306)</u>

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

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
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	2,121,750	5,382,623	(232,685)
Total primary government	<u>\$ 28,375,071</u>	<u>\$ 7,941,529</u>	<u>\$ (3,737,092)</u>

Source: City's financial statements

Note: Ten years of financial data not available as the adoption of GASB No. 34 has been in effect for less than that time period and the data is not available.

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,239,755	\$ 3,760,792	\$ 3,891,236	\$ 3,773,245	\$ 3,261,322
12,748,278	14,852,364	16,154,389	15,888,548	14,921,558
87,306	82,074	84,812	145,043	173,293
903,919	1,021,058	1,081,221	1,128,130	1,037,604
4,915,052	4,458,665	4,062,531	3,079,645	2,601,697
1,159,702	1,753,052	1,333,569	1,206,201	721,616
2,053,194	147,265	121,269	97,794	76,802
492,305	392,975	194,507	324,347	302,379
-	-	476,537	-	-
41,735	-	-	-	-
2,209,818	3,458,518	2,361,965	1,563,647	609,154
1,272,881	1,102,572	1,258,696	1,816,340	846,820
290,792	289,765	265,373	265,505	444,457
<u>27,414,737</u>	<u>31,319,100</u>	<u>31,286,105</u>	<u>29,288,445</u>	<u>24,996,702</u>
491,369	-	-	-	-
36,910	43,886	44,914	251,589	74,294
-	5,658	27,427	20,481	-
(290,792)	(289,765)	(265,373)	(265,505)	(444,457)
<u>237,487</u>	<u>(240,221)</u>	<u>(193,032)</u>	<u>6,565</u>	<u>(370,163)</u>
<u>\$ 27,652,224</u>	<u>\$ 31,078,879</u>	<u>\$ 31,093,073</u>	<u>\$ 29,295,010</u>	<u>\$ 24,626,539</u>
\$ 5,010,472	\$ 8,343,057	\$ 5,143,176	\$ (9,565,827)	\$ (4,311,267)
3,812,545	592,144	283,361	237,493	(1,090,500)
<u>\$ 8,823,017</u>	<u>\$ 8,935,201</u>	<u>\$ 5,426,537</u>	<u>\$ (9,328,334)</u>	<u>\$ (5,401,767)</u>

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

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ 364,055	\$ 214,003	\$ -	\$ -
Unreserved	4,823,436	4,015,642	4,191,414	6,208,159
Total general fund	<u>\$ 5,187,491</u>	<u>\$ 4,229,645</u>	<u>\$ 4,191,414</u>	<u>\$ 6,208,159</u>
All Other Governmental Funds				
Reserved	\$ 7,185,131	\$ 16,356,234	\$ 21,222,500	\$ 29,431,509
Unreserved, reported in:				
Special revenue funds	(75,081)	352,726	3,973,650	3,739,360
Capital projects funds	21,016,851	28,378,019	35,380,191	43,274,103
Debt service funds	12,723,509	8,129,789	332,518	2,121,337
Total all other governmental funds	<u>\$ 40,850,410</u>	<u>\$ 53,216,768</u>	<u>\$ 60,908,859</u>	<u>\$ 78,566,309</u>

Source: City's financial statements

Fiscal Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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>	<u>3,382,363</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>	<u>\$ 3,382,363</u>
\$ 14,506,168	\$ 14,836,751	\$ 21,050,335	\$ 25,982,755	\$ 28,891,668	\$ 31,524,570
17,224,928	17,873,478	12,617,135	9,366,361	11,222,427	10,138,707
45,303,565	43,403,902	41,297,924	40,526,118	33,074,129	1,599,559
1,014,496	1,175,963	803,414	1,148,975	817,903	21,335,624
<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>	<u>\$ 64,598,460</u>

