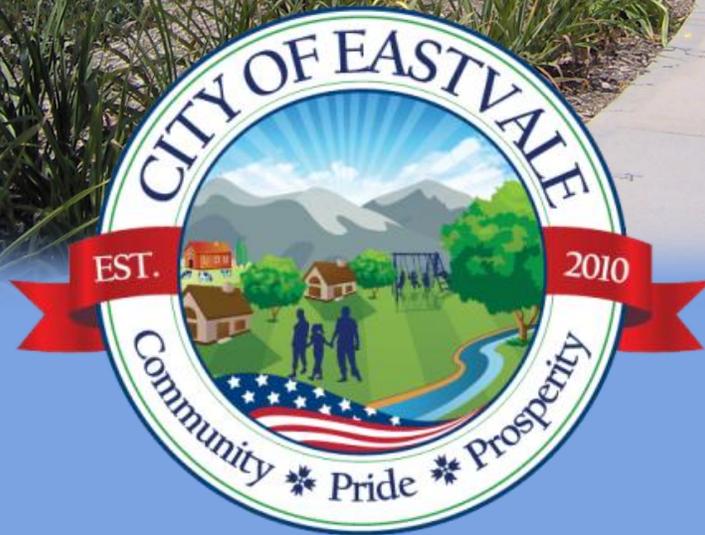
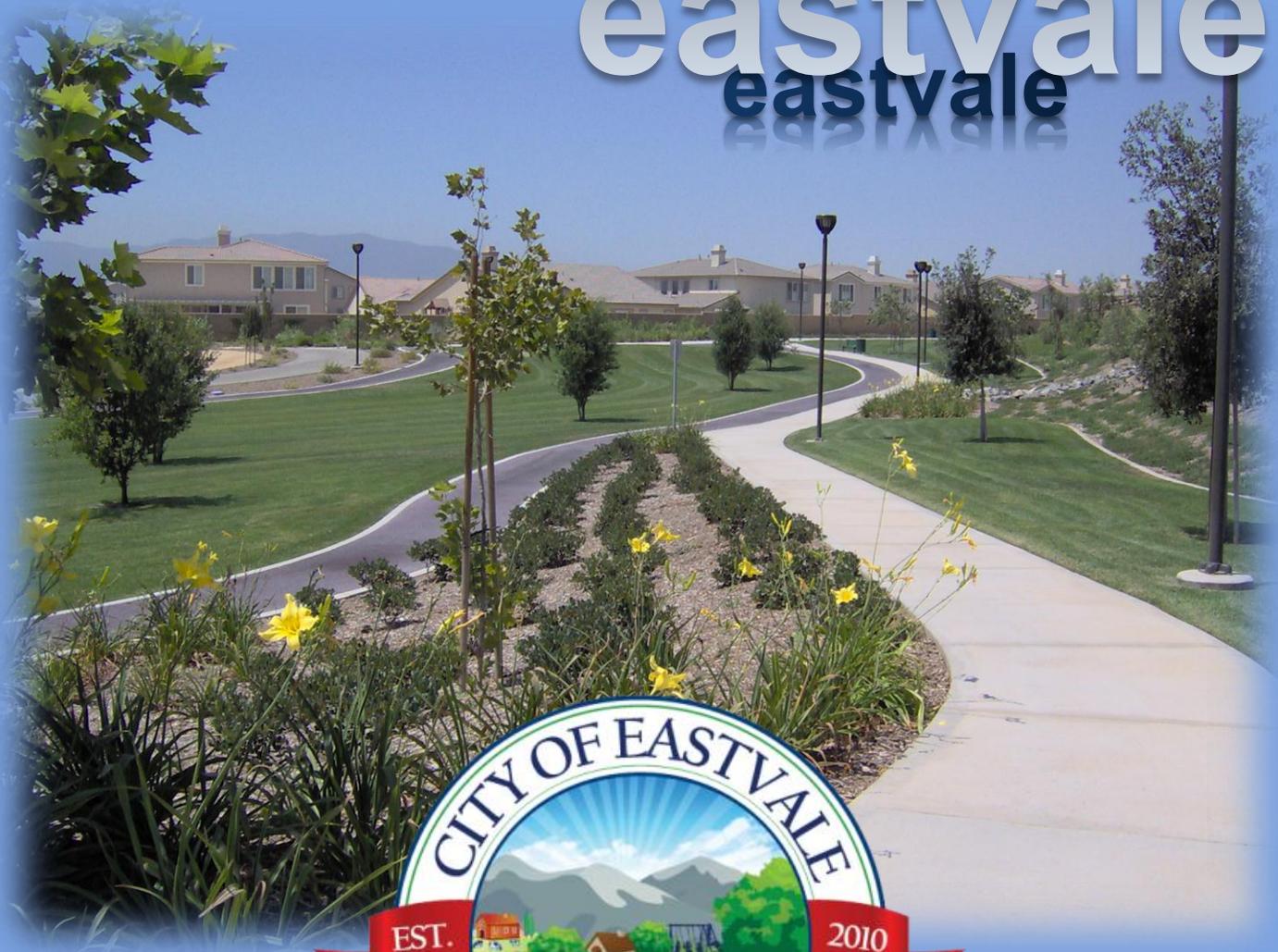


