



CITY OF NORCO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2012

CITY OF NORCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the Fiscal and Support Services Department

CITY OF NORCO, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

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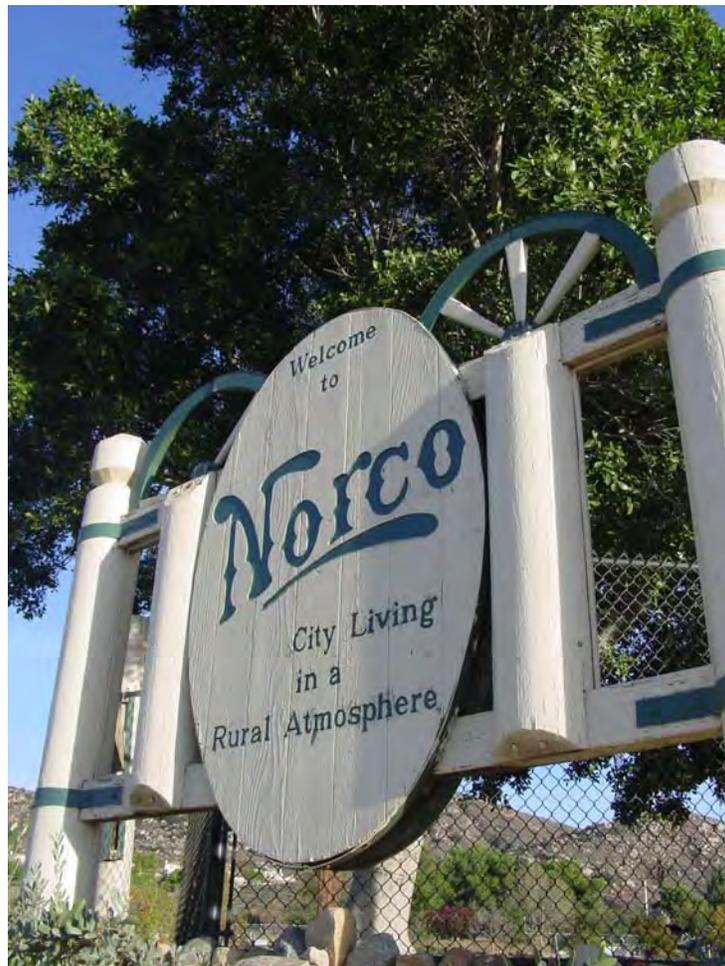
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INTRODUCTORY SECTION





CITY of NORCO

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

December 13, 2012

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

In accordance with the City's Municipal Code, it is our pleasure to submit the City of Norco (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 (FY 2012). 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 goal of an independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of any material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation of the financial statements. Based upon their audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified (clean) opinion that the City's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

CITY COUNCIL

KATHY AZEVEDO
Mayor

BERWIN HANNA
Mayor Pro Tem

KEVIN BASH
Council Member

HERB HIGGINS
Council Member

HARVEY SULLIVAN
Council Member

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies under the Single Audit Act Amendments of 1996 and related OMB Circular A-133. Under the Single Audit Act, the independent auditor is required to report not only on fair presentation of financial statements, but also on the City's internal controls and compliance with legal requirements, with emphasis on internal controls and legal requirements involving the administration of federal awards. For the year, the City expended over \$500,000 in federal grants and therefore, meets the threshold set by the Office of Management and Budgets (OMB) for a Single Audit. Consequently, separate Single Audit reports will be 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 with population growth of 31.2% over the last ten years. The City limits cover an area of approximately 15 square miles, with a permanent population of approximately 27,000. Norco is advantageously located with convenient access to the major interstate highways I-15, I-10, routes 60 and 91 freeway systems, as well as Ontario International Airport (ONT).

Norco is 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 is zoned for animal keeping with lot size 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 for, among other things, 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 through January 31, 2012 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 and the additional information provided in this transmittal letter.

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 annually.

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

Department heads can make transfers of appropriations within a department and fund. Transfer of appropriations between departments within the same fund requires the approval of the City Manager and transfers of appropriation between Funds requires 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 an 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 and other relevant financial policies.

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 three years preceding FY 2012, the Inland Empire has faced its most serious economic challenge since the 1930's. 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 of nearly 14.7% at the beginning of the fiscal year. However, during FY 2012, the economic environment in the Inland Empire began to show signs of growth. Taxable sales in the area grew by more than 10% and assessed valued of real property and median existing home prices showed a minor decrease of less than 1%. Unemployment rate at the end of the fiscal year showed a modest decrease from last fiscal year to a rate of 12.7%. The City's central business district is dominated by automobile dealerships, retail shops and restaurants. Sales tax revenue continued to increase during the fiscal year. On top of the 20.8% growth in FY 2011, and as some of the vacant auto dealership lots were filled, the City recorded additional 6% growth in sales tax revenues during FY 2012.

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 and or re-structuring. As a way to enhance revenues, the Council seeks to make the City a desirable destination by popularizing the City as "Horsetown USA," an attractive western community with residents who enjoy a high quality rural lifestyle. To accomplish this vision, the following strategic action plans were implemented during the fiscal year.

- Economic development and marketing efforts were undertaken to fill vacant sites throughout the City especially vacant auto dealership lots.
- Significant investments were made in infrastructure improvements including street widening, park improvements, right of way acquisitions, traffic signals and street extensions.
- 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 completed a \$2.8 million implementation of advanced meter reading infrastructure. This strategic initiative will improve revenue collection for the water and sewer funds.
- The City Council also approved rate adjustments for facilities use by local groups in order to recover a greater percentage of costs of services from users.

- As a way to reduce costs, the City approved a contract with the California Department of Forestry for the provision of comprehensive fire and medical emergency services within City limits.
- With this action, the City was able to maintain the same level of service in the City with significant ongoing savings to the City.

Relevant Financial Policies

Budgetary Control Policies: As the City's revenues have shrunk over the last four 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 maintained 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. The City also achieves personnel expenditure reduction through the implementation of the 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 a significant reduction of the City's work force.

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

Pension, Health and OPEB Funding Policies: Pension, medical insurance and Other Post-Employment Benefits (OPEB) are significant cost items impacting the long-term financial condition of the City. During the fiscal year, the City adopted a policy that required all employees to contribute at least 4% of their eligible earnings towards the cost of funding pension retirement benefits. The City also adopted a policy that capped the amount of City subsidy towards the cost of retiree and active employee medical insurance costs.

As part of the implementation of GASB 45, the City established a Trust Account to accumulate funds for the payment of post-retirement healthcare costs. The City also adopted a funding policy. Under the policy the City made a significant amount of deposits into the Trust Account to pre-fund some of its unfunded retiree healthcare liabilities. As a result of substantial earnings accrued to the Trust Account, the City has been able to reduce the amount of its current year contributions to the OPEB Trust Account. This pre-funding arrangement has provided some flexibility in the funding for OPEB costs.

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 struggled 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 part of the State budget for fiscal year 2011-2012, effective June 28, 2011, the legislature approved AB X1 26 eliminating redevelopment agencies statewide (AB X1 26). After legal challenge, the California Supreme Court upheld AB X1 26 on December 29, 2011 thereby dissolving all redevelopment agencies in the State of California, as of January 31, 2012. Among other provisions, AB X1 26 required that upon dissolution of a redevelopment agency, either the City or another unit of local government agree to serve as the "Successor Agency" of the dissolved redevelopment agency. The role of the Successor Agency is to perform all activities necessary to wind down the activities of the former redevelopment agency including payment of debt service and completion of outstanding redevelopment activities. On January 11, 2012, the Norco City Council voted to serve as the Successor Agency except with respect to the former agency's housing function. The dissolution of the redevelopment agency will likely have a negative impact on the City's ability to pursue future economic development activities. With the dissolution, the City is no longer able to receive allocation of property tax increment revenues except for the amount necessary to pay off outstanding enforceable obligations. For more information regarding the impact of the dissolution of the redevelopment agency on the City and the related accounting impact, please refer to Note 15 through Note 18 starting on page 63.

Major Initiatives

The City of Norco is dedicated to maintaining its City Living in a Rural Atmosphere by building and maintaining adequate infrastructure to serve its residents and attract compatible economic development. During the fiscal year ended June 30, 2012, the City engaged in the following major projects:

1. The City completed construction of a new animal shelter facility. The shelter which was completed at a cost of over \$2 million will enhance the City's ability to care for more than 2,000 animals annually. This state of the art facility will also preserve the City's image as a friendly animal keeping community.
2. The City completed the implementation of a \$2.8 million Advanced Metering Infrastructure system. This fixed network meter reading system allows the City to collect water meter readings on an hourly basis at City hall computers. This process improves meter reading accuracy, reduces labor costs and facilitates timely billing of utility services.
3. With funding from Enterprise Revenue Bonds, the City embarked on several water and wastewater infrastructure projects including the California Rehabilitation Center and Navy facilities connection, expansion of treatment and storage facilities, and replacement/expansion of water lines. 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, Second Street improvements, reconstruction, overlay and traffic signal projects were 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. Other street projects were 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, 2011. This is the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for excellence in financial reporting, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Fiscal and Support Services Department and our independent auditors, Rogers, Anderson, Malody & Scott, LLP. Credit must also be given to the Mayor and City Council for their dedication and unfailing support in maintaining the highest level of professionalism in the management of City finances.

Respectfully Submitted,

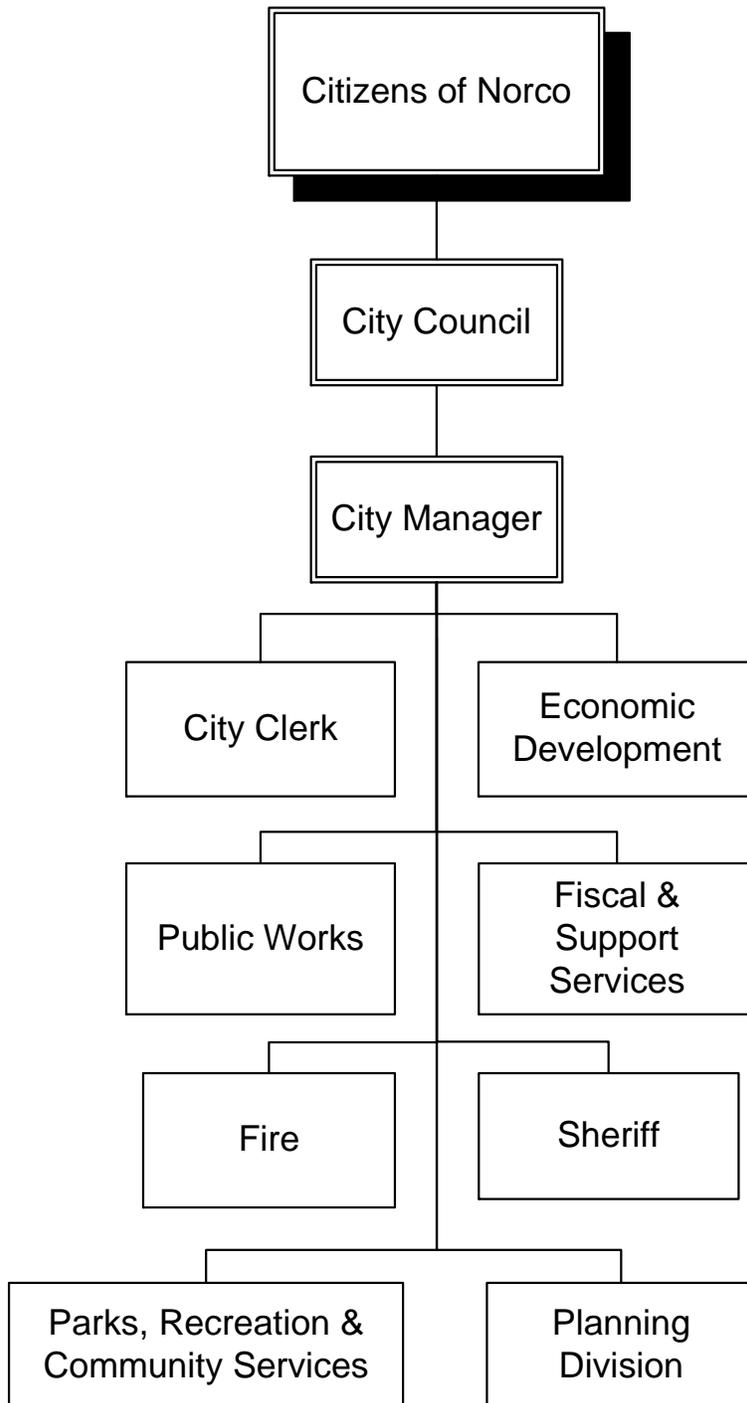


V. Andy Okoro, CPA
Deputy City Manager &
Director of Finance



Beth Groves
City Manager

CITY OF NORCO
ORGANIZATIONAL CHART
June 30, 2012



CITY OF NORCO
Directory of City Officials
June 30, 2012

MAYOR

Kevin Bash

CITY COUNCIL

Kathy Azevedo, Mayor Pro Tem
Berwin Hanna
Herb Higgins
Harvey Sullivan

CITY MANAGER

Beth Groves

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

Lt. Dan Hedge
**Chief of Police
(Riverside County Sheriff)**

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

Brenda Jacobs
City Clerk

Steve King
Planning Director

Geoff Pemberton
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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION





ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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To the Honorable City Council
City of Norco, California

INDEPENDENT AUDITORS' REPORT

PARTNERS

Brenda L. Odte, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Matthew B. Wilson, CPA, MSA, CGMA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)
Phillip H. Waller, CPA (Retired)

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradford A. Welebin, CPA, MBA
Jenny Liu, CPA, MST
Katie L. Millson, CPA
Papa Matar Thaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Danielle E. Odgers, CPA
William C. Clayton, CPA
Peter E. Murray, CPA
Genevive Schwarzkopf, CPA
Meghan Hackney, CPA
Seong-Hyea Lee, CPA, MBA
Charles De Simon, CPA

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, 2012, 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, 2012, 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.

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. Therefore, as of February 1, 2012, the Norco Community Redevelopment Agency, a component unit of the City, ceased to exist. All assets, liabilities, and functions, of the former redevelopment agency passed to the Successor Agency of the Norco Community Redevelopment Agency as of that date. All housing assets of the Norco Community Redevelopment Agency will pass to the agency to be appointed as the Housing Successor to the Norco Community Redevelopment Agency.

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, the combining non-major fund financial statements, the non-major individual budgetary comparison information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements and the non-major individual budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Rogers Anderson Malouly & Scott, LLP

December 12, 2012

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the City of Norco's (City) financial condition and performance provides an introduction and overview of the financial activities of the City for the fiscal year ended June 30, 2012. 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 and the basic financial statements including the accompanying notes to basic financial statements.

Financial Highlights

- Total assets of the City at the end of fiscal year 2012 of \$277.3 million exceeded total liabilities of \$45.6 million by \$231.7 million. The difference between total assets and total liabilities is referred as total net assets.
- The City's total net assets increased by \$49.8 million during the year. The increase in net assets was primarily due to extraordinary gain of \$50.5 million recognized in the governmental activities from the implementation of accounting guidelines related to the dissolution of the City's former Redevelopment Agency. The difference between the total change in net assets of \$49.8 and the recognized gain of \$50.5 million is from expenses exceeding revenues during the fiscal year.
- As of June 30, 2012, the City's governmental funds reported combined fund balance of \$13.6 million, a net decrease of \$39.8 million from prior fiscal year. The decrease in fund balance is from the transfer of the former Redevelopment Agency assets to the Successor Agency. Approximately \$10 million of the governmental funds' fund balance is assigned or committed. The remaining fund balance of \$3.6 million is restricted.
- Committed fund balance for the general fund was \$2.7 million or 21% of total general fund recurring expenditures in fiscal year 2012. This represents an increase of \$0.6 million from last fiscal year. The increase in fund balance was due to revenues exceeding expenditures.
- The City's total long-term debt decreased by a net of \$91.4 million during the fiscal year due to the transfer of former Redevelopment Agency debt to the Successor Agency and principal debt service payment during the year. The City did not issue any new debt during the fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Norco; its component units and the Successor Agency to the former Redevelopment Agency as prescribed by GASB Statement No. 34. The MD&A is intended to serve as an introduction to the City's financial statements. The City's basic financial statements are comprised of the following three components:

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

The CAFR also contains other supplementary information in addition to the basic financial statements themselves.

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. This is one way to measure the City's financial health. Over time, increases or decreases in net assets may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

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

In both the Statement of Net Assets and Statement of Activities, financial reporting is divided into two kinds of activities:

Governmental Activities - financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, community/economic development, culture and leisure.

Business-Type Activities – The City charges a fee to customers to recover all or most of the cost of certain services it provides. The City's water and sewer operations are reported as business-type activities.

The government-wide financial statements include not only the City, known as the primary government), but also its component units that are legally separate but whose activities the City is financially accountable. These entities include the former Norco Redevelopment Agency and Norco Financing Authority. The activities of the former Norco Redevelopment Agency through January 31, 2012 have been included as an integral part of the primary government.

Fund Financial Statements: Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements are prepared using the modified accrual basis of accounting which focuses on short-term receipts and disbursements of financial resources, as well as balance of financial resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The focus of governmental funds in the fund financial statements is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized by their type (general, special revenue, capital projects and debt service funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, redevelopment debt service, redevelopment low-mod housing, redevelopment Cal Home and redevelopment capital projects funds, which the City has determined to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation called non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its general, special revenue and capital project funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 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, risk financing activities and computer and related information systems. Because these funds predominantly benefit governmental activities rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is also provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as a trustee. The Statement of Changes in Fiduciary Net Assets separately reports all of the City's fiduciary activities. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The resources of the former Redevelopment Agency are accounted for in Fiduciary funds as a private purpose trust fund.

The basic fiduciary fund financial statement can be found on pages 28-29 of this report.

Notes to the basic financial statements: The notes to the basic financial statements which are integral part of the financial statements provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30-67 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also present certain required supplementary information regarding the City's progress in funding its Other Post-Employment Benefits (OPEB) obligation to provide health benefits to its employees. Required supplementary information can be found on pages 68-71 of this report.

Combining statements for non-major governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining financial statements and schedules are also presented elsewhere in this report.

Government-wide financial analysis

This analysis will focus on the City's net assets and changes in net assets in the governmental and business-type activities. 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, 2012, total City assets of \$277.3 million exceeded total liabilities of \$45.6 million by \$231.7 million. For comparative purposes, management has included data from the fiscal year ended June 30, 2011, as summarized below:

City of Norco, California Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 20,989,880	\$ 63,898,525	\$ 22,961,394	\$ 23,535,103	\$ 43,951,274	\$ 87,433,628
Capital assets (net of depreciation)	172,070,288	172,767,135	61,251,306	60,580,541	233,321,594	233,347,676
Total assets	193,060,168	236,665,660	84,212,700	84,115,644	277,272,868	320,781,304
Liabilities:						
Current and other Liabilities	2,845,239	5,764,579	2,833,163	1,820,510	5,678,402	7,585,089
Long-term liabilities	2,537,075	93,165,499	37,358,843	38,122,859	39,895,918	131,288,358
Total liabilities	5,382,314	98,930,078	40,192,006	39,943,369	45,574,320	138,873,447
Net assets:						
Invested in capital assets, net of related debt	172,040,285	172,727,910	46,718,775	39,526,833	218,759,060	212,254,743
Restricted	15,217,153	39,782,430	1,493,069	4,362,237	16,710,222	44,144,667
Unrestricted	420,416	(74,774,758)	(4,191,150)	283,205	(3,770,734)	(74,491,553)
Total net assets	\$ 187,677,854	\$ 137,735,582	\$ 44,020,694	\$ 44,172,275	\$ 231,698,548	\$ 181,907,857

Net assets for the fiscal year ended June 30, 2012, includes investments in capital assets such as roads, streets, lighting systems, drainage systems, bridges and property plant and equipment.

Including the value of infrastructure assets, investments in capital assets net of related debt total \$218.8 million as of June 30, 2012. 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, \$16.7 million for fiscal year 2012 and \$44.1 million for fiscal year 2011, represent resources that are subject to restrictions on how they can be used. The remaining balance, (unrestricted net assets), is (\$3.8) million and (\$74.5) million for fiscal years 2012 and 2011 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 the summary of changes in net assets.