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

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues				
Taxes	\$ 12,615,079	\$ 13,813,835	\$ 16,306,364	\$ 17,737,373
Assessments	67,719	164,136	189,043	201,162
Licenses and permits	1,055,759	718,620	817,824	1,699,483
Fines and forfeitures	243,763	180,047	342,259	288,053
Development fees	-	-	5,333,366	2,734,809
Intergovernmental	3,264,249	2,858,251	3,111,610	2,142,909
Charges for services	3,582,686	2,655,150	1,804,344	2,780,610
Use of money and property	2,152,133	1,775,281	1,363,052	1,517,394
Reimbursements	-	-	128,255	63,810
Contributions from property owners	-	-	26,009,728	2,883,760
Gain on sale of land held for resale	-	-	-	16,457
Other	264,390	1,012,017	736,487	1,919,415
	<u>23,245,778</u>	<u>23,177,337</u>	<u>56,142,332</u>	<u>33,985,235</u>
Total revenues				
Expenditures				
Current:				
General government	2,759,947	2,925,745	3,002,995	1,848,398
Public Safety	6,635,572	7,560,157	7,822,149	8,163,974
Public Works	1,302,762	1,758,834	8,210,335	4,068,334
Community development	621,693	691,853	2,319,002	2,451,938
Culture and leisure	1,297,681	1,616,585	1,712,556	1,915,561
Pass through payments	1,440,050	1,734,472	2,192,565	2,547,511
ERAF payment	-	-	197,614	363,557
Capital outlay	2,949,029	10,281,055	5,301,767	16,518,304
Debt service:				
Principal	1,183,369	1,555,923	1,514,811	2,136,051
Interest	2,548,910	4,304,064	3,363,470	4,758,761
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
	<u>20,739,013</u>	<u>32,428,688</u>	<u>35,637,264</u>	<u>44,772,389</u>
Total expenditures				
Excess(deficiency) of revenues over(under) expenditures	2,506,765	(9,251,351)	20,505,068	(10,787,154)
Other Financing Sources (Uses)				
Proceeds from the sale of property	(2,623,734)	(889,580)	(219,084)	138,757
Transfers in	2,265,104	16,759,764	8,208,464	10,194,123
Transfers out	(2,265,104)	(16,516,291)	(7,454,996)	(9,776,083)
Bond/Loan Proceeds	-	50,675,000	-	22,086,049
Capital leases	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
Other	(23,230)	(27,216,847)	-	-
	<u>(2,646,964)</u>	<u>22,812,046</u>	<u>534,384</u>	<u>22,642,846</u>
Total other financing sources (uses)				
Special Item				
Sale of park land	-	-	-	5,500,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500,000</u>
Net change in fund balances	\$ (140,199)	\$ 13,560,695	\$ 21,039,452	\$ 17,355,692
Debt service as a percentage of noncapital expenditures				
	20.98%	26.46%	16.08%	24.40%

Source: City's Financial Statements

Fiscal Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 20,028,396	\$ 22,896,670	\$ 27,620,892	\$ 27,970,964	\$ 26,508,928	\$ 23,745,417
194,978	648,033	428,045	412,101	472,580	715,343
957,262	754,346	533,440	452,002	366,686	305,400
444,622	502,036	709,921	753,353	771,840	752,125
1,189,177	905,912	1,166,958	527,656	315,694	76,448
3,543,982	4,451,260	2,923,419	4,772,323	3,018,500	6,924,847
2,481,304	2,326,672	2,252,724	2,317,287	2,451,917	1,718,494
1,858,310	2,886,973	4,348,986	2,976,772	1,903,673	761,464
78,502	6,574	-	-	-	2,438
1,258,068	461,503	-	-	-	-
469,783	-	106,723	-	-	-
1,474,132	686,584	619,413	870,910	889,349	1,100,424
<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>	<u>36,102,400</u>
2,505,763	2,406,997	2,327,377	2,394,908	3,907,426	3,722,351
8,933,781	9,869,667	10,825,459	11,544,491	11,701,361	11,161,258
2,291,359	1,079,977	1,464,876	1,230,672	5,237,689	3,275,869
9,304,391	3,447,292	5,096,755	5,617,017	14,770,016	7,077,701
2,054,588	2,190,517	2,195,327	2,386,547	2,062,853	4,418,987
3,501,777	5,405,502	5,965,252	7,000,593	7,147,710	8,132,776
716,633	665,577	-	-	-	4,904,827
5,669,830	5,343,724	7,694,237	5,322,329	1,283,183	-
2,015,973	2,382,999	2,286,811	2,355,246	2,376,569	2,555,000
4,286,532	4,202,649	4,227,387	4,146,410	4,048,679	4,599,700
-	1,448,228	-	-	-	1,583,999
544,466	627,555	-	-	425,240	509,660
<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>51,942,128</u>
(7,846,577)	(2,544,121)	(1,372,960)	(944,845)	(16,261,559)	(15,839,728)
-	-	300,659	978,948	-	-
2,398,992	5,881,144	7,363,720	6,441,043	10,307,179	9,964,964
(1,718,281)	(5,742,106)	(7,172,933)	(6,150,670)	(10,466,674)	(10,691,561)
7,912,213	2,117,651	-	-	12,200,000	24,500,000
-	6,868	-	-	-	-
-	-	-	-	-	(20,156,216)
-	-	-	-	(171,672)	(389,080)
<u>8,592,924</u>	<u>2,263,557</u>	<u>491,446</u>	<u>1,269,321</u>	<u>11,868,833</u>	<u>3,228,107</u>
-	-	-	-	-	-
<u>\$ 746,347</u>	<u>\$ (280,564)</u>	<u>\$ (881,514)</u>	<u>\$ 324,476</u>	<u>\$ (4,392,726)</u>	<u>\$ (12,611,621)</u>
17.43%	19.53%	18.94%	17.70%	13.53%	16.92%