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CITY OF EASTVALE, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

**City of Eastvale, California
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2012**

Prepared by:
Department of Finance and Administration

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**City of Eastvale
Comprehensive Annual Financial Report
June 30, 2012**

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City of Eastvale
Comprehensive Annual Financial Report
June 30, 2012

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December 20, 2012

Honorable Mayor, City Council,
And Citizens of the City of Eastvale
City of Eastvale
Eastvale, CA 91752

**Letter of Transmittal
Fiscal Year 2011-12 Comprehensive Annual Financial Report (CAFR)**

Dear Honorable Mayor, Council Members and Eastvale Citizens,

I am pleased to present the 2011-12 Comprehensive Annual Financial Report (CAFR) for the City of Eastvale, California for the fiscal year ended June 30, 2012, the first such report for the City of Eastvale.

This report consists of management representations concerning the finances of the City of Eastvale in its second year of incorporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Eastvale continues to establish a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Eastvale's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Eastvale's comprehensive framework of internal controls is being designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State Law and the City's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB).

The City of Eastvale's financial statements have been audited by Teaman, Ramirez, & Smith, Inc., a firm of certified public accountants and consultants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Eastvale for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent

Auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative of introductions, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Eastvale's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

Profile of the Government

The City of Eastvale is proud to be one of the newest cities in Western Riverside County. The City of Eastvale incorporated on October 1, 2010 and has an ever-growing population of over 55,602 residents and a total area of 13.1 square miles. The City of Eastvale is located in northwestern Riverside County, California, the Inland Empire region of Southern California. The proximity of Los Angeles County approximately 8 miles northwest of Eastvale and Orange County approximately 5 miles to the southwest has made Eastvale something of a commuter town.

Eastvale has a Council-Manager form of government. The City Council consists of 5 Council Members, elected at large on a non-partisan basis and annually select amongst them, a Mayor and Mayor Pro Temp. Biannual elections are held in November. The terms of office are 4 years but are overlapping so that the City is provided with a continuity of knowledge in the City business and legislative matters.

This report includes all funds of the City. It includes all governmental organizations and activities for which the City of Eastvale's City Council is financially accountable. The City provides a wide range of services including planning, building, public works, engineering, code enforcement, and general administrative activities. Services including street maintenance, police, animal control and fire protection are also provided to the City and its citizens through contract with the County of Riverside. Other services are provided directly through other agencies, specifically library services through the County of Riverside, water and sewer through the Jurupa Community Services District, parks and recreation through the Jurupa Community Services District and Jurupa Area Recreation and Parks District, and public transit through the Riverside Transit Agency. The City has franchise agreements for electricity service through Southern California Edison, natural gas through the Gas Company, refuse collection through Waste Management and Burrtec, and cable service through state franchise agreements with Pacific Bell (AT&T), Time Warner and Charter Communications.

The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as the appointment of members of various statutory and advisory boards and the City Manager and City Attorney. As Chief Administrative Officer, the City Manager has the responsibility of administering programs in accordance with policies established by the City Council and within the guidelines of the annual budget adopted by the Council.