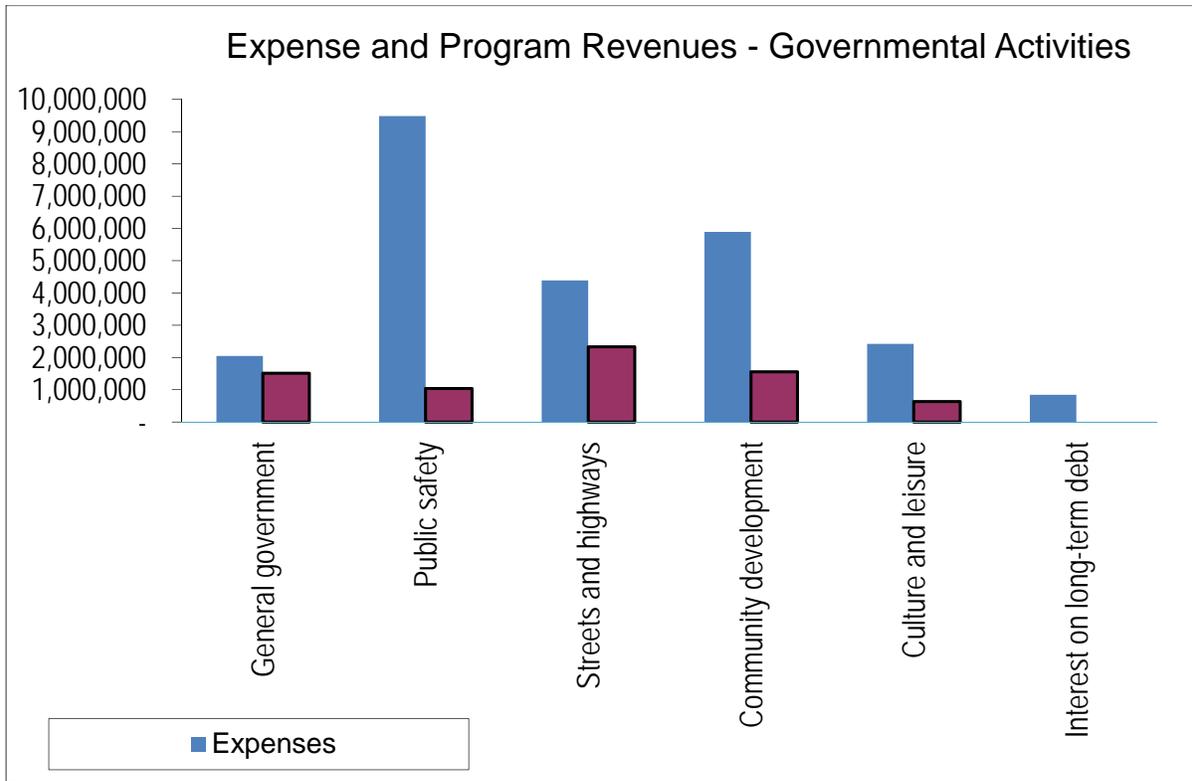
City of Norco, California
Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 3,930,138	\$ 3,943,714	\$ 14,359,899	\$ 11,559,517	\$ 18,290,037	\$ 15,503,231
Operating grants and contributions	3,062,424	4,118,810	-	113,444	3,062,424	4,232,254
Capital grants and contributions	83,834	1,527,406	902,597	732,519	986,431	2,259,925
General revenues	17,203,522	24,272,418	84,540	42,738	17,288,062	24,315,156
Total revenues	24,279,918	33,862,348	15,347,036	12,448,218	39,626,954	46,310,566
Expenses:						
General Government	2,047,480	3,589,601	-	-	2,047,480	3,589,601
Public safety	9,482,494	10,532,263	-	-	9,482,494	10,532,263
Streets and Highways	4,389,492	6,745,445	-	-	4,389,492	6,745,445
Community development	5,893,093	10,467,473	-	-	5,893,093	10,467,473
Culture and leisure	2,421,643	2,177,366	-	-	2,421,643	2,177,366
Interest on long-term debt	842,156	5,171,018	-	-	842,156	5,171,018
Water	-	-	9,917,049	7,970,925	9,917,049	7,970,925
Sewer	-	-	5,309,232	5,227,807	5,309,232	5,227,807
Total expenses	25,076,358	38,683,166	15,226,281	13,198,732	40,302,639	51,881,898
Change in net assets before transfers and extra-ordinary items	(796,440)	(4,820,818)	120,755	(750,514)	(675,685)	(5,571,332)
Extra Ordinary (loss) Gain	50,466,374	-	-	-	50,466,374	-
Transfers	272,337	257,203	(272,337)	(257,203)	-	-
Change in net assets	49,942,271	(4,563,615)	(151,582)	(1,007,717)	49,790,689	(5,571,332)
Net assets - beginning, as restated	137,735,582	142,299,197	44,172,276	45,179,992	181,907,858	187,479,189
Net assets - ending	\$ 187,677,854	\$ 137,735,582	\$ 44,020,694	\$ 44,172,275	\$ 231,698,548	\$ 181,907,857

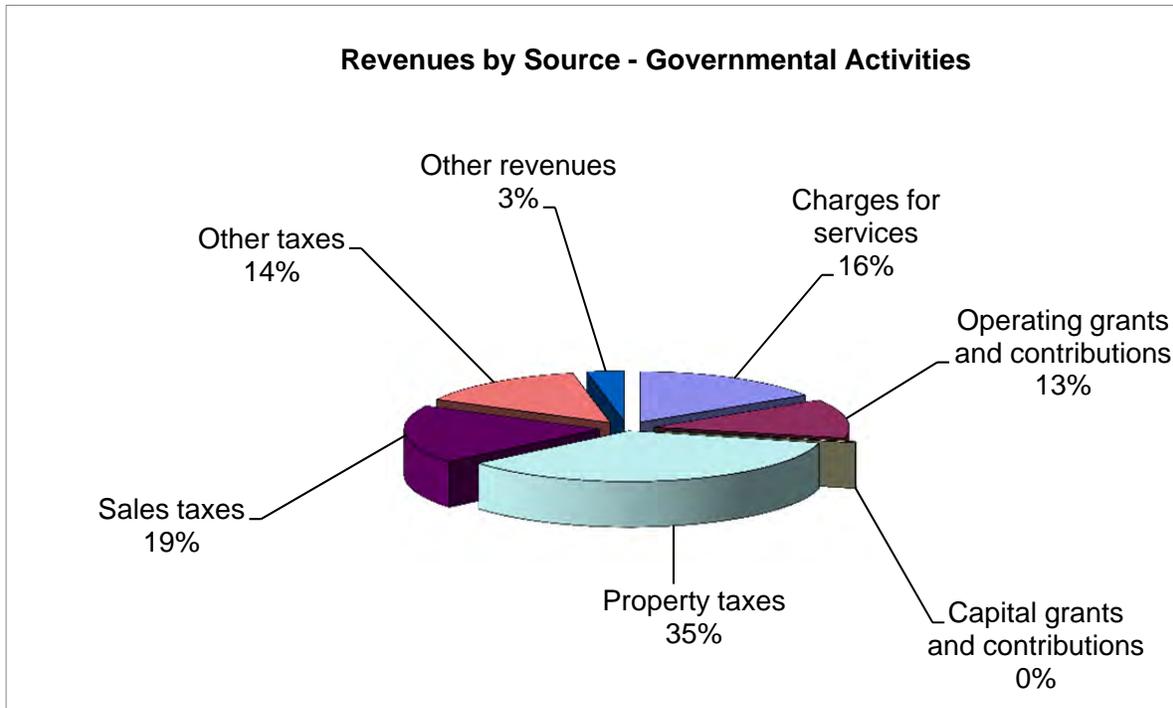
During the year, total net assets increased by \$49.8 million primarily due to the removal of long-term debt of the dissolved former redevelopment agency. Further analyses are provided below.

Governmental activities: Total net assets from governmental activities increased by \$50 million or 36% during the year primarily due to the elimination of long-term debt of the dissolved former redevelopment agency. Expenses exceeded revenues in the governmental activities due to capital project expenditures funded from existing fund balance.

The chart on the next page provides a 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 revenues by source.

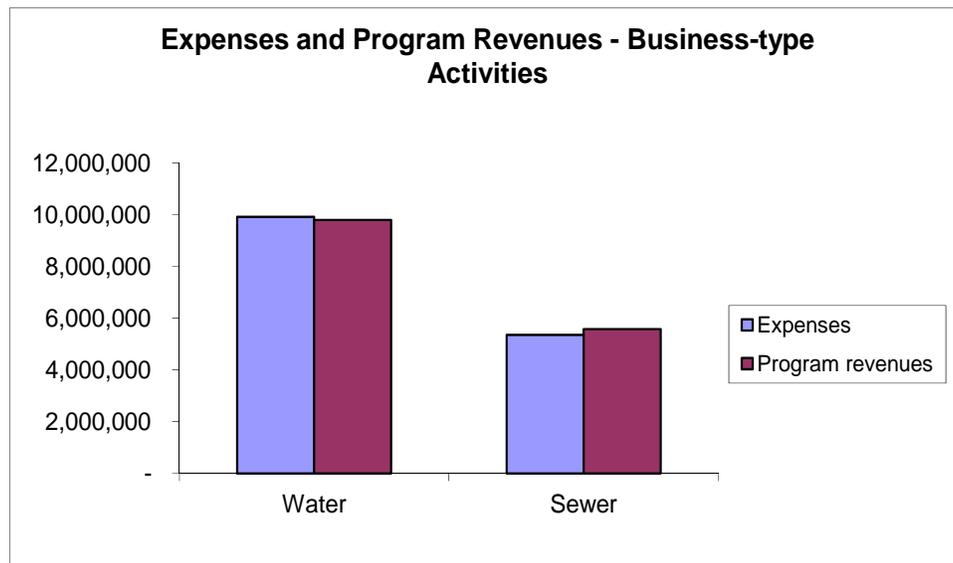


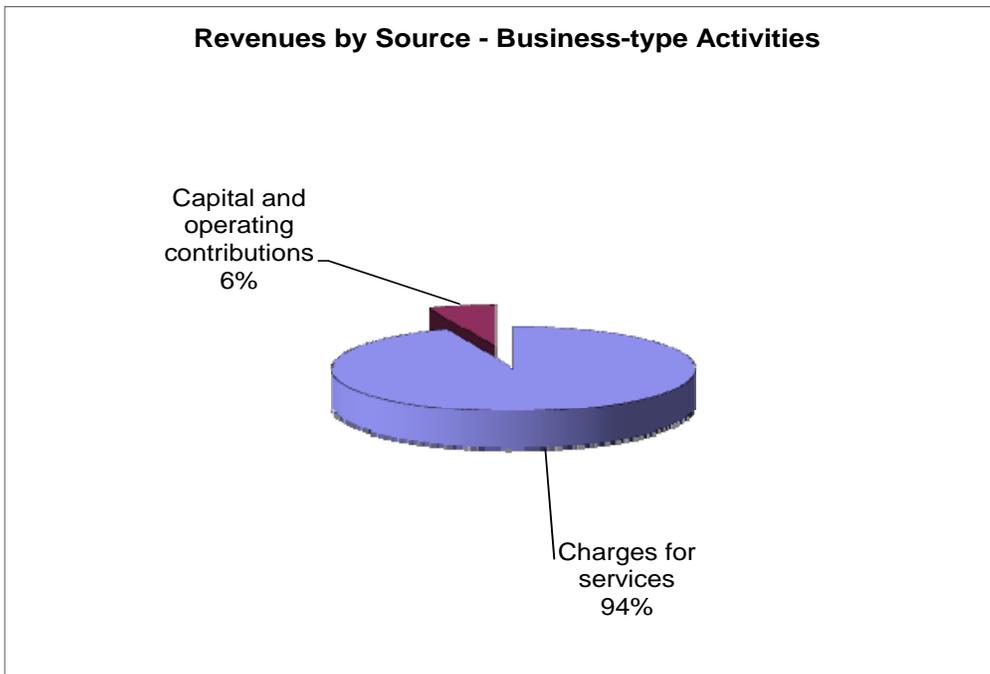
The governmental activities' expense and program revenue chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to that function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are 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 84 percent of property tax revenues are tax increment allocated to the City's redevelopment project area through January 31, 2012 prior to the agency being dissolved by the state. Capital grants and contributions represent revenues and contributions of capital assets received from developers and other third party entities including the federal government. Capital grants and contributions are restricted to the acquisition and construction of capital assets. Sales taxes are derived from taxable transactions originating from the City. Even though the City's sales tax receipts are significantly below where they were five years ago, sales tax revenues still account for a significant portion of general fund revenues. During the year, sales tax revenue increased by nearly 6% as receipts from auto and gasoline sales increased. The other taxes category represents taxes derived from business license, franchises and transient occupancy taxes.

Business-type activities: Including non-operating income, net assets of the business-type activities decreased slightly by \$151,581 during the fiscal year. The change in net assets is attributable to operating expenses exceeding operating income in the water fund due to rising cost of imported water. It is anticipated that with the full implementation of water rate adjustment in the current fiscal year, rates should be sufficient to recover operating expenses. Management will continue to review water and sewer fund rates to ensure that the goal of full cost recovery through user rates is achieved. Individually, the net assets of the water fund decreased by \$243,759 while net assets of the sewer fund increased by \$92,178.

The chart below provides graphic representation of the City's revenues by source for business-type activities. Water fund charges for services were slightly below operating expenses due to higher than anticipated purchased water expense. It is anticipated that the implementation of already approved water rate adjustments will close the gap between revenues and expenses. Water fund expenses make up 65 percent of total business-type activities expenses while sewer fund expenses make up the remaining 35 percent of total expenses. Total charges for services from business-type activities consist of 64 percent derived from Water Fund and 36 percent from the sewer fund. As shown on the revenues by source chart on the next page, charges for services represent 94 percent of business-type activities' revenue while capital and operating contributions represent the remaining 6 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 ability to meet financial obligations in the short-term. As example, assigned and unassigned fund balance could serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$13.6 million, a decrease of \$39.8 million in comparison with the prior year. Of the \$13.6 million, \$3.6 million, or 26 percent, constitutes restricted fund balance which can only be used for specific purposes due to external restrictions or enabling legislation. The remainder of fund balance is committed, assigned or unassigned. Committed fund balances include balances that have been constrained by the city council through a resolution or ordinance for specific future use. Total committed fund balance as of June 30, 2012 was \$3.2 million. Assigned fund balance consists of amounts that have been designated for specific use without resolution or ordinance of the city council thus, the assignment can be changed at the discretion of management. Total assigned fund balance as of June 30, 2012 was \$6.8 million. Unassigned fund balance represents the amount that is available for any purpose.

In the general fund, revenues and transfers in exceeded expenditures by \$0.6 million. This increase in fund balance was as a result of better than anticipated receipt of tax revenues and expenditure control measures. In the redevelopment funds, total fund balance decreased by \$39.6 million due to the recognition of extra-ordinary loss associated with the dissolution of the City's redevelopment agency effective February 1, 2012. The fund balance of other non-major governmental funds also decreased by \$0.9 million due to capital projects expenditures paid from existing fund balance.

Proprietary Funds: Proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail. The City's Proprietary funds consist of two major Enterprise Funds and three Internal Service Funds. The Internal Service Funds are presented as Governmental Activities in the Proprietary Funds financial statements. Individual fund data is presented in the form of combining statements. Operating revenues for Enterprise Funds consist primarily of charges for services.

Unrestricted net asset in the water fund at the end of the year was \$1.1 million while the sewer fund had a negative unrestricted net assets balance of (\$5.3) million. The negative sewer fund unrestricted net asset balance was due to the 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. During the fiscal year, the net assets of the water fund decreased by \$243,760 while the net assets of the sewer fund increased by \$92,177.

The City also has three internal service funds used to allocate cost of the City's information systems, equipment services and risk management activities to various departments. The decrease in the net assets of the internal service funds was due to loss in the disposal (by donation) of previously owned City fire equipment.

Fiduciary Funds: The City uses Fiduciary funds to account for resources held for the benefit of other parties outside the City, in which the City is acting as a trustee. The resources of the various community facilities districts are accounted for in fiduciary funds. The Statement of Changes in Fiduciary Net Assets for the Private Purpose Trust Fund is used to report the additions and deductions to the net assets of the Successor Agency created as result of the dissolution of the former Norco Redevelopment Agency.

General Fund Financial and Budgetary Highlights

The general fund is the chief operating fund of the City. At June 30, 2012, total fund balance was \$2.7 million which is set aside for emergencies. As a measure of general fund's financial condition, it may be useful to compare this fund balance to total expenditures. This fund balance represents 21 percent of general fund recurring expenditures for the fiscal year. For the fiscal year, the general fund's total fund balance increased by \$0.6 million due total revenues exceeding total expenditures. The excess of revenues over expenditures came from higher receipts from sales, property and other taxes. Expenditures were lower than anticipated due to cost savings from public safety programs and lower utility cost in culture and leisure programs. With respect to the comparison of general fund actual revenues and expenditures to final budget, actual tax revenues exceeded budget by \$0.4 million. The favorable budget variance came from higher sales and property tax receipts. Sales increased due to increase in sales tax receipts from auto dealers and gasoline retailers. Additionally, actual revenues fines and forfeitures exceeded budget due to higher late payment penalties receipts. However, this increase is offset by less than anticipated receipts from state cost reimbursements. On the expenditure side, the only material differences between the final budget and actual expenditures were in public safety and culture and leisure programs. The lower than anticipated expenditures in public safety programs came from lower than anticipated increase in the cost of contracted public safety programs of fire and police services. Similarly, cost savings from lower utilities due to lower consumption were realized in culture and leisure programs.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$233.3 million (net of accumulated depreciation). Investment in capital assets includes infrastructure assets as well as land, buildings, improvements and equipment. During the year, capital assets net of depreciation decreased by \$0.7 million for governmental activities and increased by \$0.7 million for business-type activities.

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

- Purchase of vehicles for \$0.1 million
- Disposition of fire engines and other vehicles \$0.9 million
- Park Improvements \$0.4 million
- Construction of animal control facilities \$1.4 million
- Sewer treatment plant expansions \$0.9 million
- Streets widening and other improvements \$0.9 million
- Fiber optics network system installation \$0.4 million

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

**City of Norco
Capital Assets (net of depreciation)
June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 101,161,035	\$ 1,644,507	\$ 102,805,542
Building and improvements	12,565,712	477,323	13,043,035
Equipment and machinery	716,247	53,744,786	54,461,033
Infrastructure	45,615,784	-	45,615,784
Intangible	117,977	-	117,977
Construction in progress	11,893,533	5,384,690	17,278,223
Total capital assets, net	<u>\$ 172,070,288</u>	<u>\$ 61,251,306</u>	<u>\$ 233,321,594</u>

Long-term debt: At the end of fiscal year 2012, the City's total long-term debt outstanding was \$39.9 million. Of this amount, \$37.4 million is debt of the sewer and water enterprise funds while \$2.5 million represents debt governmental activities representing claims, judgment, compensated absences and OPEB liability. Outstanding long-term debt of the City is summarized below and additional information can be found in the notes to basic financial statements.

**City of Norco
Outstanding Long Term Debt
June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital leases	\$ 30,003	\$ 799,847	\$ 829,850
Notes/loans payable/advances	-	463,898	463,898
Revenue bonds	-	36,095,098	36,095,098
OPEB liability	843,615	-	843,615
Compensated absences	690,172	-	690,172
Claims and judgment	973,285	-	973,285
Total long-term debt	<u>\$ 2,537,075</u>	<u>\$ 37,358,843</u>	<u>\$ 39,895,918</u>

Economic Factors and Next Year's Budgets and Rates

- During the most recently completed fiscal year 2011-2012, the City's sales tax revenues improved by nearly 8.5% over the previous year which showed a 21% increase over the year before. This increase was largely due to increased receipts from auto and gasoline sales. Sales tax continues to be a significant portion of general fund revenues and sales tax generated from auto sales make up significant portion of sales tax revenues. Auto sales are highly dependent on the quality of dealerships at the City's Auto Mall. As the economy has stabilized over the last two fiscal years, the quality of auto dealers in the City's auto mall has also improved. This could lead to additional increases in sales tax receipts into the City's general fund. Sales tax derived from gasoline sales is also highly dependent upon the price of gasoline. Throughout the fiscal year, gasoline prices remained high resulting in additional sales tax for the City. As the price of gasoline can be very volatile, sudden material decreases in gasoline prices could negatively impact the City's sales tax receipts. During the first quarter of FY 2012-2013, sales tax receipts were higher than the previous year. The City has continued to work hard to diversify general fund revenues by seeking economic opportunities that complements the City's "Horsetown USA" motto.
- Property tax revenues are based on the assessed value of real property located within the City's boundary. The assessed value of real property in the City is expected to remain flat during the upcoming fiscal year. Consequently, future property tax receipts are expected to be flat from the amount received in the last two fiscal years.
- As described in more detail in the notes to the financial statements and transmittal letter, during the recently completed FY 2012, the California legislature dissolved all Redevelopment Agencies in the state effective January 31, 2012. With the dissolution of the former Redevelopment Agency, the City is no longer able to pass-through certain administrative costs to the Redevelopment Agency. To the extent that all costs previously passed to the Redevelopment Agency cannot be eliminated, the City's general fund cost would increase without any certain additional revenues to offset the increased costs.
- In fiscal year 2011, the City Council approved water and sewer rate adjustments effective April 2011. The last phase of the rate adjustment is scheduled to go into effect at the beginning of FY 2013. These adjustments will help offset the rising cost of purchasing, producing and delivering water and sewer services to residents and businesses. When fully implemented, it is expected that the water and sewer funds will generate increased revenues from user charges to cover the full cost of operating and maintaining the water and sewer systems. Due to existing working capital deficit in the Water fund, it is anticipated that further rate adjustments will be necessary after FY 2013.
- Effective with FY 2013, all City employees will be contributing at least 4% of their pay to help fund the cost of their future retirement pension benefits. In the past, the City paid the entire cost of pension contributions. With the implementation of this change, the total cost of City pension contribution will be reduced.
- During FY 2012, the City contracted out to the California Department of Forestry through the County of Riverside fire protection and emergency medical response services. This action is expected to result in significant ongoing cost savings to the City's general fund budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors and all those with interest in the City's finances with an overview of the City's finances and to demonstrate accountability over the City's financial assets. Questions concerning any of the information provided in this report or request for additional information should be addressed to the 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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 19,391,049	\$ 3,133,342	\$ 22,524,391
Cash and investments with fiscal agents	-	13,600,812	13,600,812
Receivables:			
Accounts, net	208,749	2,538,264	2,747,013
Interest	14,058	9,027	23,085
Notes	-	2,646,194	2,646,194
Due from other governments	1,363,283	-	1,363,283
Inventories	-	113,634	113,634
Prepays	12,741	-	12,741
Deferred charges	-	920,121	920,121
Capital assets:			
Land, improvements and construction in progress	113,054,568	7,029,197	120,083,765
Other capital assets, net of depreciation	59,015,720	54,222,109	113,237,829
	<u>193,060,168</u>	<u>84,212,700</u>	<u>277,272,868</u>
Total assets			
LIABILITIES			
Accounts payable	2,160,304	2,108,329	4,268,633
Accrued interest payable	-	495,994	495,994
Retentions payable	195,896	12,506	208,402
Unearned revenue	482,639	17,776	500,415
Deposits payable	6,400	198,558	204,958
Noncurrent liabilities:			
Due within one year	648,009	853,873	1,501,882
Due in more than one year	1,045,451	36,504,970	37,550,421
Net OPEB Obligation	843,615	-	843,615
	<u>5,382,314</u>	<u>40,192,006</u>	<u>45,574,320</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	172,040,285	46,718,775	218,759,060
Restricted for:			
Debt service	2,723,125	1,488,829	4,211,954
Public safety	48,600	-	48,600
Capital projects	9,333,606	4,240	9,337,846
Community development	3,677,729	-	3,677,729
Unrestricted	(145,491)	(4,191,150)	(4,336,641)
	<u>\$ 187,677,854</u>	<u>\$ 44,020,694</u>	<u>\$ 231,698,548</u>
Total net assets			

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

**City of Norco
Statement of Activities
For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 2,047,480	\$ 1,256,248	\$ 257,088	\$ -
Public safety	9,482,494	695,153	345,440	-
Streets and highways	4,389,492	832,620	1,416,022	83,834
Community and economic development	5,893,093	511,400	1,043,874	-
Culture and leisure	2,421,643	634,717	-	-
Interest on long-term debt	842,156	-	-	-
Total governmental activities	<u>25,076,358</u>	<u>3,930,138</u>	<u>3,062,424</u>	<u>83,834</u>
Business-type activities:				
Water	9,917,049	9,408,360	-	362,040
Sewer	5,309,232	4,951,539	-	540,557
Total business-type activities	<u>15,226,281</u>	<u>14,359,899</u>	<u>-</u>	<u>902,597</u>
Total primary government	<u>\$ 40,302,639</u>	<u>\$ 18,290,037</u>	<u>\$ 3,062,424</u>	<u>\$ 986,431</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
- Other taxes

Unrestricted investment earnings

Other

Intergovernmental

Extraordinary item -Gain on Redevelopment Agency Dissolution

Transfers

Total general revenues, extraordinary item 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
\$ (534,144)	\$ -	\$ (534,144)
(8,441,901)	-	(8,441,901)
(2,057,016)	-	(2,057,016)
(4,337,819)	-	(4,337,819)
(1,786,926)	-	(1,786,926)
(842,156)	-	(842,156)
<u>(17,999,962)</u>	<u>-</u>	<u>(17,999,962)</u>
-	(146,649)	(146,649)
<u>-</u>	<u>182,864</u>	<u>182,864</u>
-	36,215	36,215
<u>-</u>	<u>36,215</u>	<u>36,215</u>
1,384,242	-	1,384,242
7,235,391	-	7,235,391
223,674	-	223,674
1,034,701	-	1,034,701
3,515,779	-	3,515,779
1,068,683	-	1,068,683
1,970,332	-	1,970,332
281,232	-	281,232
3,172	-	3,172
186,767	84,540	271,307
263,995	-	263,995
35,555	-	35,555
50,466,374	-	50,466,374
272,337	(272,337)	-
<u>67,942,234</u>	<u>(187,797)</u>	<u>67,754,437</u>
49,942,272	(151,582)	49,790,690
<u>137,735,582</u>	<u>44,172,276</u>	<u>181,907,858</u>
<u>\$ 187,677,854</u>	<u>\$ 44,020,694</u>	<u>\$ 231,698,548</u>