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

<u>Fiscal Year Ended June 30,</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
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%
2010	2,504,075	79,381	2,583,456	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
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%
2010	1.00000%	1.00000%	0.04032%	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>	2010		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Dayton Hudson Corp	\$ 12,451,386	1	0.43%
Yihua International Inv	12,222,762	2	0.42%
Grayburn Prop Inc	11,879,724	3	0.41%
140 Hidden Valley Parkway	11,345,562	4	0.39%
ASP Realty Inc	9,198,561	5	0.32%
Kafai Roya	8,964,769	6	0.31%
Norco Country Center	7,329,692	7	0.25%
Aim Lock Up	7,269,273	8	0.25%
Sero Hidden Valley	7,246,386	9	0.25%
Ultima Tech Inc	7,176,523	10	0.25%
Homebase Inc., LSE			
American Stores Prop Inc			
Hidden Valley Holdings			
Hidden Valley Holdings			
Realty Income Corp			
Gino, John R & Judy			
Frahm, Louis H			
Hemborg, Robert Eugene, Tr			
Mitsubishi Motor Sales of America			
Total	\$ 95,084,638		3.80%

Source: Riverside County Assessor's Office

2001

<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
\$ 11,856,569	1	0.98%
8,288,638	2	0.69%
8,122,440	3	0.67%
7,104,237	4	0.59%
6,278,964	5	0.52%
5,581,323	6	0.46%
5,126,600	7	0.42%
4,716,644	8	0.39%
3,333,922	9	0.28%
3,059,835	10	0.25%
<u>\$ 63,469,172</u>		<u>5.25%</u>

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	11,971	748,841	100.0%
2004	788,186	779,765	98.9%	8,421	788,186	100.0%
2005	908,576	901,056	99.2%	7,520	908,576	100.0%
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%
2010	1,153,651	1,059,961	91.9%	-	1,059,961	91.9%

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>
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	83,125	41	49,540	170
2009	93,120	17	48,320	-
2010	95,360	42	47,140	-

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
\$ -	\$ 16,065	\$ 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	23%	5.06%	5,400
39,000	1,153	696	182,306	**	6.26%	6,712
38,430	1,039	622	182,633	**	7.07%	6,672

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>	
2001	\$ -	\$ -	\$ -	\$ -
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-

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

- (1) The City has no general obligation bonded debt for last ten fiscal years.
- (2) See population data in schedule of “Demographic and Economics Statistics”.

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

**City of Norco
Direct and Overlapping Activities Debt
As of June 30, 2010**

2009-10 Assessed Valuation:	\$ 2,583,456,278
Redevelopment Incremental Valuation:	<u>1,408,871,663</u>
Adjusted Assessed Valuation:	<u>\$ 1,174,584,615</u>

	% Applicable	Debt
<u>Direct and Overlapping Tax and Assessment Debt:</u>		
Metropolitan Water District	0.065%	\$ 194,305
Riverside City Community College District	1.996	2,688,534
Alvord Unified School District	0.004	6,436
Corona-Norco Unified School District	5.428	14,338,958
City of Norco	100.000	-
City of Norco Community Facilities District No. 93-1	100.000	1,515,000
City of Norco Community Facilities District No. 97-1	100.000	6,815,000
City of Norco Community Facilities District No. 2001-1	100.000	36,990,000
City of Norco Community Facilities District No. 2002-1	100.000	1,995,000
Corona-Norco Unified School District Community Facilities District No. 88-1	10.663	<u>254,846</u>
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 64,798,079</u>
<u>Overlapping General Fund Obligation Debt:</u>		
Riverside County General Fund Obligations	0.774%	\$ 5,687,103
Riverside County Pension Obligations	0.774	3,185,439
Riverside County Board of Education Certificates of Participation	0.774	67,897
Alvord Unified School District Certificates of Participation	0.004	81
Corona-Norco Unified School District Certificates of Participation	5.428	<u>5,935,464</u>
Total Gross Overlapping General Fund Obligation Debt		\$ 10,357,353
Less: Riverside County self-supporting obligations		<u>121,914</u>
Total Net Overlapping General Fund Obligation Debt		\$ 10,235,439
Gross Combined Total Debt		\$ 75,155,432 (1)
Net Combined Total Debt		<u>\$ 75,033,518</u>

Ratios to 2009-10 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.51%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	6.40%
Net Combined Total Debt	6.39%

State School Building Aid Repayable as of 6/30/10: \$ -

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

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2001	2002	2003	2004
Debt limit	\$ 181,446	\$ 200,762	\$ 226,420	\$ 240,195
Total net debt applicable to limit (1)	-	-	-	-
Legal debt margin	<u>\$ 181,446</u>	<u>\$ 200,762</u>	<u>\$ 226,420</u>	<u>\$ 240,195</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	\$ 2,583,456
Debt limit (15% of assessed value)	387,518
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>\$ 387,518</u>

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 280,531	\$ 340,958	\$ 396,285	\$ 436,571	\$ 436,571	\$ 387,518
-	-	-	-	-	-
<u>\$ 280,531</u>	<u>\$ 340,958</u>	<u>\$ 396,285</u>	<u>\$ 436,571</u>	<u>\$ 436,571</u>	<u>\$ 387,518</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		
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	
2010	10,878	9,430	1,448	570	2,064	0.55	

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	
\$ 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
3,858	1,180	2,261	1.12

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		
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	
2010	14,624	2,555	4,600	2.04	

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⁾
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	646,000	78,141	51,514	6.8
2009	27,160	**	**	52,396	12.3
2010	27,370	**	**	53,445	12.5

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 Seven Years Ago**

<u>Employer</u>	2010		Percentage of Total City Employment ⁽¹⁾
	<u>Employees</u>	<u>Rank</u>	
Corona-Norco Unified School District	4,906	1	35.81%
Naval Surface Warfare Center	1,400	2	10.22%
California Rehabilitation Center	1,274	3	9.30%
HCI, Inc.	300	4	2.19%
Target Stores	197	5	1.44%
Riverside Community College	151	6	1.10%
Quick Crete Products Corp.	119	7	0.87%
Albertsons Sav-On	115	8	0.84%
Computer Science Corp (DynCorp)	105	9	0.77%
Avid Identification Systems, Inc.	100	10	0.73%
Norco Ranch			
SeGi			
City of Norco			
Total	8,667		63.26%

Source: City's Economic Development Department

Note: Data prior to 2003 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	33.53%
850	3	5.70%
1,200	2	8.05%
600	4	4.03%
210	7	1.41%
135	9	0.91%
325	5	2.18%
250	6	1.68%
150	8	1.01%
107	10	0.72%
<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			
	2001	2002	2003	2004
General government				
Administration	2	2	2	2
City clerk	2	2	3	3
Fiscal & support svcs.	11	13	16	16
Other	3	3	3	3
Public safety				
Police (Civilian)	-	1	1	1
Fire	22	28	28	28
Code enforcement	1	1	1	1
Animal control	7	5	5	5
Public works				
Maintenance	15	15	16	16
Culture and leisure				
Parks & recreation	9	11	12	12
Community development				
Planning	5	7	6	5
Engineering	5	5	5	5
Building	6	6	6	7
Economic development	3	3	3	3
Total	91	102	107	107

Source: City's annual adopted budgets

Full-time Equivalent Employees as of June 30

2005	2006	2007	2008	2009	2010
3	3	2	2	1	1
3	3	3	3	3	3
15	15	15	15	13	13
-	-	-	-	-	-
1	1	1	1	1	1
29	30	30	30	28	23
1	1	1	1	-	-
5	5	6	6	6	6
15	17	18	18	17	15
12	13	13	11	9	9
4	4	5	5	3	3
5	2	1	1	1	1
7	9	8	8	5	3
1	1	1	1	3	3
101	104	104	102	90	81

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

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
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 plants (in mil. of gallons)	2.2	2.2	2.2

Source: Various City's departments

Note: Ten years of financial data not available as the adoption of GASB No. 34 has been in effect for less than that time period and the data is not available.

Fiscal Year

2006	2007	2008	2009	2010
1,171	1,014	1,040	824	743
553	588	405	327	249
3,591	7,046	9,278	7,339	8,561
1,958	1,987	2,002	1,846	1,959
95	115	96	105	109
7,500	7,590	7,628	7,645	7,653
8.3	8.9	8.9	8.9	8.8
8.6	8.8	8.8	8.8	8.8
11.5	11.6	11.6	11.6	11.6
10.2	10.2	10.2	12.4	12.4
3,496	3,538	3,555	3,563	4,101
1.8	1.9	1.9	1.9	1.9
2.2	2.2	2.2	2.2	2.2

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

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Public safety			
Fire stations	2	2	2
Culture and leisure			
Parks	14	14	15
Park Acreage	552	552	167
Open Space Acreage	451	451	835
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 plant	1	1	1

Source: Various City's departments

Note: Ten years of financial data not available as the adoption of GASB No. 34 has been in effect for less than that time period and the data is not available.

Fiscal Year				
2006	2007	2008	2009	2010
2	2	2	2	2
15	15	15	15	15
168	168	168	168	168
835	835	835	835	835
1	1	1	1	1
1	-	-	-	-
1	1	1	1	1
1	1	1	1	1
8	9	9	9	9
93.7	100.8	100.8	100.8	101.5
890	1,282	1,282	1,282	1,282
85.3	91.3	91.3	91.3	91.3
1	1	1	1	1