FUND FINANCIAL STATEMENTS

**City of Norco
Balance Sheet
Governmental Funds
June 30, 2012**

	General	Redevelopment Special Revenue	Redevelopment Debt Service
ASSETS			
Cash and investments	\$ 3,432,966	\$ -	\$ -
Receivables, net:			
Accounts	203,059	-	-
Interest	5,813	-	-
Prepaid	-	-	-
Due from other governments	649,663	-	-
Due from other funds	392,424	-	-
	<u>\$ 4,683,925</u>	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ 4,683,925</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,525,399	\$ -	\$ -
Retentions payable	-	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Deferred revenues	435,401	-	-
	<u>1,960,800</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,960,800</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	2,723,125	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u>2,723,125</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,723,125</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,683,925</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Redevelopment Capital Projects</u>	<u>Redevelopment CalHome</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 11,339,399	\$ 14,772,365
-	-	5,690	208,749
-	-	5,698	11,511
-	-	3,750	3,750
-	-	713,620	1,363,283
-	-	130	392,554
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,068,287</u>	<u>\$ 16,752,212</u>
\$ -	\$ -	\$ 575,243	\$ 2,100,642
-	-	195,896	195,896
-	-	6,400	6,400
-	-	392,554	392,554
-	-	47,238	482,639
<u>-</u>	<u>-</u>	<u>1,217,331</u>	<u>3,178,131</u>
-	-	3,750	3,750
-	-	3,612,988	3,612,988
-	-	487,585	3,210,710
-	-	6,792,440	6,792,440
-	-	(45,807)	(45,807)
<u>-</u>	<u>-</u>	<u>10,850,956</u>	<u>13,574,081</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,068,287</u>	<u>\$ 16,752,212</u>

City of Norco
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2012

Fund balances of governmental funds	\$	13,574,081
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		171,474,378
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.		5,166,470
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in funds.		
Leases payable	\$ (30,003)	
Long-term compensated absences payable	(690,172)	
Long-term claims and judgments payable	<u>(973,285)</u>	(1,693,460)
The City is required to report a net Other Post Employment Benefits (OPEB) obligation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. This is the amount by which the annual required contribution (ARC) exceeds the actual contribution made to the OPEB plan by the City. The City has contributed less than the ARC to the retiree medical plan and reports the OPEB obligation as a liability on the statement of net assets.		<u>(843,615)</u>
Net assets of governmental activities	\$	<u><u>187,677,854</u></u>

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

City of Norco
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Redevelopment Special Revenue</u>	<u>Redevelopment Debt Service</u>
REVENUES			
Taxes	\$ 9,478,732	\$ -	\$ -
Assessments	-	-	-
Licenses and permits	505,630	-	-
Fines and forfeitures	410,926	-	-
Development fees	-	-	-
Intergovernmental	84,375	28,796	-
Charges for services	1,503,142	-	-
Investment earnings	320,879	6,480	111,102
Reimbursements	100,740	-	-
Contributions from property owners	-	-	-
Other	604,519	27,820	-
	<u>13,008,943</u>	<u>63,096</u>	<u>111,102</u>
Total revenues			
EXPENDITURES			
Current:			
General government	2,796,764	-	-
Public safety	7,890,074	-	-
Streets and highways	80,278	-	-
Community and economic development	437,495	333,620	-
Culture and leisure	1,713,091	-	-
Debt service:			
Interest	-	359,550	2,166,921
	<u>12,917,702</u>	<u>693,170</u>	<u>2,166,921</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>91,241</u>	<u>(630,074)</u>	<u>(2,055,819)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	574,744	-	1,528,404
Transfers out	(25,000)	-	-
	<u>549,744</u>	<u>-</u>	<u>1,528,404</u>
Total other financing sources (uses)			
EXTRAORDINARY ITEM			
Loss on Redevelopment Agency Dissolution	-	(21,020,100)	(7,349,348)
	<u>640,985</u>	<u>(21,650,174)</u>	<u>(7,876,763)</u>
Net change in fund balances			
Fund balances, beginning of year	<u>2,082,140</u>	<u>21,650,174</u>	<u>7,876,763</u>
Fund balances, end of year	<u>\$ 2,723,125</u>	<u>\$ -</u>	<u>\$ -</u>

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

Redevelopment Capital Projects	Redevelopment CalHome	Total Non major Governmental Funds	Total Governmental Funds
\$ 7,235,391	\$ -	\$ 485,914	\$ 17,200,037
-	-	752,370	752,370
-	-	-	505,630
-	-	-	410,926
-	-	20,500	20,500
707,700	17,267	1,813,534	2,651,672
-	-	17,007	1,520,149
9,814	-	21,596	469,871
321	-	-	101,061
-	-	5,122	5,122
-	-	-	632,339
<u>7,953,226</u>	<u>17,267</u>	<u>3,116,043</u>	<u>24,269,677</u>
-	-	461,428	3,258,192
-	-	1,335,532	9,225,606
-	-	3,395,694	3,475,972
4,630,177	17,267	265,869	5,684,428
-	-	274,290	1,987,381
-	-	-	2,526,471
<u>4,630,177</u>	<u>17,267</u>	<u>5,732,813</u>	<u>26,158,050</u>
<u>3,323,049</u>	<u>-</u>	<u>(2,616,770)</u>	<u>(1,888,373)</u>
50,728	-	1,931,842	4,085,718
(3,430,409)	-	(171,260)	(3,626,669)
<u>(3,379,681)</u>	<u>-</u>	<u>1,760,582</u>	<u>459,049</u>
<u>(9,510,390)</u>	<u>(508,074)</u>	<u>-</u>	<u>(38,387,912)</u>
(9,567,022)	(508,074)	(856,188)	(39,817,236)
<u>9,567,022</u>	<u>508,074</u>	<u>11,707,144</u>	<u>53,391,317</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,850,956</u>	<u>\$ 13,574,081</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, 2012

Net change in fund balance - total governmental funds \$ (39,817,236)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Asset deletions also affect the amounts reported in the statement of activities.

Depreciation	\$ (2,528,313)	
Capital Outlay	3,330,293	
Loss on disposition of certain obsolete assets	<u>(247,655)</u>	554,325

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

Increase in OPEB liability	\$ (568,998)	
Decrease in accrued interest payable on bonds	<u>1,684,315</u>	1,115,317

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. (764,420)

Extraordinary gain on closing of Community Redevelopment Agency 88,854,286

Change in net assets of governmental activities \$ 49,942,272

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 1,672,102	\$ 1,461,240	\$ 3,133,342	\$ 4,618,684
Cash and investments with fiscal agents	7,490,277	6,110,535	13,600,812	-
Receivables:				
Accounts, net	1,700,565	837,699	2,538,264	-
Interest	4,047	4,980	9,027	2,547
Notes	1,323,096	1,323,098	2,646,194	-
Prepays	-	-	-	8,991
Due from other funds	-	998,238	998,238	-
Inventories	113,634	-	113,634	-
Total current assets	<u>12,303,721</u>	<u>10,735,790</u>	<u>23,039,511</u>	<u>4,630,222</u>
Noncurrent assets:				
Deferred charges	335,108	585,013	920,121	-
Capital assets:				
Land	1,644,507	-	1,644,507	-
Buildings and improvements	986,376	69,175	1,055,551	-
Utility plant	9,472,229	2,433,578	11,905,807	-
Wastewater capacity rights	-	17,793,248	17,793,248	-
Pipelines	32,611,847	26,757,120	59,368,967	-
Fire Hydrants	1,891,676	-	1,891,676	-
Meters	1,769	-	1,769	-
Vehicles and equipment	316,971	26,784	343,755	2,260,825
Construction in progress	1,540,419	3,844,271	5,384,690	-
Less accumulated depreciation	(21,344,812)	(11,132,364)	(32,477,176)	(1,782,892)
Intangible assets	-	-	-	429,245
Less accumulated amortization	-	(5,661,488)	(5,661,488)	(311,268)
Total noncurrent assets	<u>27,456,090</u>	<u>34,715,337</u>	<u>62,171,427</u>	<u>595,910</u>
 Total assets	 <u>\$ 39,759,811</u>	 <u>\$ 45,451,127</u>	 <u>\$ 85,210,938</u>	 <u>\$ 5,226,132</u>

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

City of Norco
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 968,733	\$ 1,139,596	\$ 2,108,329	\$ 59,662
Accrued interest payable	180,011	315,983	495,994	-
Retentions payable	12,506	-	12,506	-
Deposits payable	117,370	81,188	198,558	-
Due to other funds	998,238	-	998,238	-
Compensated absences	-	-	-	172,543
Capital lease payable	-	124,298	124,298	10,261
Claims and judgements	-	-	-	465,205
Loan payable	84,575	-	84,575	-
Bonds payable	250,200	394,800	645,000	-
Total current liabilities	<u>2,611,633</u>	<u>2,055,865</u>	<u>4,667,498</u>	<u>707,671</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	517,629
Deferred revenue	-	17,776	17,776	-
Capital lease payable	-	675,549	675,549	19,742
Claims and judgements	-	-	-	508,080
Loan payable	379,323	-	379,323	-
Bonds payable	12,799,756	22,650,342	35,450,098	-
Total noncurrent liabilities	<u>13,179,079</u>	<u>23,343,667</u>	<u>36,522,746</u>	<u>1,045,451</u>
Total liabilities	<u>15,790,712</u>	<u>25,399,532</u>	<u>41,190,244</u>	<u>1,753,122</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,313,329	24,405,446	46,718,775	565,907
Restricted for capital projects	4,240	-	4,240	-
Restricted for debt service	542,173	946,656	1,488,829	-
Unrestricted	1,109,357	(5,300,507)	(4,191,150)	2,907,103
Total net assets	<u>\$ 23,969,099</u>	<u>\$ 20,051,595</u>	<u>\$ 44,020,694</u>	<u>\$ 3,473,010</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, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Total	Activities - Internal Service Funds
OPERATING REVENUES				
Sales and charges for services	\$ 9,299,437	\$ 4,947,371	\$ 14,246,808	\$ 1,310,723
Connection fees	64,638	3,570	68,208	-
Miscellaneous	44,285	598	44,883	140
Total operating revenues	<u>9,408,360</u>	<u>4,951,539</u>	<u>14,359,899</u>	<u>1,310,863</u>
OPERATING EXPENSES				
General and administrative	389,060	318,115	707,175	885,369
Operations	7,886,223	2,645,818	10,532,041	-
Amortization	-	404,392	404,392	38,052
Depreciation	875,997	615,058	1,491,055	238,710
Total operating expenses	<u>9,151,280</u>	<u>3,983,383</u>	<u>13,134,663</u>	<u>1,162,131</u>
Operating income	<u>257,080</u>	<u>968,156</u>	<u>1,225,236</u>	<u>148,732</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	40,611	43,929	84,540	10,101
Interest and fiscal charges	(759,797)	(1,315,423)	(2,075,220)	-
Amortization of deferred charges	(5,972)	(10,426)	(16,398)	-
Loss on disposal of assets	-	-	-	(736,541)
Total nonoperating expenses	<u>(725,158)</u>	<u>(1,281,920)</u>	<u>(2,007,078)</u>	<u>(726,440)</u>
Income before contributions and transfers	<u>(468,078)</u>	<u>(313,764)</u>	<u>(781,842)</u>	<u>(577,708)</u>
Capital contributions	362,040	540,557	902,597	-
Transfers in	-	2,238	2,238	21,475
Transfers out	<u>(137,722)</u>	<u>(136,853)</u>	<u>(274,575)</u>	<u>(208,187)</u>
Change in net assets	(243,760)	92,178	(151,582)	(764,420)
Net assets, beginning of year	<u>24,212,859</u>	<u>19,959,417</u>	<u>44,172,276</u>	<u>4,237,430</u>
Net assets, end of year	<u>\$ 23,969,099</u>	<u>\$ 20,051,595</u>	<u>\$ 44,020,694</u>	<u>\$ 3,473,010</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, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 10,248,347	\$ 3,720,757	\$ 13,969,104	\$ -
Cash received from interfund services provided	-	-	-	1,863,874
Cash payments to suppliers	(6,938,624)	(1,683,738)	(8,622,362)	(1,056,025)
Cash payments to employees for services	(977,605)	(558,395)	(1,536,000)	(649,594)
Net cash provided by operating activities	<u>2,332,118</u>	<u>1,478,624</u>	<u>3,810,742</u>	<u>158,255</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	2,238	2,238	21,475
Transfer to other funds	(137,722)	(136,853)	(274,575)	(208,187)
Net cash used for noncapital financing activities	<u>(137,722)</u>	<u>(134,615)</u>	<u>(272,337)</u>	<u>(186,712)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(560,550)	(2,046,131)	(2,606,681)	(127,301)
Capital contributions	362,040	540,557	902,597	-
Proceeds from disposal of capital assets	-	-	-	128,221
Principal payments - loans	(80,933)	-	(80,933)	-
Principal payments - capital lease	-	(120,914)	(120,914)	(9,192)
Principal payments - bonds	(212,512)	(349,657)	(562,169)	-
Interest and fiscal charges	(755,614)	(1,329,656)	(2,085,270)	-
Net cash used for capital and related financing activities	<u>(1,247,569)</u>	<u>(3,305,801)</u>	<u>(4,553,370)</u>	<u>(8,272)</u>
Cash flows from investing activities:				
Interest income	48,763	51,678	100,441	11,146
Loans	(1,323,097)	(1,323,098)	(2,646,195)	-
Net cash provided by (used for) investing activities	<u>(1,274,334)</u>	<u>(1,271,420)</u>	<u>(2,545,754)</u>	<u>11,146</u>
Net decrease in cash and investments	(327,507)	(3,233,212)	(3,560,719)	(25,583)
Cash and investments, beginning of year	<u>9,489,886</u>	<u>10,804,987</u>	<u>20,294,873</u>	<u>4,644,267</u>
Cash and investments, end of year	<u>\$ 9,162,379</u>	<u>\$ 7,571,775</u>	<u>\$ 16,734,154</u>	<u>\$ 4,618,684</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, 2012**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 257,080	\$ 968,156	\$ 1,225,236	\$ 148,732
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization	-	404,392	404,392	38,052
Depreciation	875,997	615,058	1,491,055	238,710
(Increase) decrease in assets:				
Accounts receivable	(166,770)	(218,672)	(385,442)	553,011
Deferred charges	-	21,904	21,904	-
Prepays	-	-	-	(7,473)
Due from other funds	5,895	(989,938)	(984,043)	-
Inventories	(19,920)	-	(19,920)	-
Construction in progress	40,469	-	40,469	-
Increase (decrease) in liabilities:				
Accounts payable	338,505	731,250	1,069,755	10,362
Accrued wages	-	-	-	(164,603)
Deposits	2,624	9,108	11,732	-
Deferred revenue	-	(53,184)	(53,184)	-
Retentions payable	-	(9,450)	(9,450)	-
Due to other funds	998,238	-	998,238	-
Compensated absences	-	-	-	(323,131)
Claims and judgements	-	-	-	(335,405)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 2,332,118</u>	<u>\$ 1,478,624</u>	<u>\$ 3,810,742</u>	<u>\$ 158,255</u>

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

City of Norco
Statement of Fiduciary Assets and Liabilities
June 30, 2012

	Successor Agency Private Purpose Trust Fund	Agency Funds	Fiduciary Funds Totals
ASSETS			
Cash and investments	\$ 9,243,086	\$ 5,274,995	\$ 14,518,081
Cash and investments with fiscal agents	12,565,571	2,734,039	15,299,610
Receivables:			
Notes	780,496	-	780,496
Accounts	14,205	408,730	422,935
Interest	62,628	3,848	66,476
Deferred charges - Unamortized costs	1,625,505	-	1,625,505
Property held for resale	1,399,292	-	1,399,292
Capital assets being depreciated, net	203,497	-	203,497
Due from other governments	17,067	226,105	243,172
	<u>\$ 25,911,347</u>	<u>\$ 8,647,717</u>	<u>\$ 34,559,064</u>
LIABILITIES			
Accounts payable	\$ -	\$ 375,966	\$ 375,966
Deposits payable	445	1,289,117	1,289,562
Loans Payable	3,000,000	-	3,000,000
Accrued interest on debt	1,653,447	-	1,653,447
Long term liabilities:			
Due within one year	2,240,000	-	2,240,000
Due in more than one year	89,025,000	-	89,025,000
Deferred charges amortizable within one year	(131,901)	-	(131,901)
Deferred charges amortizable in more than one year	(2,346,886)	-	(2,346,886)
Due to others	-	8,993	8,993
Due to bond holders	-	6,973,641	6,973,641
	<u>93,440,105</u>	<u>\$ 8,647,717</u>	<u>\$ 102,087,822</u>
NET ASSETS			
Held in trust for the Successor Agency and other purposes	<u>\$ (67,528,758)</u>		<u>\$ (67,528,758)</u>

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

City of Norco
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
Successor Agency
From Inception on February 1, 2012 through June 30, 2012

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
RPTTF distribution	\$ 4,259,612
Investment earnings	118,530
Loan repayments received	6,224
Other receipts	16,326
Total additions	4,400,692
DEDUCTIONS	
Administrative allowance	250,000
Debt service:	
Interest	4,415,717
Depreciation	33,452
Other payments of enforceable obligations	627,199
Total deductions	5,326,368
Extraordinary Item	
Loss in Redevelopment	
Agency Dissolution	(66,603,082)
Change in net assets	(67,528,758)
Net assets - beginning at inception	-
Net assets - end of the year	\$ (67,528,758)

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, 2012

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 unit balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units. A description of 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 was 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, Redevelopment Special Revenue Fund, and the Redevelopment Cal Home Special Revenue Fund. In accordance with California Assembly Bill AB X1 26, the Norco Community Redevelopment Agency ceased to exist as of January 31, 2012. Prior to that date, the final seven months of activity of the agency continued to be reported in the Statement of Revenues, Expenditures and Changes in Fund Balance of the City of Norco (see Note 15).

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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. The Authority and its activity, if any, are presented as a blended component unit since its governing board is substantially the same as the City's. Separate financial statements were not prepared for the Norco Public Financing Authority.

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, 2012

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 funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net 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* and the *Redevelopment Cal Home Fund*, both *Special Revenue Funds*, are used to account for the 20% set-aside for low and moderate-income projects and for Cal Home state grants respectively. Balances in these funds are restricted to low and moderate-income projects and programs and housing 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, 2012

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 *Fiduciary Funds* are used to account for the receipt of assets, liabilities, property tax and deposits received from individuals, private organizations or other governments. These resources are held by the City in a fiduciary capacity and remittances are made to pay for services and supplies, debt service, and other administrative expenses. Agency Funds are not reported utilizing a specific measurement focus as the assets and liabilities of the Governmental Funds. Fiduciary fund balances are not property of the City of Norco.

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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 purposes 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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

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 designated as an unspendable component of fund balance.

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

Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value.

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, general employees with 10 years continuous service will be paid 50% for any unused sick leave. Managers, mid-managers, and confidential employees with 5 years continuous service are also paid 50% for any unused sick leave.

The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year.

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to \$5,000 (\$50,000 for infrastructure assets) and an estimated useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	50
Building improvements	5 - 50
Public domain infrastructure	20 - 50
System infrastructure	10 - 60
Vehicles	5 - 20
Office equipment	5 - 10
Computer equipment	5 - 10

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.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

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

Beginning with the 2011 fiscal year, the Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. A City Council ordinance or resolution is considered the highest level of commitment.

Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Director of Finance has authority to assigned amounts as appropriate.

Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes, modifies and/or rescinds fund balance commitments by passage of an ordinance or resolution.

The City of Norco considers that both, restricted and unrestricted amounts to have been spent when an expenditure is incurred for which both types of fund balances is available; the government also considers committed, assigned, and or unassigned amounts to have been used when an expenditure is incurred and any of those classifications apply to the expenditure.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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 Special Revenue Funds for Special Asset and Landscape Maintenance Districts #1, #2, #3, #4 and #5; and Capital Projects Funds for Community Facilities Districts 93 and Facility Improvement.

Each City department is required to submit requests for annual appropriation to the City manager that are used as the starting point for developing a proposed budget. The City manager presents a proposed budget to Council for review through staff and council budget workshops. At the completion of the budget workshops, the City Council is required to have one public hearing to further review the proposed budget. At the conclusion of the public hearings, the budget is required to be adopted by a majority vote of the City Council no later than June 30, which is the close of the City's fiscal year. The Council made several supplemental budgetary appropriations throughout the year, these supplemental appropriations were immaterial. The appropriated budget is prepared by fund and department. Within each department, the budget is further detailed by expenditure type (e.g., salaries and benefits). At fiscal year-end, all operating budget appropriations lapsed.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and similar governmental funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts at year-end are completed. They do not constitute expenditures or estimated liabilities.

Encumbrances as of June 30, 2012	
General Fund	\$ 2,913
Non-major Funds in aggregate	389,363

b. Excess of expenditures over appropriations

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

Fund/Function	Expenditures	Appropriations	Excess
NPDES	\$ 107,697	\$ 96,099	\$ (11,598)
Supplemental Law Enforcement	100,000	62,994	(37,006)
Fire Improvement Fund	36,257	7,292	(28,965)

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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	\$ 22,524,391
Cash and investments with fiscal agents	13,600,812
<i>Statement of Fiduciary Assets and Liabilities</i>	
Cash and investments	14,518,081
Cash and investments with fiscal agents	15,299,610
Total cash and investments	\$ 65,942,894

Cash and investments at June 30, 2012, consisted of the following:

Deposits with financial institutions and cash on hand	\$ 465,099
Investments	65,477,795
Total cash and investments	\$ 65,942,894

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	\$50,000,000

* 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, 2012

Note 2: Cash and Investments (continued)

Investments authorized by debt agreements

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

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

Disclosures relating to interest rate risk

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

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

Investment type	Total	Remaining maturity			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
State investment pool	\$ 36,326,228	\$ 36,326,228	\$ -	\$ -	\$ -
Certificates of deposit	251,145	251,145	-	-	-
Held by bond trustee:					
Money market funds	1,473,701	1,473,701	-	-	-
Investment contracts	3,243,016	-	734,450	-	2,508,566
Commercial paper	18,737,722	18,737,722	-	-	-
Federal agency securities	5,445,983	3,382,983	1,530,000	533,000	-
	<u>\$ 65,477,795</u>	<u>\$ 60,171,779</u>	<u>\$ 2,264,450</u>	<u>\$ 533,000</u>	<u>\$ 2,508,566</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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	\$ 36,326,228	N/A	-	\$ 36,326,228
Certificates of deposit	251,145	N/A	-	251,145
Held by bond trustee:				
Money market funds	1,473,701	AAA/Aa	AAA	-
Investment contracts	3,243,016	N/A	-	3,243,016
Commercial paper	18,737,722	A	Aa2,AA	-
Federal agency securities	5,445,983	N/A	AAA,Aaa	-
	<u>\$ 65,477,795</u>			<u>\$ 39,820,389</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
U.S. Bank N.A.	Commercial Paper	\$ 18,737,722
FHLB	Federal Agency Securities	3,382,984

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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, 2012, the City of Norco had no deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

Note 3: Receivables

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, 2012

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. On February 1, 2012 the outstanding balance of these receivables was transferred to the Successor Agency as a holding agent and to be forwarded to the organization assuming the Housing Successor function of the former Community Redevelopment Agency.

Loans were available to qualifying low and very low-income residents through the Cal Homes program to assist with the cost of rehabilitating owner-occupied residences. Loans carried interest rates of either 0% (for eligible senior citizens) or 3% (for non senior citizens). Loans are due up to 30 years after origination or in the event the property is sold or refinanced. As of January 31, 2012, the total amount of loans disbursed under the program amounted to \$508,073. On February 1, 2012 the outstanding balance of these receivables was transferred to the Successor Agency.

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. On February 1, 2012 the outstanding balance of this receivable was transferred to the Successor Agency as a holding agent and to be forwarded to the organization assuming the Housing Successor function of the former Community Redevelopment Agency.

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, 2012 is \$301,710. On February 1, 2012 the outstanding balance of these receivables was transferred to the Successor Agency.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 3: Receivables (continued)

Due from other governments

Due from other governments, as of year end, for the government's individual major funds and non-major funds in the aggregate is as follows:

	General	Nonmajor Special Revenues	Nonmajor Capital Projects	Total
Assessments	\$ -	\$ 41,802	\$ -	\$ 41,802
Property taxes	81,574	-	-	81,574
Sales tax	532,526	-	-	532,526
Grants and contributions - restricted	-	493,384	-	493,384
Other	35,563	94,186	84,248	213,997
Totals	<u>\$ 649,663</u>	<u>\$ 629,372</u>	<u>\$ 84,248</u>	<u>\$ 1,363,283</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 101,161,035	\$ -	\$ -	\$ 101,161,035
Construction in progress	12,093,414	3,315,090	(3,514,971)	11,893,533
Total capital assets, not being depreciated	<u>113,254,449</u>	<u>3,315,090</u>	<u>(3,514,971)</u>	<u>113,054,568</u>
Capital assets, being depreciated:				
Buildings and improvements	14,691,610	-	(60,862)	14,630,748
Improvements other than buildings	3,725,506	30,000	-	3,755,506
Vehicles and equipment	5,577,792	142,504	(2,445,581)	3,274,715
Infrastructure	93,253,740	3,484,972	(507,000)	96,231,712
Intangible	429,245	-	-	429,245
Total capital assets, being depreciated	<u>117,677,893</u>	<u>3,657,476</u>	<u>(3,013,443)</u>	<u>118,321,926</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(4,623,737)	(397,833)	60,862	(4,960,708)
Improvements other than buildings	(695,456)	(164,378)	-	(859,834)
Vehicles and equipment	(3,594,816)	(296,818)	1,333,166	(2,558,468)
Infrastructure	(48,977,983)	(1,907,995)	270,050	(50,615,928)
Intangible	(273,215)	(38,053)	-	(311,268)
Total accumulated depreciation/amortization	<u>(58,165,207)</u>	<u>(2,805,077)</u>	<u>1,664,078</u>	<u>(59,306,206)</u>
Total capital assets, being depreciated net	<u>59,512,686</u>	<u>852,399</u>	<u>(1,349,365)</u>	<u>59,015,720</u>
Governmental activities capital assets, net	<u>\$ 172,767,135</u>	<u>\$ 4,167,489</u>	<u>\$ (4,864,336)</u>	<u>\$ 172,070,288</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 1,644,507	\$ -	\$ -	\$ 1,644,507
Construction in progress	3,574,675	2,415,231	(605,216)	5,384,690
Total capital assets, not being depreciated	<u>5,219,182</u>	<u>2,415,231</u>	<u>(605,216)</u>	<u>7,029,197</u>
Capital assets, being depreciated:				
Buildings and improvements	1,055,551	-	-	1,055,551
Utility plant	11,786,454	119,353	-	11,905,807
Wastewater capacity rights	17,793,248	-	-	17,793,248
Pipelines	60,625,568	621,105	(1,877,706) *	59,368,967
Vehicles and equipment	343,755	-	-	343,755
Fire Hydrants	-	1,891,676 *	-	1,891,676
Meters	-	1,769	-	1,769
Total capital assets, being depreciated	<u>91,604,576</u>	<u>2,633,903</u>	<u>(1,877,706)</u>	<u>92,360,773</u>
Less accumulated depreciation for:				
Buildings and improvements	(554,260)	(23,968)	-	(578,228)
Utility plant	(3,293,313)	(280,524)	-	(3,573,837)
Wastewater capacity rights	(5,257,096)	(404,392)	-	(5,661,488)
Pipelines	(26,859,350)	(1,165,357)	1,176,682 *	(26,848,025)
Vehicles and equipment	(279,198)	(21,206)	-	(300,404)
Fire hydrants	-	(1,176,682) *	-	(1,176,682)
Total accumulated depreciation	<u>(36,243,217)</u>	<u>(3,072,129)</u>	<u>1,176,682</u>	<u>(38,138,664)</u>
Total capital assets, being depreciated net	<u>55,361,359</u>	<u>(438,226)</u>	<u>(701,024)</u>	<u>54,222,109</u>
Business-type activities capital assets, net	<u>\$ 60,580,541</u>	<u>\$ 1,977,005</u>	<u>\$ (1,306,240)</u>	<u>\$ 61,251,306</u>

* Amounts reclassified from Pipelines to Fire Hydrants as of June 30, 2012.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 4: Capital Assets (continued)

Depreciation and amortization expense were charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 52,009
Public safety	187,841
Streets and highways	1,844,226
Community development	44,809
Culture and leisure	399,430
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
Depreciation	238,710
Amortization	38,052
	<hr/>
Total depreciation - governmental activities	<u>\$ 2,805,077</u>
Business-type activities:	
Water - depreciation expense	\$ 875,997
Sewer - amortization expense	404,392
Sewer - depreciation expense	615,058
	<hr/>
Total depreciation - business-type activities	<u>\$ 1,895,447</u>

Note 5: Retirement Plan

Plan Description

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

Funding Policy

Participants are required to contribute 8% (9% for 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 21.038% for non-safety employees and 19.617% 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, 2012

Note 5: Retirement Plan (continued)

Annual Pension Cost

For 2012, the City's annual pension cost of \$1,072,908 for PERS was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2009, CalPERS actuarial valuations for the Miscellaneous and Safety Plans, using the Entry Age Normal Cost Method.

Fiscal year	THREE YEAR TREND INFORMATION FOR PERS		Net pension obligation
	Annual pension cost (APC)	Percentage of APC contributed	
6/30/2010	\$ 941,763	100%	\$ -
6/30/2011	\$ 1,110,813	100%	\$ -
6/30/2012	\$ 1,072,908	100%	\$ -

Note 6: Long-Term Debt

Governmental activities

a. Capital leases

Equipment

During 2011, 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 \$6,188. Lease payments of \$153 are due on a monthly basis commencing in January 2011. The equipment acquired with the lease has a net book value of \$4,084 at June 30, 2012.

In 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 commencing in March 2010. The equipment acquired with the lease has a net book value of \$22,830 at June 30, 2012.

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

Fiscal Years Ending June 30,	Capital leases
2013	\$ 12,968
2014	12,968
2015	8,646
Total minimum lease payments	34,582
Less: amount representing interest	(4,579)
Present value of minimum lease payments	<u>\$ 30,003</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 6: Long-Term Debt (continued)

b. Bonds

In June 2000, the Redevelopment 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 Redevelopment Agency issued Norco Redevelopment Project Area No. 1 Refunding Tax Allocation Bonds, Issue of 2001, in an aggregate principal amount of \$36,000,000. The Bonds are dated December 1, 2001 with interest paid at a rate from 2.10% to 5.13% payable semi-annually on March 1 and September 1 commencing on March 1, 2002. The purpose of these bonds was to defease \$18,310,000 of the Refunding Tax Allocation Bonds, Issue of 1992 and to fund projects undertaken for redevelopment purposes. Proceeds from the sale were placed in an irrevocable trust that is to be used to service the future debt service requirements of the old debt. On February 1, 2012 the outstanding balance of this issue was transferred to the Successor Agency.

In December 2001, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Refunding Bonds (School District Pass-Through), Issue of 2001, in an aggregate principal amount of \$5,100,000. The Bonds are dated December 1, 2001 with interest paid at a rate from 2.50% to 5.50% payable semi-annually on March 1 and September 1 commencing on March 1, 2002. The Bonds were issued to refund on a current basis a portion of the Norco Redevelopment Project Area No. 1, School District Capital Appreciation Tax Allocation Bonds, Issue of 1992. The Bonds were issued concurrently with and on a senior lien basis to the \$3,375,000 Norco Redevelopment Project Area No. 1 Subordinated Tax Allocation Refunding Notes (School District Pass-Through), Issue of 2001 (the "Notes"). The proceeds from the sale were placed in an irrevocable trust along with the proceeds of the Notes to be used to service the future debt service requirements of the old debt. The Bonds are limited obligations of the Agency payable solely from Pledged Tax Revenues otherwise required by the Pass-Through Agreement to be passed through to the Corona-Norco Unified School District. On February 1, 2012, the outstanding balance of this issue was transferred to the Successor Agency.

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

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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. On February 1, 2012, the outstanding balance of this issue was transferred to the Successor Agency.

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. On February 1, 2012, the outstanding balance of this issue was transferred to the Successor Agency.

The reacquisition price exceeded the net carrying amount of the old debt by \$325,100. This amount is being netted against the new debt and being amortized over the remaining life of the refunded debt. The advance refunding resulted in a decrease in debt service payments over the next 20 years of \$1,257,574 and resulted in an economic gain of \$888,220. The unamortized amount of this gain was transferred to the Successor Agency on February 1, 2012.

In April 2009, the Agency issued Norco Redevelopment Project Area No. 1 Tax Allocation Bonds (School District Pass-through), Issue of 2009 in an aggregate principal amount of \$12,200,000. The bonds are dated April 30, 2009 with interest paid at a rate from 3.25% to 7.00% payable semi-annually 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. On February 1, 2012, the outstanding balance of this issue was transferred to the Successor Agency.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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. On February 1, 2012, the outstanding balance of this issue was transferred to the Successor Agency.

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 unamortized amount of this loss was transferred to the Successor Agency on February 1, 2012.

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 \$172,543. The long-term portions are also recorded in the statement of net assets and amount to \$517,629.

The short term portion of the claims and judgments liability is recorded in the statement of net assets and amount to \$465,205. The long-term portion of \$508,080 is also recorded on the statement of net assets, governmental activities.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

<u>Fiscal Years Ending June 30,</u>	<u>Wastewater facility lease</u>
2013	\$ 146,694
2014	146,694
2015	146,694
2016	146,694
2017	146,694
2018	145,557
Total minimum lease payments	<u>879,027</u>
Less: amount representing interest	<u>(80,180)</u>
Present value of minimum lease payments	<u><u>\$ 798,847</u></u>

The assets acquired through this lease are as follows:

Wastewater capacity rights	\$ 17,793,248
Less: accumulated amortization	<u>(5,661,488)</u>
Total:	<u><u>\$ 12,131,760</u></u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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, 2012 the balance due was \$463,898. Debt service requirements on this loan are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2013	\$ 84,575	\$ 21,173
2014	88,399	17,349
2015	92,415	13,333
2016	96,631	9,117
2017	101,878	4,689
Totals	\$ 463,898	\$ 65,661

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 were used to finance water and sewer system improvements within the City. The bonds are dated March 18, 2009 with interest paid at a rate from 3.00% to 5.00% payable semi-annually on April 1 and October 1, commencing on October 1, 2009. The advance refunding of the Certificates resulted in an increase in debt service payments over the following 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 following 30 years of \$5,712,324 and an economic gain of \$250,427.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 6: Long-Term Debt (continued)

The bonds are shown in the Water and Sewer Funds and the debt service requirements are as follows:

Fiscal Years Ending June 30,	2009 Revenue Refunding Bonds		
	Principal	Interest	Total
2013	\$ 645,000	\$ 1,971,073	\$ 2,616,073
2014	670,000	1,944,773	2,614,773
2015	700,000	1,917,373	2,617,373
2016	725,000	1,888,873	2,613,873
2017	755,000	1,858,329	2,613,329
2018-2022	4,345,000	8,689,550	13,034,550
2023-2027	5,565,000	7,437,000	13,002,000
2028-2032	7,225,000	5,715,265	12,940,265
2033-3037	9,500,000	3,384,564	12,884,564
2038-2040	7,075,000	611,578	7,686,578
Totals	<u>\$ 37,205,000</u>	<u>\$ 35,418,378</u>	<u>\$ 72,623,378</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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, 2012:

Changes in long-term liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental activities:					
<i>Capital leases:</i>					
Copiers	\$ 39,195	\$ -	\$ 9,192	30,003	\$ 10,261
Total capital leases	<u>39,195</u>	<u>-</u>	<u>9,192</u>	<u>30,003</u>	<u>10,261</u>
<i>Bonds payable:</i>					
2001 Refunding tax allocation bonds	26,760,000	-	26,760,000	-	-
2001 Refunding tax allocation bonds (School district)	4,000,000	-	4,000,000	-	-
2004 Tax allocation refunding bonds (School district pass-through)	9,685,000	-	9,685,000	-	-
2005 Refunding tax allocation bonds	16,740,000	-	16,740,000	-	-
2009 Tax allocation bonds (School district pass-through)	11,730,000	-	11,730,000	-	-
2010 Refunding tax allocation bonds	24,500,000	-	24,500,000	-	-
Subtotal bonds payable	<u>93,415,000</u>	<u>-</u>	<u>93,415,000</u>	<u>-</u>	<u>-</u>
Plus/(less) deferred amounts:					
For deferred loss on refunding	(2,313,868)	-	(2,313,868)	-	-
For issuance premium	228,561	-	228,561	-	-
For issuance discount	(525,381)	-	(525,381)	-	-
Total bonds payable	<u>90,804,312</u>	<u>-</u>	<u>90,804,312</u>	<u>-</u>	<u>-</u>
OPEB Liability	274,617	568,998	-	843,615	-
Claims and judgments	1,308,689	-	335,404	973,285	465,205
Compensated absences	1,013,303	104,910	428,041	690,172	172,543
Governmental activity long-term liabilities	<u>\$ 93,440,116</u>	<u>\$ 673,908</u>	<u>\$ 91,576,949</u>	<u>\$ 2,537,075</u>	<u>\$ 648,009</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 6: Long-Term Debt (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Business-type activities:					
<i>Capital lease:</i>					
Wastewater facility	\$ 920,761	\$ -	\$ 120,914	\$ 799,847	\$ 124,298
Total capital lease	920,761	-	120,914	799,847	124,298
<i>Bonds:</i>					
2009 Revenue refunding bonds	37,825,000	-	620,000	37,205,000	645,000
<i>(Less) deferred amounts:</i>					
For deferred loss on issuance	(713,393)	-	(41,433)	(671,960)	-
For issuance discount	(454,340)	-	(16,398)	(437,942)	-
Total bonds	36,657,267	-	562,169	36,095,098	645,000
<i>Loan payable:</i>					
US Economic Development Administration	544,831	-	80,933	463,898	84,575
Business-type activity long-term liabilities	<u>\$ 38,122,859</u>	<u>\$ -</u>	<u>\$ 764,016</u>	<u>\$ 37,358,843</u>	<u>\$ 853,873</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 Redevelopment 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, 2012, 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, 2012

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, 2012, is as follows:

Due to/from other funds

Receivable Fund	Payable fund	Amount
General Fund	Nonmajor Funds	\$ 392,424
Nonmajor Funds	Nonmajor Funds	130
		<u>\$ 392,554</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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

Interfund transfers

Fund receiving transfers	Fund making transfers	Amount	
General Fund	Non Major Capital Projects	\$ 32,871	(1)
	Sewer Utility	136,853	(1)
	Water Utility	137,722	(1)
	Internal Service	86,712	(1)
	Redevelopment Capital Projects	91,225	(1)
	Non Major Special Revenues	89,361	(1)
		574,744	
Redevelopment Debt Service	Redevelopment Capital Projects	1,528,404	(2)
Redevelopment Capital Projects	Non Major Special Revenues	24,900	(3)
	Redevelopment Capital Projects	25,828	(3)
		50,728	
Nonmajor funds	Non Major Special Revenues	21,890	(4)
	General Fund	25,000	(1)
	Redevelopment Capital Projects	1,784,952	(3)
	Internal Service	100,000	(2)
		1,931,842	
	Transfers in - Governmental funds	4,085,718	
Sewer Utility	Non Major Special Revenues	2,238	(4)
Internal Service Funds	Internal Service	21,475	(1)
	Total transfers in	\$ 4,109,431	

(1) = Transfers made to reimburse expenditures/expenses.

(2) = Transfers made to pay debt service.

(3) = Transfers made for capital project financing.

(4) = Transfers made for grants reimbursements.

Note 10: Advances

Advances at June 30, 2012 consisted 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. On February 1, 2012, the outstanding balances of the receivable and payable, respectively, were transferred to the Successor Agency and the Housing Successor.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 11: Fund Equity

a. GASB Statement No. 54 determination of governmental fund balances

The City has established fund balance accounts to report the amounts in the following funds which represent non-spendable and spendable resources according to GASB statement number 54:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable	\$ -	\$ 3,750	\$ 3,750
Restricted by:			
Granting Agencies	-	3,612,988	3,612,988
Committed for:			
Emergencies	2,723,125	487,585	3,210,710
Assigned to:			
Fund purpose	-	6,792,440	6,792,440
Unassigned	-	(45,807)	(45,807)
Total fund balances	<u>\$ 2,723,125</u>	<u>\$ 10,850,956</u>	<u>\$ 13,574,081</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, 2012, the future assessments liability of property owners for amounts payable to bondholders for these Districts is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Community Facilities District			
97-1 Norco Hills refunding	\$ 6,395,000	\$ 3,324,171	\$ 9,719,171
Community Facilities District			
2001-1 Norco Ridge refunding	36,065,000	24,324,466	60,389,466
Community Facilities District			
2002-1 Norco 50	1,435,000	1,222,256	2,657,256
2004 Special Tax Refunding			
Community Facilities District 93-1	<u>1,295,000</u>	<u>338,370</u>	<u>1,633,370</u>
Totals	<u>\$ 45,190,000</u>	<u>\$ 29,209,263</u>	<u>\$ 74,399,263</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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 22 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 the 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, 2012, the amount of these liabilities was \$973,285. The amount represents an estimate of \$630,469 for reported claims through June 30, 2012 and \$342,816 estimate of incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability since July 1, 2011 resulted from the following:

Year	Liability at beginning	Current year claims and changes in estimates	Claim payments	Liability at end
2010	\$ 888,036	\$ 658,905	\$ 415,072	\$ 1,131,869
2011	1,131,869	380,786	203,966	1,308,689
2012	1,308,689	(189,368)	146,036	973,285

There was no significant reduction in insurance coverage by major categories of risk from fiscal 2011 to 2012. Furthermore, there was no settlement which exceeded the insurance coverage for the fiscal years 2010/11 and 2011/12.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

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 contributes 100% of the current year required premium costs of active and retired employees. Additional contributions are made into a prefunded trust account as funds become available. There were 66 retired eligible employees.

Annual OPEB Cost

For fiscal year 2012, the City's annual OPEB cost of \$1,372,000 was below the annual required contribution (ARC) by a net amount of \$6,000. The City's current year contribution was \$803,002, which increased the net OPEB liability from prior years by \$568,998. 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 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost (in thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (in thousands)
6/30/2010	\$ 1,401	68.2%	\$ (462)
6/30/2011	\$ 1,744	57.8%	\$ 274
6/30/2012	\$ 1,372	58.6%	\$ 844

	<u>June 30, 2012</u>
Annual required contribution	\$ 1,378,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	<u>(23,000)</u>
Annual OPEB cost	1,372,000
Contributions made	<u>(803,002)</u>
Increase in net OPEB obligation	568,998
Net OPEB obligation - beginning of year	274,617
Net OPEB obligation - end of year	<u><u>\$ 843,615</u></u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 14: Other Post-Employment Benefits (continued)

Funded Status and Funding Progress

The funded status of the plan as of the June 30, 2011 actuarial valuation was as follows:

	(in thousands)
Actuarial accrued liability (AAL):	
Actives	\$ 4,383
Retirees	13,106
Actuarial Value of Assets at June 30, 2012	(3,068)
Unfunded actuarial accrued liability	\$ 14,421
Covered payroll (active plan members)	\$ 5,972
UAAL as a percentage of covered payroll	241.5%
Present Value of Future Benefits:	
Actives	7,154
Deferred Vested	2,525
Retirees	10,581
Total	\$ 20,260
Normal Cost	\$ 418
Normal Cost as a percent of payroll	13.1%

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, 2012 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 14: Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions

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

In the June 30, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumption included a 7.25 percent investment rate of return (net of administrative expenses), which is the assumed rate of expected long-term investment returns on plan assets. Calculation was based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of actual premiums, reduced by increments of 0.6% - 0.8% per year to an ultimate rate of 5.0% after the tenth year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25% per year.

Required Supplementary Information

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market Value
ARC as a Percent of Payroll:	23.1%
Amortization Method:	Level percentage of payroll
Amortization Period:	26-year remaining on 30 year fixed 15-year fixed for subsequent plan changes
Funding Policy:	Phase in to full ARC funding
Inflation Rate Assumed:	3.0%

Schedule of Funding Progress in thousands (using 7.25% 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)	Covered Payroll	UAAL as Percentage of Covered Payroll
1/1/2008	\$ -	\$ 13,372	\$ 13,372	0.0%	\$ 6,279	213.0%
1/1/2010	2,207	14,919	12,712	14.8%	5,784	219.8%
6/30/2011	3,068	17,489	14,421	17.5%	5,972	241.5%

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 15: Successor Agency Private Purpose Trust Fund for Assets of the Former Community Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26, ("the bill") that provides for the dissolution of all redevelopment agencies in the State of California. Most California cities had established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the city council, in many cases, also served as the governing board for those agencies).

The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. If the city declines to accept the role of Successor Agency, other local agencies may elect to perform this role. If no local agency accepts the role of Successor Agency, the Governor is empowered by the Bill to establish a local "designated local authority" to perform this role. On January 11, 2012, the City Council met and created the Successor Agency to the former Norco Community Redevelopment Agency in accordance with the Bill as part of the City of Norco resolution number 2012-01.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets could only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable, contractual commitments).

In future fiscal years, successor agencies will only be allocated tax increment revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other private and public bodies that occurred after January 1, 2011. If the body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity on February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City of Norco. After the date of dissolution, January 31, 2012, the assets, liabilities, and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City of Norco.

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 15: Successor Agency Private Purpose Trust Fund for Assets of the Former Community Redevelopment Agency (continued)

The movement of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City of Norco to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was also reported in the private-purpose trust fund as an extraordinary loss after debt and capital assets transferred from the government-wide statements.

As part of the FY 2012-13 state budget package, on June 27, 2012, the State of California Legislature passed and the Governor signed, Assembly Bill 1484, the primary purpose of which is to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing that act. As a budget "trailer bill," AB 1484 took immediate effect upon signature by the Governor.

In accordance with AB 1484 and in compliance with the California Health & Safety Code, the City of Norco elected not to be Housing Successor to the housing functions of the former Community Redevelopment Agency. As of June 30, 2012, no other public body had assumed that role or been appointed by State authorities to assume that role. The Successor Agency and management of the City of Norco are holding custody of the assets and liabilities of the Low and Moderate Income Housing Fund of the former Community Redevelopment Agency at January 31, 2012, until these balances are to be transferred to the body that will assume the role of Housing Successor.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*), and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss recognized in the governmental funds will not be the same amount as the extraordinary loss that will be recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund-private purpose trust financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds	\$ (38,387,912)
Add: Capital assets recorded in the government-wide financial statements	(567,862)
Less: Accumulated depreciation recorded in the government-wide financial statements	330,914
Add: Deferred charges recorded in the government-wide financial statements	(4,323,766)
Less: Long-term debt reported in the government-wide financial statements	93,415,000
Less: Housing assets of the Low Mod Income Housing Fund	16,136,708
Total extraordinary loss reported in fiduciary fund-private purpose trust fund	\$ 66,603,082

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 16: Successor Agency long-term debt

In accordance with the provisions of the AB X1 26 and the California Supreme Court's decision to uphold the Bill, the obligations of the former Community Redevelopment Agency became vested with the funds established for the Successor Agency upon the date of dissolution, February 1, 2012. Former tax increment revenues pledged to fund the debts of the former Community Redevelopment Agency will be distributed to the Successor Agency subject to the reapportionment of such revenues as provided by the Bill.

The debt of the Successor Agency as of June 30, 2012 is as follows:

	Transferred from Redevelopment Agency	Additions	Deletions	Ending balance	Due within one year
Bonds					
2001 Refunding tax allocation bonds	\$ 26,760,000	\$ -	\$ 1,365,000	\$ 25,395,000	\$ 1,430,000
2001 Refunding tax allocation bonds (School district)	4,000,000	-	125,000	3,875,000	130,000
2004 Tax allocation refunding bonds (School district pass-through)	9,685,000	-	260,000	9,425,000	275,000
2005 Refunding tax allocation bonds	16,740,000	-	65,000	16,675,000	65,000
2009 Tax allocation bonds (School district pass-through)	11,730,000	-	215,000	11,515,000	215,000
2010 Refunding tax allocation bonds	24,500,000	-	120,000	24,380,000	125,000
Subtotal bonds payable	93,415,000	-	2,150,000	91,265,000	2,240,000
Plus (less) deferred amounts					
For deferred loss on refunding	(2,313,868)	-	(126,060)	(2,187,808)	(126,060)
For issuance premium	228,561	-	16,326	212,235	16,326
For issuance discount	(525,381)	-	(22,167)	(503,214)	(22,167)
Total bonds payable	90,804,312	-	2,018,099	88,786,213	2,108,099
Total long-term debt	\$ 90,804,312	\$ -	\$ 2,018,099	\$ 88,786,213	\$ 2,108,099

Future debt service requirements are as follows:

Fiscal Years Ending June 30,	Tax Allocation Bonds	
	Principal	Interest
2013	\$ 2,240,000	\$ 4,960,341
2014	2,335,000	4,860,474
2015	2,450,000	4,748,655
2016	2,570,000	4,629,773
2017	2,695,000	4,503,724
2018-2022	15,650,000	20,355,064
2023-2027	20,110,000	15,891,694
2028-2032	26,080,000	9,917,579
2033-2037	17,135,000	215,148
Totals	<u>\$ 91,265,000</u>	<u>\$ 70,082,452</u>

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 17: Housing Successor

In accordance with the provisions of the AB X1 26, the California Health and Safety Code Section 34176, and the California Supreme Court's decision to uphold the Bill, the city that authorized the creation of the Community Redevelopment Agency may elect to retain the housing assets and functions previously performed by the redevelopment agency as the Housing Successor. The City of Norco elected "not" to be Housing Successor of the previously performed housing functions of the Community Redevelopment Agency. If a city does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the Successor Agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows: (1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development. (2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority. (3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city that authorized the creation of the redevelopment agency. As of June 30, 2012 there has not been a designation for a Housing Successor and the City of Norco and the Successor Agency are acting as a holding agent of the housing assets and liabilities to be transferred to the agency that would assume the housing functions previously performed by the Community Redevelopment Agency. The following schedule summarizes these balances of these assets as of June 30, 2012.

Assets	6/30/2012
Cash	\$ 5,241
Deferred Loan Receivable	4,887,206
Wasatch Loan Receivable	4,753,203
Due from Othr Governments	100,711
Loan to RDA (SB844)-ERAF	3,000,000
Land Held for Resale	3,369,583
Total Assets	\$ 16,115,944
Liabilities	
Retention Payable	\$ 5,615
Deferred Revenue	3,343
Total Liabilities	8,958
Total Net Assets	\$ 16,106,986

City of Norco
Notes to the Basic Financial Statements
June 30, 2012

Note 18: Risks and uncertainties

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2012 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time as to be immaterial or not. Furthermore, as of June 30, 2012, the Successor Agency of the former Community Redevelopment Agency is subject to several reviews and agreed-upon procedures to be performed on the appropriateness of the dissolution and transfer of assets and liabilities to the Successor Agency as well as a review on any transfers made to the City, County, and/or private parties for the period from January 1, 2011 through June 30, 2012. The result of these reviews and procedures could impact the City and its finances if an unfavorable outcome results from them. The amount, if any, for any possible contingency, cannot be determined at this time to be immaterial or not.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,972,578	\$ 9,057,569	\$ 9,478,732	\$ 421,163
Licenses and permits	233,259	395,600	505,630	110,030
Fines and forfeitures	214,000	352,000	410,926	58,926
Intergovernmental	2,201,226	187,695	84,375	(103,320)
Charges for services	1,669,192	1,474,197	1,503,142	28,945
Investment earnings	350,193	323,193	320,879	(2,314)
Reimbursements	70,000	132,360	100,740	(31,620)
Other	587,216	587,216	604,519	17,303
	<u>12,297,664</u>	<u>12,509,830</u>	<u>13,008,943</u>	<u>499,113</u>
EXPENDITURES				
Current:				
General government	2,645,720	2,816,309	2,796,764	19,545
Public safety	8,003,026	8,146,163	7,890,074	256,089
Streets and highways	79,682	84,607	80,278	4,329
Community and economic development	363,121	452,619	437,495	15,124
Culture and leisure	1,914,379	1,804,120	1,713,091	91,029
	<u>13,005,928</u>	<u>13,303,818</u>	<u>12,917,702</u>	<u>386,116</u>
Excess (deficiency) of revenues over expenditures	<u>(708,264)</u>	<u>(793,988)</u>	<u>91,241</u>	<u>885,229</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	505,555	592,267	574,744	(17,523)
Transfers out	(25,000)	(25,000)	(25,000)	-
	<u>480,555</u>	<u>567,267</u>	<u>549,744</u>	<u>(17,523)</u>
Net change in fund balance	(227,709)	(226,721)	640,985	867,706
Fund balance, beginning of year	<u>2,082,140</u>	<u>2,082,140</u>	<u>2,082,140</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,854,431</u></u>	<u><u>\$ 1,855,419</u></u>	<u><u>\$ 2,723,125</u></u>	<u><u>\$ 867,706</u></u>

Required Supplementary Information
City of Norco
Budgetary Comparison Schedule - Redevelopment Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,825,249	\$ 2,825,249	\$ -	\$ (2,825,249)
Investment earnings	15,000	15,000	6,480	(8,520)
Intergovernmental	-	-	28,796	28,796
Other	167,056	167,056	27,820	(139,236)
	<u>3,007,305</u>	<u>3,007,305</u>	<u>63,096</u>	<u>(2,944,209)</u>
EXPENDITURES				
Current:				
Community and economic development	1,338,098	1,270,671	333,620	937,051
Debt Service:				
Principal	310,000	310,000	-	310,000
Interest	719,100	719,100	359,550	359,550
	<u>2,367,198</u>	<u>2,299,771</u>	<u>693,170</u>	<u>1,606,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>640,107</u>	<u>707,534</u>	<u>(630,074)</u>	<u>(1,337,608)</u>
EXTRAORDINARY ITEM				
Loss on Redevelopment Agency Dissolution	-	-	(21,020,100)	(21,020,100)
Net change in fund balance	640,107	707,534	(21,650,174)	(22,357,708)
Fund balance, beginning of year	<u>21,650,174</u>	<u>21,650,174</u>	<u>21,650,174</u>	<u>-</u>
Fund balance, end of year	<u>\$ 22,290,281</u>	<u>\$ 22,357,708</u>	<u>\$ -</u>	<u>\$ (22,357,708)</u>

Required Supplementary Information
City of Norco
Schedule of Funding Progress
Other Post-Employment Benefits
For the Year Ended June 30, 2012

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
1/1/2008	\$ 13,372	\$ -	\$ 13,372	0.0%	\$ 6,279	213.0%
1/1/2010	14,919	2,207	12,712	14.8%	5,784	219.8%
6/30/2011	17,489	3,068	14,421	17.5%	5,972	241.5%

City of Norco
Notes to Required Supplementary Information
For the Year Ended June 30, 2012

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

None in the general fund or any annually budgeted major special revenue funds.

**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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 101,000	\$ 101,000	\$ 111,102	\$ 10,102
Other	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	101,000	101,000	111,102	10,102
EXPENDITURES				
Debt service:				
Principal	1,840,000	1,840,000	-	1,840,000
Interest	4,333,842	4,333,842	2,166,921	2,166,921
Total expenditures	6,173,842	6,173,842	2,166,921	4,006,921
Excess (deficiency) of revenues over expenditures	(6,072,842)	(6,072,842)	(2,055,819)	4,017,023
OTHER FINANCING SOURCES (USES)				
Transfers in	6,173,841	6,173,841	1,528,404	(4,645,437)
Total other financing sources (uses)	6,173,841	6,173,841	1,528,404	(4,645,437)
EXTRAORDINARY ITEM				
Loss on Redevelopment Agency Dissolution	-	-	(7,349,348)	(7,349,348)
Net change in fund balance	100,999	100,999	(7,876,763)	(7,977,762)
Fund balance, beginning of year	7,876,763	7,876,763	7,876,763	-
Fund balance, end of year	\$ 7,977,762	\$ 7,977,762	\$ -	\$ (7,977,762)

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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 11,602,487	\$ 11,602,487	\$ 7,235,391	\$ (4,367,096)
Intergovernmental	2,057,441	2,057,441	707,700	(1,349,741)
Investment earnings	47,891	47,891	9,814	(38,077)
Reimbursements	657,449	657,449	321	(657,128)
Total revenues	<u>14,365,268</u>	<u>14,365,268</u>	<u>7,953,226</u>	<u>(6,412,042)</u>
EXPENDITURES				
Current:				
Community and economic development	<u>11,458,791</u>	<u>11,241,812</u>	<u>4,630,177</u>	<u>6,611,635</u>
Total expenditures	<u>11,458,791</u>	<u>11,241,812</u>	<u>4,630,177</u>	<u>6,611,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,906,477</u>	<u>3,123,456</u>	<u>3,323,049</u>	<u>199,593</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,728	50,728
Transfers out	<u>(10,884,862)</u>	<u>(10,884,862)</u>	<u>(3,430,409)</u>	<u>7,454,453</u>
Total other financing sources (uses)	<u>(10,884,862)</u>	<u>(10,884,862)</u>	<u>(3,379,681)</u>	<u>7,505,181</u>
EXTRAORDINARY ITEM				
Loss on Redevelopment Agency Dissolution	<u>-</u>	<u>-</u>	<u>(9,510,390)</u>	<u>(9,510,390)</u>
Net change in fund balance	(7,978,385)	(7,761,406)	(9,567,022)	(1,805,616)
Fund balance, beginning of year	<u>9,567,022</u>	<u>9,567,022</u>	<u>9,567,022</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,588,637</u>	<u>\$ 1,805,616</u>	<u>\$ -</u>	<u>\$ (1,805,616)</u>

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Cal Home Fund
For the Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 455,000	\$ 455,000	\$ 17,267	\$ (437,733)
Investment earnings	-	-	-	-
Total revenues	<u>455,000</u>	<u>455,000</u>	<u>17,267</u>	<u>(437,733)</u>
EXPENDITURES				
Current:				
Community and economic development	<u>455,000</u>	<u>455,000</u>	<u>17,267</u>	<u>437,733</u>
Total expenditures	<u>455,000</u>	<u>455,000</u>	<u>17,267</u>	<u>437,733</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEM				
Loss on Redevelopment Agency Dissolution	<u>-</u>	<u>-</u>	<u>(508,074)</u>	<u>(508,074)</u>
Net change in fund balance	-	-	(508,074)	(508,074)
Fund balance, beginning of year	<u>508,074</u>	<u>508,074</u>	<u>508,074</u>	<u>-</u>
Fund balance, end of year	<u>\$ 508,074</u>	<u>\$ 508,074</u>	<u>\$ -</u>	<u>\$ (508,074)</u>

**COMBINING NON-MAJOR
GOVERNMENTAL FUNDS**

Non-major Governmental Funds Fund Descriptions

Special Revenue Funds

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

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

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

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

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

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

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

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

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.

Park Improvement – 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 as libraries and community centers.

**City of Norco
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012**

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
ASSETS			
Cash and investments	\$ 42,212	\$ -	\$ 473,686
Receivables, net:			
Accounts	-	-	4,542
Interest	-	-	218
Prepaid expenses	-	-	-
Due from other governments	6,384	287,308	84,003
Due from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 48,596</u>	<u>\$ 287,308</u>	<u>\$ 562,449</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,358	\$ -	\$ 84,754
Retentions payable	-	-	-
Due to other funds	-	287,308	-
Deposits payable	-	-	-
Deferred revenues	47,238	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>48,596</u>	<u>287,308</u>	<u>84,754</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	477,695
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>-</u>	<u>-</u>	<u>477,695</u>
	<u>\$ 48,596</u>	<u>\$ 287,308</u>	<u>\$ 562,449</u>

Special Revenue Funds			
Measure A	NPDES	Air Quality Improvement Trust	Supplemental Law Enforcement Block Grant
\$ 2,983,633	\$ 48,671	\$ 40,202	\$ 43,503
-	-	-	-
1,537	-	20	-
-	-	-	-
82,311	-	8,378	25,000
-	-	-	-
<u>\$ 3,067,481</u>	<u>\$ 48,671</u>	<u>\$ 48,600</u>	<u>\$ 68,503</u>
\$ 7,963	\$ 1,496	\$ -	\$ 68,503
20,000	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>27,963</u>	<u>1,496</u>	<u>-</u>	<u>68,503</u>
-	-	-	-
3,039,518	47,175	48,600	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>3,039,518</u>	<u>47,175</u>	<u>48,600</u>	<u>-</u>
<u>\$ 3,067,481</u>	<u>\$ 48,671</u>	<u>\$ 48,600</u>	<u>\$ 68,503</u>

**City of Norco
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012**

	Special Revenue Funds		
	Office of Traffic Safety	Landscape Maintenance District #1	Landscape Maintenance District #2
ASSETS			
Cash and investments	\$ -	\$ 19,086	\$ -
Receivables, net:			
Accounts	-	-	-
Interest	-	10	-
Prepaid expenses	-	-	-
Due from other governments	94,186	190	4,828
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 94,186</u>	<u>\$ 19,286</u>	<u>\$ 4,828</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 34,597	\$ 1,321	\$ 9,662
Retentions payable	-	-	-
Due to other funds	59,589	-	40,973
Deposits payable	-	-	-
Deferred revenues	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>94,186</u>	<u>1,321</u>	<u>50,635</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	17,965	-
Assigned	-	-	-
Unassigned	-	-	(45,807)
	<u>-</u>	<u>-</u>	<u>(45,807)</u>
Total fund balances	<u>-</u>	<u>17,965</u>	<u>(45,807)</u>
Total liabilities and fund balances	<u>\$ 94,186</u>	<u>\$ 19,286</u>	<u>\$ 4,828</u>

Special Revenue Funds				
Landscape Maintenance District #3	Landscape Maintenance District #4	Landscape Maintenance District #5	Special Asset	Total Special Revenue Funds
\$ 73,892	\$ 343,360	\$ 55,899	\$ 1,510,068	\$ 5,634,212
-	1,148	-	-	5,690
37	163	27	739	2,751
-	-	-	3,750	3,750
4,863	28,254	3,667	-	629,372
-	-	-	-	-
<u>\$ 78,792</u>	<u>\$ 372,925</u>	<u>\$ 59,593</u>	<u>\$ 1,514,557</u>	<u>\$ 6,275,775</u>
\$ 3,079	\$ 25,562	\$ 1,965	\$ -	\$ 240,260
-	-	-	-	20,000
-	4,109	575	-	392,554
-	6,400	-	-	6,400
-	-	-	-	47,238
<u>3,079</u>	<u>36,071</u>	<u>2,540</u>	<u>-</u>	<u>706,452</u>
-	-	-	3,750	3,750
-	-	-	-	3,612,988
75,713	336,854	57,053	-	487,585
-	-	-	1,510,807	1,510,807
-	-	-	-	(45,807)
<u>75,713</u>	<u>336,854</u>	<u>57,053</u>	<u>1,514,557</u>	<u>5,569,323</u>
<u>\$ 78,792</u>	<u>\$ 372,925</u>	<u>\$ 59,593</u>	<u>\$ 1,514,557</u>	<u>\$ 6,275,775</u>

**City of Norco
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012**

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
ASSETS			
Cash and investments	\$ 742,997	\$ 944,989	\$ 574,606
Receivables, net:			
Accounts	-	-	-
Interest	389	539	301
Prepaid expenses	-	-	-
Due from other governments	-	84,248	-
Due from other funds	-	-	-
	\$ 743,386	\$ 1,029,776	\$ 574,907
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 6,377	\$ 195,583	\$ 36,257
Retentions payable	-	17,811	-
Due to other funds	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	-
	6,377	213,394	36,257
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	737,009	816,382	538,650
Unassigned	-	-	-
	737,009	816,382	538,650
Total liabilities and fund balances	\$ 743,386	\$ 1,029,776	\$ 574,907

<u>Capital Projects Funds</u>		
<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>
\$ 342,918	\$ 1,922,035	\$ 58,276
-	-	-
179	1,019	30
-	-	-
-	-	-
-	-	-
<u>\$ 343,097</u>	<u>\$ 1,923,054</u>	<u>\$ 58,306</u>
-	-	-
-	57,527	-
-	14,433	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>71,960</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
343,097	1,851,094	58,306
-	-	-
<u>343,097</u>	<u>1,851,094</u>	<u>58,306</u>
<u>\$ 343,097</u>	<u>\$ 1,923,054</u>	<u>\$ 58,306</u>

**City of Norco
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012**

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
ASSETS			
Cash and investments	\$ 736,707	\$ 13,181	\$ 37,957
Receivables, net:			
Accounts	-	-	-
Interest	389	7	20
Prepaid expenses	-	-	-
Due from other governments	-	-	-
Due from other funds	130	-	-
	<u>130</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 737,226</u>	<u>\$ 13,188</u>	<u>\$ 37,977</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 39,239	\$ -	\$ -
Retentions payable	3,213	-	-
Due to other funds	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	-
	<u>42,452</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>42,452</u>	<u>-</u>	<u>-</u>
 Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	694,774	13,188	37,977
Unassigned	-	-	-
	<u>694,774</u>	<u>13,188</u>	<u>37,977</u>
Total fund balances	<u>694,774</u>	<u>13,188</u>	<u>37,977</u>
Total liabilities and fund balances	<u>\$ 737,226</u>	<u>\$ 13,188</u>	<u>\$ 37,977</u>

Capital Projects Funds				Total Nonmajor Governmental Funds
Aquatics Center	Animal Control	Facility Improvement	Total Capital Projects Funds	
\$ 8,708	\$ 172,715	\$ 150,098	\$ 5,705,187	\$ 11,339,399
-	-	-	-	5,690
5	69	-	2,947	5,698
-	-	-	-	3,750
-	-	-	84,248	713,620
-	-	-	130	130
<u>\$ 8,713</u>	<u>\$ 172,784</u>	<u>\$ 150,098</u>	<u>\$ 5,792,512</u>	<u>\$ 12,068,287</u>
\$ -	\$ -	\$ -	\$ 334,983	\$ 575,243
-	140,439	-	175,896	195,896
-	-	-	-	392,554
-	-	-	-	6,400
-	-	-	-	47,238
<u>-</u>	<u>140,439</u>	<u>-</u>	<u>510,879</u>	<u>1,217,331</u>
-	-	-	-	3,750
-	-	-	-	3,612,988
-	-	-	-	487,585
8,713	32,345	150,098	5,281,633	6,792,440
-	-	-	-	(45,807)
<u>8,713</u>	<u>32,345</u>	<u>150,098</u>	<u>5,281,633</u>	<u>10,850,956</u>
<u>\$ 8,713</u>	<u>\$ 172,784</u>	<u>\$ 150,098</u>	<u>\$ 5,792,512</u>	<u>\$ 12,068,287</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds		
	Miscellaneous Grant Fund	Community Development Block Grant	Gas Tax
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	136,562	280,138	763,499
Charges for services	-	-	-
Investment earnings	-	-	962
Contributions	-	-	5,122
	<u>136,562</u>	<u>280,138</u>	<u>769,583</u>
Total revenues			
	<u>136,562</u>	<u>280,138</u>	<u>769,583</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	-	-	627,154
Community and economic development	-	265,869	-
Culture and leisure	67,594	-	-
	<u>67,594</u>	<u>265,869</u>	<u>627,154</u>
Total expenditures			
	<u>67,594</u>	<u>265,869</u>	<u>627,154</u>
Excess (deficiency) of revenues over expenditures	<u>68,968</u>	<u>14,269</u>	<u>142,429</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(68,968)	(14,269)	-
	<u>(68,968)</u>	<u>(14,269)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(68,968)</u>	<u>(14,269)</u>	<u>-</u>
Net change in fund balances	-	-	142,429
Fund balances, beginning of year	-	-	335,266
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,695</u>

continued

Special Revenue Funds			
Measure A	NPDES	Air Quality Improvement Trust	Supplemental Law Enforcement Block Grant
\$ 422,671	\$ 63,243	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	33,941	100,000
-	-	-	-
5,996	-	12	-
-	-	-	-
<u>428,667</u>	<u>63,243</u>	<u>33,953</u>	<u>100,000</u>
-	-	-	-
-	-	-	100,000
240,879	107,697	-	-
-	-	-	-
-	-	-	-
<u>240,879</u>	<u>107,697</u>	<u>-</u>	<u>100,000</u>
<u>187,788</u>	<u>(44,454)</u>	<u>33,953</u>	<u>-</u>
-	50,000	-	-
-	-	(1,500)	-
<u>-</u>	<u>50,000</u>	<u>(1,500)</u>	<u>-</u>
187,788	5,546	32,453	-
<u>2,851,730</u>	<u>41,629</u>	<u>16,147</u>	<u>-</u>
<u>\$ 3,039,518</u>	<u>\$ 47,175</u>	<u>\$ 48,600</u>	<u>\$ -</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds		
	Office of Traffic Safety	Landscape Maintenance District #1	Landscape Maintenance District #2
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	8,588	134,211
Development fees	-	-	-
Intergovernmental	207,473	-	-
Charges for services	-	-	-
Investment earnings	-	31	-
Contributions	-	-	-
Total revenues	207,473	8,619	134,211
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	207,473	-	-
Streets and highways	-	7,456	149,362
Community and economic development	-	-	-
Culture and leisure	-	-	-
Total expenditures	207,473	7,456	149,362
Excess (deficiency) of revenues over expenditures	-	1,163	(15,151)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(5,365)	(5,600)
Total other financing sources (uses)	-	(5,365)	(5,600)
Net change in fund balances	-	(4,202)	(20,751)
Fund balances, beginning of year	-	22,167	(25,056)
Fund balances, end of year	\$ -	\$ 17,965	\$ (45,807)

Special Revenue Funds				
Landscape Maintenance District #3	Landscape Maintenance District #4	Landscape Maintenance District #5	Special Asset	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 485,914
75,491	484,086	49,994	-	752,370
-	-	-	-	-
-	-	-	144,337	1,665,950
-	-	-	-	-
109	316	92	2,931	10,449
-	-	-	-	5,122
<u>75,600</u>	<u>484,402</u>	<u>50,086</u>	<u>147,268</u>	<u>2,919,805</u>
-	-	-	-	-
-	-	-	-	307,473
81,217	659,409	38,682	-	1,911,856
-	-	-	-	265,869
-	-	-	-	67,594
<u>81,217</u>	<u>659,409</u>	<u>38,682</u>	<u>-</u>	<u>2,552,792</u>
<u>(5,617)</u>	<u>(175,007)</u>	<u>11,404</u>	<u>147,268</u>	<u>367,013</u>
4,687	14,062	3,141	100,000	171,890
<u>(10,235)</u>	<u>(20,730)</u>	<u>(8,791)</u>	<u>(2,931)</u>	<u>(138,389)</u>
<u>(5,548)</u>	<u>(6,668)</u>	<u>(5,650)</u>	<u>97,069</u>	<u>33,501</u>
(11,165)	(181,675)	5,754	244,337	400,514
<u>86,878</u>	<u>518,529</u>	<u>51,299</u>	<u>1,270,220</u>	<u>5,168,809</u>
<u>\$ 75,713</u>	<u>\$ 336,854</u>	<u>\$ 57,053</u>	<u>\$ 1,514,557</u>	<u>\$ 5,569,323</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2012

	Capital Projects Funds		
	Storm Drain	General Government Improvement	Fire Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	-	-	-
Intergovernmental	63,336	84,248	-
Charges for services	760	-	-
Investment earnings	1,776	2,026	1,121
Contributions	-	-	-
	<u>65,872</u>	<u>86,274</u>	<u>1,121</u>
Total revenues			
EXPENDITURES			
Current:			
General government	-	461,428	-
Public safety	-	-	36,257
Streets and highways	133,333	-	-
Community and economic development	-	-	-
Culture and leisure	-	-	-
	<u>133,333</u>	<u>461,428</u>	<u>36,257</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(67,461)</u>	<u>(375,154)</u>	<u>(35,136)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(14,390)</u>	<u>(1,055)</u>	<u>(11)</u>
Total other financing sources (uses)	<u>(14,390)</u>	<u>(1,055)</u>	<u>(11)</u>
Net change in fund balances	(81,851)	(376,209)	(35,147)
Fund balances, beginning of year	<u>818,860</u>	<u>1,192,591</u>	<u>573,797</u>
Fund balances, end of year	<u>\$ 737,009</u>	<u>\$ 816,382</u>	<u>\$ 538,650</u>

<u>Capital Projects Funds</u>		
<u>Trails Improvement</u>	<u>Street Improvement</u>	<u>Community Facilities District 93-1</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
647	3,174	115
-	-	-
<u>647</u>	<u>3,174</u>	<u>115</u>
-	-	-
-	-	-
64,022	1,286,483	-
-	-	-
-	-	-
<u>64,022</u>	<u>1,286,483</u>	<u>-</u>
<u>(63,375)</u>	<u>(1,283,309)</u>	<u>115</u>
-	755,928	-
(170)	(12,863)	-
<u>(170)</u>	<u>743,065</u>	<u>-</u>
(63,545)	(540,244)	115
<u>406,642</u>	<u>2,391,338</u>	<u>58,191</u>
<u>\$ 343,097</u>	<u>\$ 1,851,094</u>	<u>\$ 58,306</u>

City of Norco
Combining Statements of Revenues, Expenditures, and
Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2012

	Capital Projects Funds		
	Park Improvement	Public Library	Public Meeting
REVENUES			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Development fees	20,500	-	-
Intergovernmental	-	-	-
Charges for services	16,247	-	-
Investment earnings	1,853	26	74
Contributions	-	-	-
	<u>38,600</u>	<u>26</u>	<u>74</u>
Total revenues			
	<u>38,600</u>	<u>26</u>	<u>74</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets and highways	-	-	-
Community and economic development	-	-	-
Culture and leisure	206,696	-	-
	<u>206,696</u>	<u>-</u>	<u>-</u>
Total expenditures			
	<u>206,696</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(168,096)</u>	<u>26</u>	<u>74</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	12,846	-	-
Transfers out	(1,913)	-	-
	<u>10,933</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>10,933</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(157,163)	26	74
Fund balances, beginning of year	851,937	13,162	37,903
	<u>851,937</u>	<u>13,162</u>	<u>37,903</u>
Fund balances, end of year	<u>\$ 694,774</u>	<u>\$ 13,188</u>	<u>\$ 37,977</u>

Capital Projects Funds				Total Non-major Governmental Funds
Aquatics Center	Animal Control	Facility Improvement	Total Capital Projects Funds	
\$ -	\$ -	\$ -	\$ -	\$ 485,914
-	-	-	-	752,370
-	-	-	20,500	20,500
-	-	-	147,584	1,813,534
-	-	-	17,007	17,007
17	318	-	11,147	21,596
-	-	-	-	5,122
<u>17</u>	<u>318</u>	<u>-</u>	<u>196,238</u>	<u>3,116,043</u>
-	-	-	461,428	461,428
-	991,802	-	1,028,059	1,335,532
-	-	-	1,483,838	3,395,694
-	-	-	-	265,869
-	-	-	206,696	274,290
<u>-</u>	<u>991,802</u>	<u>-</u>	<u>3,180,021</u>	<u>5,732,813</u>
<u>17</u>	<u>(991,484)</u>	<u>-</u>	<u>(2,983,783)</u>	<u>(2,616,770)</u>
-	991,178	-	1,759,952	1,931,842
-	(2,469)	-	(32,871)	(171,260)
<u>-</u>	<u>988,709</u>	<u>-</u>	<u>1,727,081</u>	<u>1,760,582</u>
17	(2,775)	-	(1,256,702)	(856,188)
<u>8,696</u>	<u>35,120</u>	<u>150,098</u>	<u>6,538,335</u>	<u>11,707,144</u>
<u>\$ 8,713</u>	<u>\$ 32,345</u>	<u>\$ 150,098</u>	<u>\$ 5,281,633</u>	<u>\$ 10,850,956</u>

City of Norco
Non-major Fund Budgetary Comparison Schedules
For the Year Ended June 30, 2012

Budgetary comparison schedules 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 annually budgeted funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

City of Norco
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Miscellaneous Grant Fund Special Revenue Fund
For the Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 136,562	\$ 66,562
Total revenues	70,000	70,000	136,562	66,562
EXPENDITURES				
Current:				
Culture and leisure	69,384	69,384	67,594	1,790
Total expenditures	69,384	69,384	67,594	1,790
Excess (deficiency) of revenues over expenditures	616	616	68,968	68,352
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(68,968)	(68,968)
Total other financing sources (uses)	-	-	(68,968)	(68,968)
Net change in fund balance	616	616	-	(616)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 616	\$ 616	\$ -	\$ (616)

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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 337,514	\$ 337,514	\$ 280,138	\$ (57,376)
Total revenues	337,514	337,514	280,138	(57,376)
EXPENDITURES				
Current:				
Community and economic development	323,115	323,115	265,869	57,246
Total expenditures	323,115	323,115	265,869	57,246
Excess (deficiency) of revenues over expenditures	14,399	14,399	14,269	(130)
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,399)	(14,399)	(14,269)	130
Total other financing sources (uses)	(14,399)	(14,399)	(14,269)	130
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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 737,794	\$ 737,794	\$ 763,499	\$ 25,705
Investment earnings	600	600	962	362
Contributions	-	-	5,122	5,122
Total revenues	<u>738,394</u>	<u>738,394</u>	<u>769,583</u>	<u>31,189</u>
EXPENDITURES				
Current:				
Streets and highways	<u>632,701</u>	<u>632,701</u>	<u>627,154</u>	<u>5,547</u>
Total expenditures	<u>632,701</u>	<u>632,701</u>	<u>627,154</u>	<u>5,547</u>
Excess (deficiency) of revenues over expenditures	<u>105,693</u>	<u>105,693</u>	<u>142,429</u>	<u>36,736</u>
Net change in fund balance	105,693	105,693	142,429	36,736
Fund balance, beginning of year	<u>335,266</u>	<u>335,266</u>	<u>335,266</u>	<u>-</u>
Fund balance, end of year	<u>\$ 440,959</u>	<u>\$ 440,959</u>	<u>\$ 477,695</u>	<u>\$ 36,736</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 436,000	\$ 436,000	\$ 422,671	\$ (13,329)
Investment earnings	13,171	13,171	5,996	(7,175)
Total revenues	<u>449,171</u>	<u>449,171</u>	<u>428,667</u>	<u>(20,504)</u>
EXPENDITURES				
Current:				
Streets and highways	<u>1,807,500</u>	<u>1,807,500</u>	<u>240,879</u>	<u>1,566,621</u>
Total expenditures	<u>1,807,500</u>	<u>1,807,500</u>	<u>240,879</u>	<u>1,566,621</u>
Net change in fund balance	(1,358,329)	(1,358,329)	187,788	1,546,117
Fund balance, beginning of year	<u>2,851,730</u>	<u>2,851,730</u>	<u>2,851,730</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,493,401</u>	<u>\$ 1,493,401</u>	<u>\$ 3,039,518</u>	<u>\$ 1,546,117</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 90,000	\$ 90,000	\$ 63,243	\$ (26,757)
Total revenues	90,000	90,000	63,243	(26,757)
EXPENDITURES				
Current:				
Streets and highways	96,099	96,099	107,697	(11,598)
Total expenditures	96,099	96,099	107,697	(11,598)
Excess (deficiency) of revenues over expenditures	(6,099)	(6,099)	(44,454)	(38,355)
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	43,901	43,901	5,546	(38,355)
Fund balance, beginning of year	41,629	41,629	41,629	-
Fund balance, end of year	<u>\$ 85,530</u>	<u>\$ 85,530</u>	<u>\$ 47,175</u>	<u>\$ (38,355)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 30,900	\$ 30,900	\$ 33,941	\$ 3,041
Investment earnings	-	-	12	12
Total revenues	<u>30,900</u>	<u>30,900</u>	<u>33,953</u>	<u>3,053</u>
EXPENDITURES				
Current:				
Community and economic development	<u>1,545</u>	<u>1,545</u>	-	<u>1,545</u>
Total expenditures	<u>1,545</u>	<u>1,545</u>	-	<u>1,545</u>
Excess (deficiency) of revenues over expenditures	<u>29,355</u>	<u>29,355</u>	<u>33,953</u>	<u>4,598</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	-
Total other financing sources (uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	-
Net change in fund balance	27,855	27,855	32,453	4,598
Fund balance, beginning of year	<u>16,147</u>	<u>16,147</u>	<u>16,147</u>	-
Fund balance, end of year	<u><u>\$ 44,002</u></u>	<u><u>\$ 44,002</u></u>	<u><u>\$ 48,600</u></u>	<u><u>\$ 4,598</u></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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 100,000	\$ 100,000	\$ -
Investment earnings	-	-	-	-
Total revenues	-	100,000	100,000	-
EXPENDITURES				
Current:				
Public safety	-	62,994	100,000	(37,006)
Total expenditures	-	62,994	100,000	(37,006)
Net change in fund balance	-	37,006	-	(37,006)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 37,006</u>	<u>\$ -</u>	<u>\$ (37,006)</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	<u>\$ 25,413</u>	<u>\$ 211,766</u>	<u>\$ 207,473</u>	<u>\$ (4,293)</u>
Total revenues	<u>25,413</u>	<u>211,766</u>	<u>207,473</u>	<u>(4,293)</u>
EXPENDITURES				
Current:				
Public safety	<u>25,413</u>	<u>211,766</u>	<u>207,473</u>	<u>4,293</u>
Total expenditures	<u>25,413</u>	<u>211,766</u>	<u>207,473</u>	<u>4,293</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 56,585	\$ 56,585	\$ -	\$ (56,585)
Intergovernmental	8,940,000	8,940,000	63,336	(8,876,664)
Charges for services	-	-	760	760
Investment earnings	3,600	3,600	1,776	(1,824)
Total revenues	9,000,185	9,000,185	65,872	(8,934,313)
EXPENDITURES				
Current:				
Streets and highways	9,327,558	9,327,558	133,333	9,194,225
Total expenditures	9,327,558	9,327,558	133,333	9,194,225
Excess (deficiency) of revenues over (under) expenditures	(327,373)	(327,373)	(67,461)	259,912
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,390)	(14,390)	(14,390)	-
Total other financing sources (uses)	(14,390)	(14,390)	(14,390)	-
Net change in fund balance	(341,763)	(341,763)	(81,851)	259,912
Fund balance, beginning of year	818,860	818,860	818,860	-
Fund balance, end of year	<u>\$ 477,097</u>	<u>\$ 477,097</u>	<u>\$ 737,009</u>	<u>\$ 259,912</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 84,248	\$ 84,248
Developmental fees	23,170	23,170	-	(23,170)
Investment earnings	5,308	5,308	2,026	(3,282)
	-	-	-	-
Total revenues	<u>28,478</u>	<u>28,478</u>	<u>86,274</u>	<u>57,796</u>
EXPENDITURES				
Current:				
General government	<u>685,139</u>	<u>764,299</u>	<u>461,428</u>	<u>302,871</u>
Total expenditures	<u>685,139</u>	<u>764,299</u>	<u>461,428</u>	<u>302,871</u>
Excess (deficiency) of revenues over expenditures	<u>(656,661)</u>	<u>(735,821)</u>	<u>(375,154)</u>	<u>360,667</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,055)</u>	<u>(1,055)</u>	<u>(1,055)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,055)</u>	<u>(1,055)</u>	<u>(1,055)</u>	<u>-</u>
Net change in fund balance	(657,716)	(736,876)	(376,209)	360,667
Fund balance, beginning of year	<u>1,192,591</u>	<u>1,192,591</u>	<u>1,192,591</u>	<u>-</u>
Fund balance, end of year	<u>\$ 534,875</u>	<u>\$ 455,715</u>	<u>\$ 816,382</u>	<u>\$ 360,667</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 128,860	\$ 128,860	\$ -	\$ (128,860)
Investment earnings	2,698	2,698	1,121	(1,577)
Total revenues	<u>131,558</u>	<u>131,558</u>	<u>1,121</u>	<u>(130,437)</u>
EXPENDITURES				
Current:				
Public safety	7,292	7,292	36,257	(28,965)
Total expenditures	<u>7,292</u>	<u>7,292</u>	<u>36,257</u>	<u>(28,965)</u>
Excess (deficiency) of revenues over expenditures	<u>124,266</u>	<u>124,266</u>	<u>(35,136)</u>	<u>(159,402)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(11)	(11)	(11)	-
Total other financing sources (uses)	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>	<u>-</u>
Net change in fund balance	124,255	124,255	(35,147)	(159,402)
Fund balance, beginning of year	<u>573,797</u>	<u>573,797</u>	<u>573,797</u>	<u>-</u>
Fund balance, end of year	<u>\$ 698,052</u>	<u>\$ 698,052</u>	<u>\$ 538,650</u>	<u>\$ (159,402)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 2,063	\$ 2,063	\$ 647	\$ (1,416)
Total revenues	<u>2,063</u>	<u>2,063</u>	<u>647</u>	<u>(1,416)</u>
EXPENDITURES				
Current:				
Streets and highways	110,200	110,200	64,022	46,178
Total expenditures	<u>110,200</u>	<u>110,200</u>	<u>64,022</u>	<u>46,178</u>
Excess (deficiency) of revenues over expenditures	<u>(108,137)</u>	<u>(108,137)</u>	<u>(63,375)</u>	<u>44,762</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(170)</u>	<u>(170)</u>	<u>(170)</u>	<u>-</u>
Total other financing sources (uses)	<u>(170)</u>	<u>(170)</u>	<u>(170)</u>	<u>-</u>
Net change in fund balance	(108,307)	(108,307)	(63,545)	44,762
Fund balance, beginning of year	<u>406,642</u>	<u>406,642</u>	<u>406,642</u>	<u>-</u>
Fund balance, end of year	<u>\$ 298,335</u>	<u>\$ 298,335</u>	<u>\$ 343,097</u>	<u>\$ 44,762</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 740,825	\$ 740,825	\$ -	\$ (740,825)
Intergovernmental	3,990,765	3,990,765	-	(3,990,765)
Investment earnings	12,253	12,253	3,174	(9,079)
Total revenues	4,743,843	4,743,843	3,174	(4,740,669)
EXPENDITURES				
Current:				
Streets and highways	8,335,458	8,335,458	1,286,483	7,048,975
Total expenditures	8,335,458	8,335,458	1,286,483	7,048,975
Excess (deficiency) of revenues over expenditures	(3,591,615)	(3,591,615)	(1,283,309)	2,308,306
OTHER FINANCING SOURCES (USES)				
Transfers in	2,380,135	2,380,135	755,928	(1,624,207)
Transfers out	(12,863)	(12,863)	(12,863)	-
Total other financing sources (uses)	2,367,272	2,367,272	743,065	(1,624,207)
Net change in fund balance	(1,224,343)	(1,224,343)	(540,244)	684,099
Fund balance, beginning of year	2,391,338	2,391,338	2,391,338	-
Fund balance, end of year	<u>\$ 1,166,995</u>	<u>\$ 1,166,995</u>	<u>\$ 1,851,094</u>	<u>\$ 684,099</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 115,090	\$ 115,090	\$ 20,500	\$ (94,590)
Charges for services	-	-	16,247	16,247
Intergovernmental	380,000	380,000	-	(380,000)
Investment earnings	2,960	2,960	1,853	(1,107)
	<u>498,050</u>	<u>498,050</u>	<u>38,600</u>	<u>(459,450)</u>
EXPENDITURES				
Current:				
Culture and leisure	1,239,769	1,307,769	206,696	1,101,073
	<u>1,239,769</u>	<u>1,307,769</u>	<u>206,696</u>	<u>1,101,073</u>
Excess (deficiency) of revenues over expenditures	<u>(741,719)</u>	<u>(809,719)</u>	<u>(168,096)</u>	<u>641,623</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	704,769	704,769	12,846	(691,923)
Transfers out	(1,913)	(1,913)	(1,913)	-
	<u>702,856</u>	<u>702,856</u>	<u>10,933</u>	<u>(691,923)</u>
Net change in fund balance	(38,863)	(106,863)	(157,163)	(50,300)
Fund balance, beginning of year	851,937	851,937	851,937	-
Fund balance, end of year	<u>\$ 813,074</u>	<u>\$ 745,074</u>	<u>\$ 694,774</u>	<u>\$ (50,300)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 66	\$ 66	\$ 26	\$ (40)
Total revenues	66	66	26	(40)
EXPENDITURES				
Culture and leisure	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	66	66	26	(40)
Fund balance, beginning of year	13,162	13,162	13,162	-
Fund balance, end of year	<u>\$ 13,228</u>	<u>\$ 13,228</u>	<u>\$ 13,188</u>	<u>\$ (40)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 189	\$ 189	\$ 74	\$ (115)
Total revenues	189	189	74	(115)
EXPENDITURES				
Culture and leisure	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	189	189	74	(115)
Fund balance, beginning of year	37,903	37,903	37,903	-
Fund balance, end of year	<u>\$ 38,092</u>	<u>\$ 38,092</u>	<u>\$ 37,977</u>	<u>\$ (115)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings	\$ 43	\$ 43	\$ 17	\$ (26)
Total revenues	43	43	17	(26)
EXPENDITURES				
Culture and leisure	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	43	43	17	(26)
Fund balance, beginning of year	8,696	8,696	8,696	-
Fund balance, end of year	<u>\$ 8,739</u>	<u>\$ 8,739</u>	<u>\$ 8,713</u>	<u>\$ (26)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Development fees	\$ 1,762	\$ 1,762	\$ -	\$ (1,762)
Investment earnings	177	177	318	141
Total revenues	<u>1,939</u>	<u>1,939</u>	<u>318</u>	<u>(1,621)</u>
EXPENDITURES				
Current:				
Public safety	<u>1,601,117</u>	<u>1,601,117</u>	<u>991,802</u>	<u>609,315</u>
Total expenditures	<u>1,601,117</u>	<u>1,601,117</u>	<u>991,802</u>	<u>609,315</u>
Excess (deficiency) of revenues over expenditures	<u>(1,599,178)</u>	<u>(1,599,178)</u>	<u>(991,484)</u>	<u>607,694</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,601,117	1,601,117	991,178	(609,939)
Transfers out	<u>(2,469)</u>	<u>(2,469)</u>	<u>(2,469)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,598,648</u>	<u>1,598,648</u>	<u>988,709</u>	<u>(609,939)</u>
Net change in fund balance	(530)	(530)	(2,775)	(2,245)
Fund balance, beginning of year	<u>35,120</u>	<u>35,120</u>	<u>35,120</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 34,590</u></u>	<u><u>\$ 34,590</u></u>	<u><u>\$ 32,345</u></u>	<u><u>\$ (2,245)</u></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, 2012

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 2,782,940	\$ 1,460,064	\$ 375,680	\$ 4,618,684
Interest	1,505	843	199	2,547
Prepays	-	-	8,991	8,991
Total current assets	<u>2,784,445</u>	<u>1,460,907</u>	<u>384,870</u>	<u>4,630,222</u>
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	2,014,202	-	246,623	2,260,825
Less accumulated depreciation	(1,584,805)	-	(198,087)	(1,782,892)
Intangibles	-	-	429,245	429,245
Less accumulated amortization	-	-	(311,268)	(311,268)
Total noncurrent assets	<u>429,397</u>	<u>-</u>	<u>166,513</u>	<u>595,910</u>
Total assets	<u>3,213,842</u>	<u>1,460,907</u>	<u>551,383</u>	<u>5,226,132</u>
LIABILITIES				
Current liabilities:				
Accounts payable	47,145	2,169	10,348	59,662
Compensated absences	-	172,543	-	172,543
Capital lease payable	-	-	10,261	10,261
Claims and judgements	-	465,205	-	465,205
Total current liabilities	<u>47,145</u>	<u>639,917</u>	<u>20,609</u>	<u>707,671</u>
Noncurrent liabilities:				
Compensated absences	-	517,629	-	517,629
Capital lease payable	-	-	19,742	19,742
Claims and judgements	-	508,080	-	508,080
Total noncurrent liabilities	<u>-</u>	<u>1,025,709</u>	<u>19,742</u>	<u>1,045,451</u>
Total liabilities	<u>47,145</u>	<u>1,665,626</u>	<u>40,351</u>	<u>1,753,122</u>
NET ASSETS				
Invested in capital assets, net of related debt	429,397	-	136,510	565,907
Unrestricted	<u>2,737,300</u>	<u>(204,719)</u>	<u>374,522</u>	<u>2,907,103</u>
Total net assets	<u>\$ 3,166,697</u>	<u>\$ (204,719)</u>	<u>\$ 511,032</u>	<u>\$ 3,473,010</u>

City of Norco
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
OPERATING REVENUES				
Sales and charges for services	\$ 357,577	\$ 534,371	\$ 418,775	\$ 1,310,723
Miscellaneous	-	-	140	140
	<u>357,577</u>	<u>534,371</u>	<u>418,915</u>	<u>1,310,863</u>
OPERATING EXPENSES				
General and administrative	231,252	269,610	384,507	885,369
Amortization	-	-	38,052	38,052
Depreciation	225,573	-	13,137	238,710
	<u>456,825</u>	<u>269,610</u>	<u>435,696</u>	<u>1,162,131</u>
Total operating revenues	<u>357,577</u>	<u>534,371</u>	<u>418,915</u>	<u>1,310,863</u>
Total operating expenses	<u>456,825</u>	<u>269,610</u>	<u>435,696</u>	<u>1,162,131</u>
Operating gain (loss)	<u>(99,248)</u>	<u>264,761</u>	<u>(16,781)</u>	<u>148,732</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	5,728	3,625	748	10,101
Gain (loss) on disposal of assets	(737,062)	-	521	(736,541)
	<u>(731,334)</u>	<u>3,625</u>	<u>1,269</u>	<u>(726,440)</u>
Total nonoperating revenues (expenses)	<u>(731,334)</u>	<u>3,625</u>	<u>1,269</u>	<u>(726,440)</u>
Income before contributions and transfers	<u>(830,582)</u>	<u>268,386</u>	<u>(15,512)</u>	<u>(577,708)</u>
Transfers in	-	21,475	-	21,475
Transfers out	(186,712)	-	(21,475)	(208,187)
	<u>(1,017,294)</u>	<u>289,861</u>	<u>(36,987)</u>	<u>(764,420)</u>
Change in net assets	<u>(1,017,294)</u>	<u>289,861</u>	<u>(36,987)</u>	<u>(764,420)</u>
Net assets, beginning of year	<u>4,183,991</u>	<u>(494,580)</u>	<u>548,019</u>	<u>4,237,430</u>
Net assets, end of year	<u>\$ 3,166,697</u>	<u>\$ (204,719)</u>	<u>\$ 511,032</u>	<u>\$ 3,473,010</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<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	\$ 357,577	\$ 1,087,382	\$ 418,915	\$ 1,863,874
Cash payments to suppliers	(216,992)	(662,353)	(176,680)	(1,056,025)
Cash payments to employees for services	-	(434,227)	(215,367)	(649,594)
Net cash provided by (used for) operating activities	<u>140,585</u>	<u>(9,198)</u>	<u>26,868</u>	<u>158,255</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	21,475	-	21,475
Transfer to other funds	(186,712)	-	(21,475)	(208,187)
Net cash provided by provided by (used for) noncapital financing activities	<u>(186,712)</u>	<u>21,475</u>	<u>(21,475)</u>	<u>(186,712)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(108,040)	-	(19,261)	(127,301)
Proceeds from disposal of capital assets	127,700	-	521	128,221
Principal payments - capital lease	-	-	(9,192)	(9,192)
Net cash provided by (used for) capital and related financing activities	<u>19,660</u>	<u>-</u>	<u>(27,932)</u>	<u>(8,272)</u>
Cash flows from investing activities:				
Interest income	6,359	3,946	841	11,146
Net cash provided by investing activities	<u>6,359</u>	<u>3,946</u>	<u>841</u>	<u>11,146</u>
Net increase (decrease) in cash and investments	(20,108)	16,223	(21,698)	(25,583)
Cash and investments, beginning of year	<u>2,803,048</u>	<u>1,443,841</u>	<u>397,378</u>	<u>4,644,267</u>
Cash and investments, end of year	<u>\$ 2,782,940</u>	<u>\$ 1,460,064</u>	<u>\$ 375,680</u>	<u>\$ 4,618,684</u>

City of Norco
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Fleet Management</u>	<u>Benefits & Insurance</u>	<u>Information Management</u>	<u>Total</u>
Reconciliation of operating gain (loss) to net cash provided by (used for) operating activities:				
Operating gain (loss)	\$ (99,248)	\$ 264,761	\$ (16,781)	\$ 148,732
Adjustments to reconcile operating gain (loss) to net cash provided by (used for) operating activities:				
Depreciation/Amortization	225,573	-	51,189	276,762
(Increase) decrease in assets:				
Accounts receivable	-	-	(7,473)	(7,473)
Prepays	-	553,011	-	553,011
Increase (decrease) in liabilities:				
Accounts payable	14,260	(3,817)	(81)	10,362
Accrued wages	-	(164,617)	14	(164,603)
Compensated absences	-	(323,131)	-	(323,131)
Claims and judgements	-	(335,405)	-	(335,405)
Net cash provided by (used for) operating activities	<u>\$ 140,585</u>	<u>\$ (9,198)</u>	<u>\$ 26,868</u>	<u>\$ 158,255</u>

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 Home residences and for the payment of debt service and administrative costs for the community facilities district. The bonds were issued in 2003 for the construction of trail improvements and a traffic signal at 6th Street and California.

City of Norco
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	General Trust	Western Waste	Assessment District 195	Community Facilities District 93-1
ASSETS				
Cash and investments	\$ 1,265,346	\$ -	\$ 70,015	\$ 58,879
Cash and investments with fiscal agents	-	-	-	338,713
Receivables, net:				
Accounts	-	408,730	-	-
Interest	-	-	37	75
Due from other governments	-	-	4,617	12,278
Total assets	\$ 1,265,346	\$ 408,730	\$ 74,669	\$ 409,945
LIABILITIES				
Accounts payable	\$ 5,195	\$ 370,771	\$ -	\$ -
Deposits payable	1,260,151	28,966	-	-
Due to others	-	8,993	-	-
Due to bond holders	-	-	74,669	409,945
Total liabilities	\$ 1,265,346	\$ 408,730	\$ 74,669	\$ 409,945

continued

<u>Community Facilities District 97-1</u>	<u>Community Facilities District 2001-1</u>	<u>Community Facilities District 2002-1</u>	<u>Total</u>
\$ 667,863	\$ 3,093,120	\$ 119,772	\$ 5,274,995
536,732	1,727,557	131,037	2,734,039
-	-	-	408,730
2,227	1,453	56	3,848
21,505	174,381	13,324	226,105
<u>\$ 1,228,327</u>	<u>\$ 4,996,511</u>	<u>\$ 264,189</u>	<u>\$ 8,647,717</u>
\$ -	\$ -	\$ -	\$ 375,966
-	-	-	1,289,117
-	-	-	8,993
<u>1,228,327</u>	<u>4,996,511</u>	<u>264,189</u>	<u>6,973,641</u>
<u>\$ 1,228,327</u>	<u>\$ 4,996,511</u>	<u>\$ 264,189</u>	<u>\$ 8,647,717</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
GENERAL TRUST				
Assets				
Cash and investments	\$ 1,139,510	\$ 442,618	\$ 316,782	\$ 1,265,346
Accounts receivable	-	366	366	-
Total assets	<u>\$ 1,139,510</u>	<u>\$ 442,984</u>	<u>\$ 317,148</u>	<u>\$ 1,265,346</u>
Liabilities				
Accounts payable	\$ 567	\$ 76,536	\$ 71,908	\$ 5,195
Deposits payable	1,138,943	539,705	418,497	\$ 1,260,151
Total liabilities	<u>\$ 1,139,510</u>	<u>\$ 616,241</u>	<u>\$ 490,405</u>	<u>\$ 1,265,346</u>
WESTERN WASTE				
Assets				
Cash and investments	\$ 482,832	\$ 4,432,835	\$ 4,915,667	\$ -
Accounts receivable	384,088	4,501,035	4,476,393	408,730
Total assets	<u>\$ 866,920</u>	<u>\$ 8,933,870</u>	<u>\$ 9,392,060</u>	<u>\$ 408,730</u>
Liabilities				
Accounts payable	\$ 643,161	\$ 4,608,465	\$ 4,880,855	\$ 370,771
Deposits payable	23,985	18,022	13,041	28,966
Due to others	199,774	4,433,364	4,624,145	8,993
Total liabilities	<u>\$ 866,920</u>	<u>\$ 9,059,851</u>	<u>\$ 9,518,041</u>	<u>\$ 408,730</u>
ASSESSMENT DISTRICT 195				
Assets				
Cash and investments	\$ 60,477	\$ 9,714	\$ 176	\$ 70,015
Interest receivable	46	37	46	37
Due from other governments	9,452	4,617	9,452	4,617
Total assets	<u>\$ 69,975</u>	<u>\$ 14,368</u>	<u>\$ 9,674</u>	<u>\$ 74,669</u>
Liabilities				
Due to bond holders	\$ 69,975	\$ 4,694	\$ -	\$ 74,669
Total liabilities	<u>\$ 69,975</u>	<u>\$ 4,694</u>	<u>\$ -</u>	<u>\$ 74,669</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
CFD 93-1				
Assets				
Cash and investments	\$ 67,462	\$ 194,497	\$ 203,080	\$ 58,879
Cash and investments with fiscal agents	336,251	184,232	181,770	338,713
Interest receivable	107	75	107	75
Due from other governments	-	12,278	-	12,278
Total assets	<u>\$ 403,820</u>	<u>\$ 391,082</u>	<u>\$ 384,957</u>	<u>\$ 409,945</u>
Liabilities				
Accounts payable	\$ -	\$ 9,886	\$ 9,886	\$ -
Due to bond holders	403,820	206,806	200,681	409,945
Total liabilities	<u>\$ 403,820</u>	<u>\$ 216,692</u>	<u>\$ 210,567</u>	<u>\$ 409,945</u>
CFD 97-1				
Assets				
Cash and investments	\$ 592,736	\$ 647,431	\$ 572,304	\$ 667,863
Cash and investments with fiscal agents	551,197	502,650	517,115	536,732
Interest receivable	1,118	2,227	1,118	2,227
Due from other governments	71,340	21,505	71,340	21,505
Total assets	<u>\$ 1,216,391</u>	<u>\$ 1,173,813</u>	<u>\$ 1,161,877</u>	<u>\$ 1,228,327</u>
Liabilities				
Accounts payable	\$ 4,596	\$ 10,023	\$ 14,619	\$ -
Due to bond holders	1,211,795	578,224	561,692	1,228,327
Total liabilities	<u>\$ 1,216,391</u>	<u>\$ 588,247</u>	<u>\$ 576,311</u>	<u>\$ 1,228,327</u>
CFD 2001-1				
Assets				
Cash and investments	\$ 2,880,702	\$ 2,423,006	\$ 2,210,588	\$ 3,093,120
Cash and investments with fiscal agents	1,843,193	2,077,027	2,192,663	1,727,557
Interest receivable	4,031	1,453	4,031	1,453
Due from other governments	96,818	174,381	96,818	174,381
Total assets	<u>\$ 4,824,744</u>	<u>\$ 4,675,867</u>	<u>\$ 4,504,100</u>	<u>\$ 4,996,511</u>
Liabilities				
Accounts payable	\$ 20,366	\$ 12,447	\$ 32,813	\$ -
Due to bond holders	4,804,378	2,481,782	2,289,649	4,996,511
Total liabilities	<u>\$ 4,824,744</u>	<u>\$ 2,494,229</u>	<u>\$ 2,322,462</u>	<u>\$ 4,996,511</u>

City of Norco
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
CFD 2002-1				
Assets				
Cash and investments	\$ 124,598	\$ 157,357	\$ 162,183	\$ 119,772
Cash and investments with fiscal agents	167,427	93,311	129,701	131,037
Interest receivable	83	56	83	56
Due from other governments	3,332	13,324	3,332	13,324
Total assets	<u>\$ 295,440</u>	<u>\$ 264,048</u>	<u>\$ 295,299</u>	<u>\$ 264,189</u>
Liabilities				
Accounts payable	\$ -	\$ 10,196	\$ 10,196	\$ -
Due to bond holders	295,440	145,414	176,665	264,189
Total liabilities	<u>\$ 295,440</u>	<u>\$ 155,610</u>	<u>\$ 186,861</u>	<u>\$ 264,189</u>
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 5,348,317	\$ 8,307,458	\$ 8,380,780	\$ 5,274,995
Cash and investments with fiscal agents	2,898,068	2,857,220	3,021,249	2,734,039
Accounts receivable	384,088	4,501,401	4,476,759	408,730
Interest receivable	5,385	3,848	5,385	3,848
Due from other governments	180,942	226,105	180,942	226,105
Total assets	<u>\$ 8,816,800</u>	<u>\$ 15,896,032</u>	<u>\$ 16,065,115</u>	<u>\$ 8,647,717</u>
Liabilities				
Accounts payable	\$ 668,690	\$ 4,727,553	\$ 5,020,277	\$ 375,966
Deposits payable	1,162,928	557,727	431,538	1,289,117
Due to others	199,774	4,433,364	4,624,145	8,993
Due to bond holders	6,785,408	3,416,920	3,228,687	6,973,641
Total liabilities	<u>\$ 8,816,800</u>	<u>\$ 13,135,564</u>	<u>\$ 13,304,647</u>	<u>\$ 8,647,717</u>

STATISTICAL SECTION



Statistical Section

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	126
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	136
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>	137
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>	149
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>	155

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

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

Source: City's financial statements

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 151,388,100	\$ 153,848,153	\$ 156,655,554	\$ 163,648,731	\$ 172,727,910	\$ 172,040,285
55,995,625	56,203,749	43,502,275	49,857,462	39,782,430	15,783,060
<u>(56,171,654)</u>	<u>(53,696,655)</u>	<u>(53,368,409)</u>	<u>(71,206,996)</u>	<u>(74,774,758)</u>	<u>(145,491)</u>
<u>\$ 151,212,071</u>	<u>\$ 156,355,247</u>	<u>\$ 146,789,420</u>	<u>\$ 142,299,197</u>	<u>\$ 137,735,582</u>	<u>\$ 187,677,854</u>
\$ 36,930,507	\$ 41,150,408	\$ 39,797,357	\$ 41,658,815	\$ 39,526,833	\$ 46,718,775
8,718,561	7,261,078	5,772,311	4,722,120	4,362,237	1,493,069
<u>(78,386)</u>	<u>(2,557,443)</u>	<u>521,868</u>	<u>(1,200,945)</u>	<u>283,205</u>	<u>(4,191,150)</u>
<u>\$ 45,570,682</u>	<u>\$ 45,854,043</u>	<u>\$ 46,091,536</u>	<u>\$ 45,179,990</u>	<u>\$ 44,172,275</u>	<u>\$ 44,020,694</u>
\$ 188,318,607	\$ 194,998,561	\$ 196,452,911	\$ 205,307,546	\$ 212,254,743	\$ 218,759,060
64,714,186	63,464,827	49,274,586	54,579,582	44,144,667	17,276,129
<u>(56,250,040)</u>	<u>(56,254,098)</u>	<u>(52,846,541)</u>	<u>(72,407,941)</u>	<u>(74,491,553)</u>	<u>(4,336,641)</u>
<u>\$ 196,782,753</u>	<u>\$ 202,209,290</u>	<u>\$ 192,880,956</u>	<u>\$ 187,479,187</u>	<u>\$ 181,907,857</u>	<u>\$ 231,698,548</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 3,024,963	\$ 1,880,302	\$ 2,628,746	\$ 2,444,678
Public safety	7,858,483	8,173,624	9,185,614	10,030,419
Public works	8,259,305	4,714,230	4,978,421	2,667,196
Community development	4,699,041	5,434,051	13,727,059	9,661,594
Culture & leisure	1,807,224	2,020,202	2,270,431	2,575,970
Interest in long-term debt	3,358,673	4,222,757	4,367,389	4,498,959
Total governmental activities expenses	<u>29,007,689</u>	<u>26,445,166</u>	<u>37,157,660</u>	<u>31,878,816</u>
Business-type activities:				
Water	4,853,365	5,443,482	6,192,775	7,000,699
Sewer	2,817,455	3,100,970	3,729,579	3,969,304
Total business-type activities expenses	<u>7,670,820</u>	<u>8,544,452</u>	<u>9,922,354</u>	<u>10,970,003</u>
Total primary government expenses	<u>\$ 36,678,509</u>	<u>\$ 34,989,618</u>	<u>\$ 47,080,014</u>	<u>\$ 42,848,819</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 226,087	\$ 844,047	\$ 1,017,412	\$ 1,206,368
Public safety	479,705	408,968	845,785	938,458
Public works	265,307	881,982	843,209	1,119,874
Community development	1,863,415	2,175,706	1,177,608	919,325
Culture & leisure	416,570	739,122	815,751	839,701
Operating grants and contributions	1,706,282	2,054,746	2,206,575	2,448,984
Capital grants and contributions	32,651,906	6,553,575	3,603,044	2,001,841
Total governmental activities program revenues	<u>37,609,272</u>	<u>13,658,146</u>	<u>10,509,384</u>	<u>9,474,551</u>
Business-type activities:				
Charges for services:				
Water	4,052,537	4,907,696	4,990,556	6,617,886
Sewer	2,047,143	2,487,983	2,791,789	2,855,330
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,963,586	901,809	1,219,879	5,071,845
Total business-type activities program revenues	<u>9,063,266</u>	<u>8,297,488</u>	<u>9,002,224</u>	<u>14,545,061</u>
Total government program revenues	<u>\$ 46,672,538</u>	<u>\$ 21,955,634</u>	<u>\$ 19,511,608</u>	<u>\$ 24,019,612</u>
Net (Expense)/Revenue				
Governmental activities	\$ 8,601,583	\$ (12,787,020)	\$ (26,648,276)	\$ (22,404,265)
Business-type activities	1,392,446	(246,964)	(920,130)	3,575,058
Total primary government	<u>\$ 9,994,029</u>	<u>\$ (13,033,984)</u>	<u>\$ (27,568,406)</u>	<u>\$ (18,829,207)</u>

Source: City's financial statements

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,369,307	\$ 2,567,880	\$ 4,663,233	\$ 2,608,199	\$ 3,589,601	\$ 2,047,480
10,984,557	11,752,711	11,363,732	11,347,403	10,532,263	9,482,494
2,931,992	2,680,961	6,838,398	2,091,368	6,745,445	4,389,492
9,682,225	12,773,725	18,645,627	20,675,524	10,467,473	5,893,093
2,915,016	2,757,815	2,317,752	1,920,577	2,177,366	2,421,643
4,210,091	4,135,345	4,260,255	4,606,449	5,171,018	842,156
<u>33,093,188</u>	<u>36,668,437</u>	<u>48,088,997</u>	<u>43,249,520</u>	<u>38,683,166</u>	<u>25,076,358</u>
6,644,244	6,794,503	7,718,048	8,354,123	7,970,925	9,917,049
4,263,280	3,353,177	4,396,358	5,042,480	5,227,807	5,309,232
10,907,524	10,147,680	12,114,406	13,396,603	13,198,732	15,226,281
<u>\$ 44,000,712</u>	<u>\$ 46,816,117</u>	<u>\$ 60,203,403</u>	<u>\$ 56,646,123</u>	<u>\$ 51,881,898</u>	<u>\$ 40,302,639</u>
\$ 1,195,495	\$ 1,202,890	\$ 2,297,395	\$ 1,258,834	\$ 1,086,315	\$ 1,256,248
1,184,179	1,331,730	1,562,425	960,461	841,083	695,153
502,427	489,548	541,643	808,465	827,845	832,620
739,852	583,708	501,456	346,741	466,734	511,400
1,038,228	985,340	776,678	723,311	721,737	634,717
3,099,986	2,716,291	2,687,615	5,677,361	4,118,810	3,062,424
2,356,978	3,216,001	867,513	4,166,378	1,527,406	83,834
<u>10,117,145</u>	<u>10,525,508</u>	<u>9,234,725</u>	<u>13,941,551</u>	<u>9,589,930</u>	<u>7,076,396</u>
6,804,540	6,945,575	7,061,989	6,641,183	7,418,217	9,408,360
2,917,946	2,921,138	3,799,801	4,210,274	4,141,300	4,951,539
-	-	-	-	113,444	-
2,017,403	757,360	1,483,544	1,824,809	732,519	902,597
<u>11,739,889</u>	<u>10,624,073</u>	<u>12,345,334</u>	<u>12,676,266</u>	<u>12,405,480</u>	<u>15,262,496</u>
<u>\$ 21,857,034</u>	<u>\$ 21,149,581</u>	<u>\$ 21,580,059</u>	<u>\$ 26,617,817</u>	<u>\$ 21,995,410</u>	<u>\$ 22,338,892</u>
\$ (22,976,043)	\$ (26,142,929)	\$ (38,854,272)	\$ (29,307,969)	\$ (29,093,236)	\$ (17,999,962)
832,365	476,393	230,928	(720,337)	(793,252)	36,215
<u>\$ (22,143,678)</u>	<u>\$ (25,666,536)</u>	<u>\$ (38,623,344)</u>	<u>\$ (30,028,306)</u>	<u>\$ (29,886,488)</u>	<u>\$ (17,963,747)</u>

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

General Revenues and Other Changes in Net Assets

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

Source: City's financial statements

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,760,792	\$ 3,891,236	\$ 3,773,245	\$ 3,261,322	\$ 1,206,532	\$ 1,384,241
14,852,364	16,154,389	15,888,548	14,921,558	14,424,830	7,235,391
82,074	84,812	145,043	173,293	190,226	223,674
1,021,058	1,081,221	1,128,130	1,037,604	1,017,267	1,034,701
4,458,665	4,062,531	3,079,645	2,601,697	3,105,215	3,515,779
1,753,052	1,333,569	1,206,201	721,616	909,634	1,068,683
147,265	121,269	97,794	76,802	1,960,284	1,970,332
392,975	194,507	324,347	302,379	274,355	281,232
-	476,537	-	-	-	-
-	-	-	-	2,457	3,172
3,458,518	2,361,965	1,563,647	609,154	372,886	186,767
1,102,572	1,258,696	1,816,340	846,820	808,732	299,551
-	-	-	-	-	50,466,374
289,765	265,373	265,505	444,457	257,203	272,337
<u>31,319,100</u>	<u>31,286,105</u>	<u>29,288,445</u>	<u>24,996,702</u>	<u>24,529,621</u>	<u>67,942,234</u>
-	-	-	-	-	-
43,886	44,914	251,589	74,294	42,738	84,540
5,658	27,427	20,481	-	-	-
<u>(289,765)</u>	<u>(265,373)</u>	<u>(265,505)</u>	<u>(444,457)</u>	<u>(257,203)</u>	<u>(272,337)</u>
<u>(240,221)</u>	<u>(193,032)</u>	<u>6,565</u>	<u>(370,163)</u>	<u>(214,465)</u>	<u>(187,797)</u>
<u>\$ 31,078,879</u>	<u>\$ 31,093,073</u>	<u>\$ 29,295,010</u>	<u>\$ 24,626,539</u>	<u>\$ 24,315,156</u>	<u>\$ 67,754,437</u>
\$ 8,343,057	\$ 5,143,176	\$ (9,565,827)	\$ (4,311,267)	\$ (4,563,615)	\$ 49,942,272
592,144	283,361	237,493	(1,090,500)	(1,007,717)	(151,582)
<u>\$ 8,935,201</u>	<u>\$ 5,426,537</u>	<u>\$ (9,328,334)</u>	<u>\$ (5,401,767)</u>	<u>\$ (5,571,332)</u>	<u>\$ 49,790,690</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,191,414	6,208,159	7,313,336	7,791,835	8,431,607
Total General Fund	<u>\$ 4,191,414</u>	<u>\$ 6,208,159</u>	<u>\$ 7,313,336</u>	<u>\$ 7,791,835</u>	<u>\$ 8,431,607</u>
All Other Governmental Funds					
Reserved	\$ 21,222,500	\$ 29,431,509	\$ 14,506,168	\$ 14,836,751	\$ 21,050,335
Unreserved, reported in:					
Special revenue funds	3,973,650	3,739,360	17,224,928	17,873,478	12,617,135
Capital projects funds	35,380,191	43,274,103	45,303,565	43,403,902	41,297,924
Debt service funds	332,518	2,121,337	1,014,496	1,175,963	803,414
Total All Other Governmental Funds	<u>\$ 60,908,859</u>	<u>\$ 78,566,309</u>	<u>\$ 78,049,157</u>	<u>\$ 77,290,094</u>	<u>\$ 75,768,808</u>
Post GASB 54		<u>2011</u>	<u>2012</u>		
General Fund					
Nonspendable		\$ 50,375	\$ -		
Committed		2,031,765	2,723,125		
Total General Fund		2,082,140	2,723,125		
All Other Governmental Funds					
Nonspendable		3,750	3,750		
Restricted for:					
Streets and Highways		3,228,623	3,564,388		
Community and Economic Development		31,741,417	48,600		
Debt service		7,876,763	-		
Committed to:					
Emergencies		678,872	487,585		
Assigned to:					
General Government		1,266,470	1,510,807		
Public Safety		573,797	538,650		
Streets and Highways		4,867,622	3,805,888		
Culture and Leisure		1,096,917	937,095		
Unassigned		(25,056)	(45,807)		
Total All Other Governmental Funds		<u>51,309,175</u>	<u>10,850,956</u>		
Total All Governmental Funds		<u>\$ 53,391,315</u>	<u>\$ 13,574,081</u>		

Source: City's financial statements

Note: During Fiscal Year 2011, the City of Norco adopted GASB Statement No. 54. This Statement changed the presentation of governmental fund type Fund Equity. The City complied with the requirements of the Statement, but chose not to retroactively apply the Statement in the Statistical Section.

continued

Fiscal Year		
2008	2009	2010
\$ -	\$ -	\$ -
7,960,962	6,586,317	3,382,363
<u>\$ 7,960,962</u>	<u>\$ 6,586,317</u>	<u>\$ 3,382,363</u>
\$ 25,982,755	\$ 28,891,668	\$ 31,524,570
9,366,361	11,222,427	10,138,707
40,526,118	33,074,129	1,599,559
1,148,975	817,903	21,335,624
<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			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 16,306,364	\$ 17,737,373	\$ 20,028,396	\$ 22,896,670
Assessments	189,043	201,162	194,978	648,033
Licenses and permits	817,824	1,699,483	957,262	754,346
Fines and forfeitures	342,259	288,053	444,622	502,036
Development fees	5,333,366	2,734,809	1,189,177	905,912
Intergovernmental	3,111,610	2,142,909	3,543,982	4,451,260
Charges for services	1,804,344	2,780,610	2,481,304	2,326,672
Use of money and property	1,363,052	1,517,394	1,858,310	2,886,973
Reimbursements	128,255	63,810	78,502	6,574
Contributions from property owners	26,009,728	2,883,760	1,258,068	461,503
Gain on sale of land held for resale	-	16,457	469,783	-
Other	736,487	1,919,415	1,474,132	686,584
Total revenues	<u>56,142,332</u>	<u>33,985,235</u>	<u>33,978,516</u>	<u>36,526,563</u>
Expenditures				
Current:				
General government	3,002,995	1,848,398	2,505,763	2,406,997
Public safety	7,822,149	8,163,974	8,933,781	9,869,667
Public works	8,210,335	4,068,334	2,291,359	1,079,977
Community development	2,319,002	2,451,938	9,304,391	3,447,292
Culture and leisure	1,712,556	1,915,561	2,054,588	2,190,517
Pass through payments	2,192,565	2,547,511	3,501,777	5,405,502
ERAF payment	197,614	363,557	716,633	665,577
Capital outlay	5,301,767	16,518,304	5,669,830	5,343,724
Debt service:				
Principal	1,514,811	2,136,051	2,015,973	2,382,999
Interest	3,363,470	4,758,761	4,286,532	4,202,649
Advance refunding escrow	-	-	-	1,448,228
Bond issuance costs	-	-	544,466	627,555
Total expenditures	<u>35,637,264</u>	<u>44,772,389</u>	<u>41,825,093</u>	<u>39,070,684</u>
Excess(deficiency) of revenues over(under) expenditures	20,505,068	(10,787,154)	(7,846,577)	(2,544,121)
Other Financing Sources (Uses)				
Proceeds from the sale of property	(219,084)	138,757	-	-
Transfers in	8,208,464	10,194,123	2,398,992	5,881,144
Transfers out	(7,454,996)	(9,776,083)	(1,718,281)	(5,742,106)
Bond/loan proceeds	-	22,086,049	7,912,213	2,117,651
Capital leases	-	-	-	6,868
Payment to refunded bond escrow	-	-	-	-
Other	-	-	-	-
Total other financing sources (uses)	<u>534,384</u>	<u>22,642,846</u>	<u>8,592,924</u>	<u>2,263,557</u>
Special Item				
Sale of park land	-	5,500,000	-	-
Extraordinary Item				
Loss on Redevelopment	-	-	-	-
Agency Dissolution	-	-	-	-
Net change in fund balances	<u>\$ 21,039,452</u>	<u>\$ 17,355,692</u>	<u>\$ 746,347</u>	<u>\$ (280,564)</u>
Debt service as a percentage of noncapital expenditures				
	16.08%	24.40%	17.43%	19.53%

Source: City's Financial Statements

continued

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 27,620,892	\$ 27,970,964	\$ 26,508,928	\$ 23,745,417	\$ 23,956,185	\$ 17,200,037
428,045	412,101	472,580	715,343	735,159	752,370
533,440	452,002	366,686	305,400	347,242	505,630
709,921	753,353	771,840	752,125	331,897	410,926
1,166,958	527,656	315,694	76,448	20,675	20,500
2,923,419	4,772,323	3,018,500	6,924,847	5,395,191	2,651,672
2,252,724	2,317,287	2,451,917	1,718,494	1,777,039	1,520,149
4,348,986	2,976,772	1,903,673	761,464	448,674	469,871
-	-	-	2,438	58,115	101,061
-	-	-	-	-	5,122
106,723	-	-	-	-	-
619,413	870,910	889,349	1,100,424	754,977	632,339
<u>40,710,521</u>	<u>41,053,368</u>	<u>36,699,167</u>	<u>36,102,400</u>	<u>33,825,154</u>	<u>24,269,677</u>
2,327,377	2,394,908	3,907,426	3,722,351	2,962,270	3,258,192
10,825,459	11,544,491	11,701,361	11,161,258	9,937,526	9,225,606
1,464,876	1,230,672	5,237,689	3,275,869	6,730,303	3,475,972
5,096,755	5,617,017	14,770,016	7,077,701	9,456,808	1,754,664
2,195,327	2,386,547	2,062,853	4,418,987	2,776,861	1,987,381
5,965,252	7,000,593	7,147,710	8,132,776	8,413,267	3,929,764
-	-	-	4,904,827	1,009,817	-
7,694,237	5,322,329	1,283,183	-	-	-
2,286,811	2,355,246	2,376,569	2,555,000	1,945,000	-
4,227,387	4,146,410	4,048,679	4,599,700	4,857,722	2,526,471
-	-	-	1,583,999	-	-
-	-	425,240	509,660	-	-
<u>42,083,481</u>	<u>41,998,213</u>	<u>52,960,726</u>	<u>51,942,128</u>	<u>48,089,574</u>	<u>26,158,050</u>
(1,372,960)	(944,845)	(16,261,559)	(15,839,728)	(14,264,420)	(1,888,373)
300,659	978,948	-	-	-	-
7,363,720	6,441,043	10,307,179	9,964,964	7,869,352	4,085,718
(7,172,933)	(6,150,670)	(10,466,674)	(10,691,561)	(8,194,440)	(3,626,669)
-	-	12,200,000	24,500,000	-	-
-	-	-	-	-	-
-	-	-	(20,156,216)	-	-
-	-	(171,672)	(389,080)	-	-
<u>491,446</u>	<u>1,269,321</u>	<u>11,868,833</u>	<u>3,228,107</u>	<u>(325,088)</u>	<u>459,049</u>
-	-	-	-	-	-
-	-	-	-	-	(38,387,912)
<u>\$ (881,514)</u>	<u>\$ 324,476</u>	<u>\$ (4,392,726)</u>	<u>\$ (12,611,621)</u>	<u>\$ (14,589,508)</u>	<u>\$ (39,817,236)</u>
18.94%	17.70%	13.53%	16.92%	18.44%	11.07%

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

<u>Fiscal Year Ended June30,</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax rate</u>
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%
2011	2,504,075	79,381	2,583,456	1.00000%
2012	2,450,112	94,059	2,544,171	1.00000%

The Total Estimated Actual Value of Taxable Property for Fiscal Year 2012 was \$2,544,171.

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
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%
2011	1.00000%	1.00000%	0.04524%	0.00370%
2012	1.00000%	1.00000%	0.06614%	0.00370%

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

	2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Dayton Hudson Corp	\$ 12,765,716	1	0.44%
Yihua International Inv.	12,531,319	2	0.43%
Grayburn Prop Inc.	9,877,000	3	0.34%
Heritage Park Apartments	9,472,445	4	0.33%
ASP Realty Inc	9,430,774	5	0.32%
140 Hidden Valley Parkway	8,490,000	6	0.29%
Norco Calif Assembly Hall Jehov Wit	8,425,879	7	0.29%
New Beginnings Comm Church Assembly	7,696,764	8	0.26%
Ultima Technology Inc.	7,357,689	9	0.25%
General Electric Credit Equities	7,298,523	10	0.25%
Norco Corona Association	-	-	-
Stewart Larry/Tammy	-	-	-
Hood Network Inc.	-	-	-
H/H Properties	-	-	-
American Stores Prop. Inc.	-	-	-
Hemborg Robert Eugene & Linda	-	-	-
Realty Income Corp.	-	-	-
Gino John R. & Judith S. Family	-	-	-
Car Spa Norco	-	-	-
	<u>\$ 93,346,109</u>		<u>3.21%</u>

Source: Riverside County Assessor's Office

2003		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
11,930,259	2	0.79%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
-	-	0.00%
16,170,648	1	1.07%
10,104,308	3	0.67%
10,063,860	4	0.67%
9,325,706	5	0.62%
8,450,585	6	0.56%
6,393,611	7	0.42%
5,695,547	8	0.38%
5,494,143	9	0.36%
5,254,019	10	0.35%
\$ 88,882,686		5.89%

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

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	748,841	736,870	98.4%	35,182	772,052	103.1%
2004	788,186	779,765	99.0%	43,189	822,954	104.4%
2005	908,576	901,056	99.2%	34,772	935,828	103.0%
2006	1,148,464	1,081,042	94.1%	35,202	1,116,244	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%	145,650	1,205,611	104.5%
2011	1,133,435	1,068,360	94.3%	95,825	1,164,185	102.7%
2012	1,124,323	1,154,585	102.7%	80,543	1,235,128	109.9%

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)

Fiscal Year	Governmental Activities			
	RDA Bonds	Capital Leases	Special Assessment Bonds	Term Loan Payable
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	-
2011	93,415	39	46,045	-
2012	-	30	45,190	-

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.

continued

Business-Type Activities			Total Primary Government	Percentage of Personal Capita	Percentage of Assessed Valuation	Per Capita¹
Bonds	Capital Leases	Term Loan Payable				
-	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	27%	6.26%	6,712
38,430	1,039	622	182,633	**	7.07%	6,673
37,825	921	545	178,790	**	6.92%	6,607
37,825	803	545	84,393	**	3.32%	3,120

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Debt Service Reserve	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita ⁽²⁾
	General Obligation Bonds	RDA Bonds	Total				
2003	-	-	-	-	-	0.00%	-
2004	-	-	-	-	-	0.00%	-
2005	-	-	-	-	-	0.00%	-
2006	-	-	-	-	-	0.00%	-
2007	-	-	-	-	-	0.00%	-
2008	-	-	-	-	-	0.00%	-
2009	-	-	-	-	-	0.00%	-
2010	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	0.00%	-

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

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

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

City of Norco
Direct and Overlapping Activities Debt
As of June 30, 2012

2011-12 Assessed Valuation:	\$ 2,544,171,111
Redevelopment Incremental Valuation:	<u>1,394,478,161</u>
Adjusted Assessed Valuation:	<u><u>1,149,692,950</u></u>

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable (1)</u>	<u>Debt</u>
Metropolitan Water District	0.064	\$ 125,789
Riverside City Community College District	1.985	4,582,539
Alvord Unified School District	0.004	8,206
Corona-Norco Unified School District	5.287	14,490,217
City of Norco	100.000	-
City of Norco Community Facilities District No. 93-1	100.000	1,295,000
City of Norco Community Facilities District No. 97-1	100.000	6,395,000
City of Norco Community Facilities District No. 2001-1	100.000	36,065,000
City of Norco Community Facilities District No. 2002-1	100.000	1,470,000
Corona-Norco Unified School District Community Facilities District No. 88-1	10.663	161,544
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 64,593,295</u>
 <u>Overlapping General Fund Obligation Debt:</u>		
Riverside County General Fund Obligations	0.793	\$ 5,194,484
Riverside County Pension Obligations	0.793	2,835,292
Riverside County Board of Education Certificates of Participation	0.793	40,086
Alvord Unified School District Certificates of Participation	0.004	81
Corona-Norco Unified School District Certificates of Participation	5.287	1,587,950
Total Gross Overlapping General Fund Obligation Debt		<u>\$ 9,657,893</u>
Less: Riverside County self-supporting obligations		<u>98,300</u>
Total Net Overlapping General Fund Obligation Debt		<u>\$ 9,559,593</u>
 Direct Debt- Subtotal		
		\$ 45,225,000
Overlapping Debt - Subtotal Net of self supporting		
		\$ 28,927,888
 Gross Combined Total Debt		
		\$ 74,251,188 (2)
Combined Total Debt - Net of self supporting		
		<u>\$ 74,152,888</u>
 <u>Ratios to 2011-12 Assessed Valuation:</u>		
Direct Debt	0.00%	
Total Direct and Overlapping Tax and Assessment Debt	2.54%	
 <u>Ratios to Adjusted Assessed Valuation:</u>		
Gross Combined Total Debt	6.46%	
Net Combined Total Debt	6.45%	
 <u>State School Building Aid Repayable as of 6/30/12:</u>		
	\$	-

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 226,420	\$ 240,195	\$ 280,531	\$ 340,958
Total net debt applicable to limit ⁽¹⁾	-	-	-	-
Legal debt margin	\$ 226,420	\$ 240,195	\$ 280,531	\$ 340,958
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

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

Assessed value	\$ 2,544,171
Debt limit (15% of assessed value)	381,626
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 381,626</u></u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 396,285	\$ 436,571	\$ 436,571	\$ 387,518	\$ 387,518	\$ 381,626
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 396,285</u>	<u>\$ 436,571</u>	<u>\$ 436,571</u>	<u>\$ 387,518</u>	<u>\$ 387,518</u>	<u>\$ 381,626</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	
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
2011	11,567	9,204	2,363	605	2,018	0.90
2012	14,360	11,239	3,121	620	1,996	1.19

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.

Fiscal Year 2012 data through 1/31/12 as Redevelopment Agency was dissolved effective 2/1/12.

continued

Special Assessment Bonds⁽²⁾				Property Tax Increment Bonds⁽³⁾			
Special Assessment Collections	Debt Service		Coverage	Property Tax Increment	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
1,276	485	1,911	0.53	8,349	1,115	3,215	1.93
3,934	585	2,904	1.13	8,718	1,740	3,820	1.57
3,775	585	3,050	1.04	10,671	1,825	4,146	1.79
3,702	600	2,924	1.05	12,587	2,185	4,088	2.01
3,429	1,325	1,968	1.04	14,605	2,075	4,178	2.34
3,691	1,010	2,362	1.09	15,838	2,135	4,112	2.54
4,201	1,220	2,314	1.19	15,497	2,205	4,032	2.48
3,858	1,180	2,261	1.12	14,624	2,555	4,600	2.04
3,422	1,095	2,209	1.04	14,128	1,945	4,858	2.08
3,314	855	2,166	1.10	7,084	-	2,526	2.80

**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⁾
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	27,255	646,000	78,141	51,514	6.8
2009	27,160	677,000	86,777	52,396	12.3
2010	27,370	**	**	53,445	12.5
2011	27,060	**	**	53,101	12.0
2012	27,053	**	**	53,424	10.3

Sources:

(1) State Department of Finance, Demographic Research Unit

(2) Estimated based on "Per Capita Personal Income".

(3) U.S. Department of Commerce, Bureau of Economic Analysis for Riverside County

(4) Data is for total Corona-Norco Unified School District enrollment; source is California State Department of Education

(5) State Employment Development Department, Labor Market Information Division.

** data not available

**City of Norco
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment⁽¹⁾</u>
Corona-Norco Unified School District	4,633	1	33.82%
Naval Surface Warfare Center	1,300	2	9.49%
California Rehabilitation Center	1,214	3	8.86%
Riverside Community College	369	4	2.69%
Target Stores	235	5	1.72%
Quick Crete Products Corp	140	6	1.02%
International E-Z Up, Inc.	130	7	0.95%
Computer Science Corp (DynCorp)	112	8	0.82%
Hemborg Ford, Inc.	93	9	0.68%
Avid Identification Systems, Inc.	85	10	0.62%
Norco Ranch	-	-	0.00%
SeGi	-	-	0.00%
City of Norco	-	-	0.00%
Total:	<u>8,311</u>		<u>60.66%</u>

<u>Employer</u>	<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment⁽¹⁾</u>
Corona-Norco Unified School District	4,996	1	33.53%
Naval Surface Warfare Center	850	3	5.70%
California Rehabilitation Center	1,200	2	8.05%
Riverside Community College	600	4	4.03%
Target Stores	210	7	1.41%
Quick Crete Products Corp	135	9	0.91%
International E-Z Up, Inc.	-	-	0.00%
Computer Science Corp (DynCorp)	-	-	0.00%
Hemborg Ford, Inc.	-	-	0.00%
Avid Identification Systems, Inc.	325	5	2.18%
Norco Ranch	250	6	1.68%
SeGi	150	8	1.01%
City of Norco	107	10	0.72%
Total:	<u>8,823</u>		<u>59.21%</u>

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.

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30,</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government				
Administration	2	2	3	3
City Clerk	3	3	3	3
Fiscal & Support Svcs.	16	16	15	15
Other	3	3	0	0
Public Safety				
Police (Civilian)	1	1	1	1
Fire	28	28	29	30
Code Enforcement	1	1	1	1
Animal Control	5	5	5	5
Public Works				
Maintenance	16	16	15	17
Culture and leisure				
Parks & Recreation	12	12	12	13
Community development				
Planning	6	5	4	4
Engineering	5	5	5	2
Building	6	7	7	9
Economic development	3	3	1	1
Total	<u>107</u>	<u>107</u>	<u>101</u>	<u>104</u>

Source: City's annual adopted budgets

Full-time Equivalent Employees as of June 30,						
2007	2008	2009	2010	2011	2012	
2	2	1	1	1	1	1
3	3	3	3	2	2	2
15	15	13	13	13	13	13
0	0	0	0	0	0	0
1	1	1	1	1	1	1
30	30	28	23	20	0	0
1	1	0	0	0	1	1
6	6	6	6	4	4	4
18	18	17	15	16	14	14
13	11	9	9	7	7	7
5	5	3	3	2	2	2
1	1	1	1	1	1	1
8	8	5	3	2	2	2
1	1	3	3	1	0	0
<u>104</u>	<u>102</u>	<u>90</u>	<u>81</u>	<u>70</u>	<u>48</u>	

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

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police				
UCR Crime index total	1,019	1,023	1,095	1,171
Traffic collisions	433	527	487	553
Traffic violations	5,187	4,986	5,535	3,591
Fire				
Total number of responses	1,942	1,955	1,869	1,958
Fires extinguished	133	139	118	95
Water				
Number of service connections	6,950	7,085	7,174	7,500
Average daily consumption (in mil. of gallons)	7.5	8.1	7.9	8.3
Max. daily (groundwater wells) capacity (in mil. of gallons)	8.6	8.6	8.6	8.6
Max. daily import capacity (in mil. of gallons)	11.5	11.5	11.5	11.5
Storage capacity (in mil. of gallons)	10.2	10.2	10.2	10.2
Sewer				
Number of sewer connections	3,239	3,302	3,344	3,496
Average daily treatment (in mil. of gallons)	1.5	1.8	1.8	1.8
Max.daily capacity of treatment plans (in mil. of gallons)	2.2	2.2	2.2	2.2

Source: Various City's departments

Fiscal Year					
2007	2008	2009	2010	2011	2012
1,014	1,040	824	743	714	684
588	405	327	269	337	230
7,046	9,278	7,339	7,246	4,585	1,092
1,987	2,002	1,846	2,134	2,105	1,996
115	96	105	89	82	60
7,590	7,628	7,645	7,653	7,669	7,566
8.9	8.9	8.9	8.8	7.5	7.7
8.8	8.8	8.8	8.8	7.5	8.2
11.6	11.6	11.6	11.6	12.2	12.2
10.2	10.2	12.4	12.4	12.4	11.4
3,538	3,555	3,563	4,101	3,753	3,753
1.9	1.9	1.9	1.9	1.9	1.9
2.2	2.2	2.2	2.2	2.2	2.2

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety				
Fire stations	2	2	2	2
Culture and leisure				
Parks	14	14	15	15
Park Acreage	552.0	552.0	167.3	167.5
Open Space Acreage	451.0	451.0	835.3	835.3
Tennis court	1	1	1	1
Skate court	1	1	1	1
Public swimming pool	1	1	1	1
Community center	1	1	1	1
Public playgrounds/tot lots	6	6	8	8
Water				
Water mains (miles)	90.1	93.7	93.7	93.7
Fire hydrants	770	890	890	890
Sewer				
Sanitary sewers (miles)	82.0	85.3	85.3	85.3
Treatment plant	1	1	1	1

Source: Various City's departments

2007	2008	2009	2010	2011	2012
2	2	2	2	2	2
15	15	15	15	15	15
167.5	167.5	167.5	167.5	167.5	167.5
835.3	835.3	835.3	835.3	835.3	835.3
1	1	1	1	1	1
-	-	-	-	-	-
1	1	1	1	1	1
1	1	1	1	1	1
9	9	9	9	9	9
100.8	100.8	100.8	101.5	102.1	102.1
1,282	1,282	1,282	1,282	1,282	1,282
91.3	91.3	91.3	91.3	91.7	91.7
1	1	1	1	1	1