Relevant financial policies

The City has a set of financial policies that it abides by and is continually enhancing and adding relevant policies as it develops its formal financial systems. Initially following incorporation, the

City adopted all of the County's policies/codes. As the City develops its own unique needs, it will continue to create and tailor these former County policies to directly address the City's goals.

The Budget Process

Beginning at incorporation, and continuing each year thereafter, the City embarks on a strategic planning process which begins in the spring with a discussion of the City Council goals and priorities and ends with the adoption of the budget in June. The annual budget serves as the foundation for the City of Eastvale's financial planning and control. The development of the budget is completed as two separate projects: the development of the governmental activities operating budget, and the development of the capital improvement program (CIP) focusing on longer term capital projects.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Eastvale operates.

The City of Eastvale, in its second year of incorporation, with a young and growing population, remains one of the bright spots in the local economy. Despite the anemic economic environment throughout Riverside County and the State of California, several housing tracts and commercial projects are under construction, and the pace of housing growth in Eastvale exceeds that of cities several times its size.

The origin and financial projections for this city were based on the Comprehensive Financial Analysis report (CFA). This report projected the proposed city's fiscal stability based on the economic trends and legislative climate of 2008. Since incorporation, the fiscal viability of the city has been challenged by the State's passage of SB89 eliminating the City's annual Vehicle License Fee Revenue of approximately \$3,400,000.

Despite the confiscation of funds by the State, the City has experienced higher than projected sales tax and franchise fee revenue to mitigate the loss of State revenues. Retail sales, with the addition of several new stores in the Eastvale Gateway South and the Marketplace at the Enclave, experienced strong growth. Sales tax collections increased from \$1.5 million in fiscal year 2010-11 (a partial year) to \$3.9 million in fiscal year 2011-12. In addition, the City collected a 227% increase in franchise fee revenue in fiscal year 2011-12 from \$1.3 million compared to \$593,658 in fiscal year 2010-11.

Current Year Initiatives

In spite of fiscal issues that are outside of the City's direct control, management continued to move the City forward with several major initiatives as follows:

- Transitioned from Interim to Permanent City Manager.
- Adopted the City's General Plan which includes all required elements along with a related general plan housing element. This plan provides the basis for future land use planning and development decisions over a 20 year horizon, and will include provisions for adopting "sustainable communities" blueprints mandated by California state law.

- Initiated Economic Development to encourage investment and focus on creating jobs and providing long term revenue to support essential City services. As part of economic development, the City published marketing materials promoting investment, development or relocation of commercial development in the City of Eastvale.
- Implemented a Pavement Management System as an asset management tool to guide future and current roadway maintenance funding decisions. As part of the development of the Pavement Management System, the City's Public Works department performed an assessment of all of the City's roadway systems in order to establish initial conditions and a long-term pavement management plan.
- Entered into a cooperative agreement with the City of Norco and in conjunction with Western Region Council of Governments for the Hamner Avenue Widening project and with the City of Jurupa Valley and County of Riverside for the Limonite Avenue Resurfacing project.

Long-term financial planning and initiatives

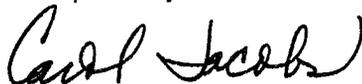
The City will continue to focus its emphasis on controlled and fiscally balanced growth. The City believes that with the appropriate policies in place, as approved and revisited each year as part of the budget program, the City's long term financial goals will be met. The City has taken many steps to preserve the City's financial integrity, maintain critical service levels, and sustain a reserve to grow the City into the coming years.

Concluding remarks

The City, in its second year of operation, has achieved a great deal in transitioning from the County support services and establishing its own culture and approach to local governance. This second year provided the city the opportunity to start the implementation of its longer term oriented policies and procedures and making adjustments as needed. Building on these experiences, the forthcoming third year of operation is poised to refine and enhance these activities which will provide the needed foundation for future successful operations and service delivery.

In closing, I'd like to state that the preparation of this report would not have been possible without the efficient and dedicated service of the Finance Department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their support for striving to have the highest standards of professionalism in the management of the City of Eastvale's finances.

Respectfully submitted,



Carol Jacobs
City Manager

CITY OF EASTVALE

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2012

CITY COUNCIL

JEFF DEGRANDPRE
Mayor

KELLY HOWELL
Mayor Pro Tempore

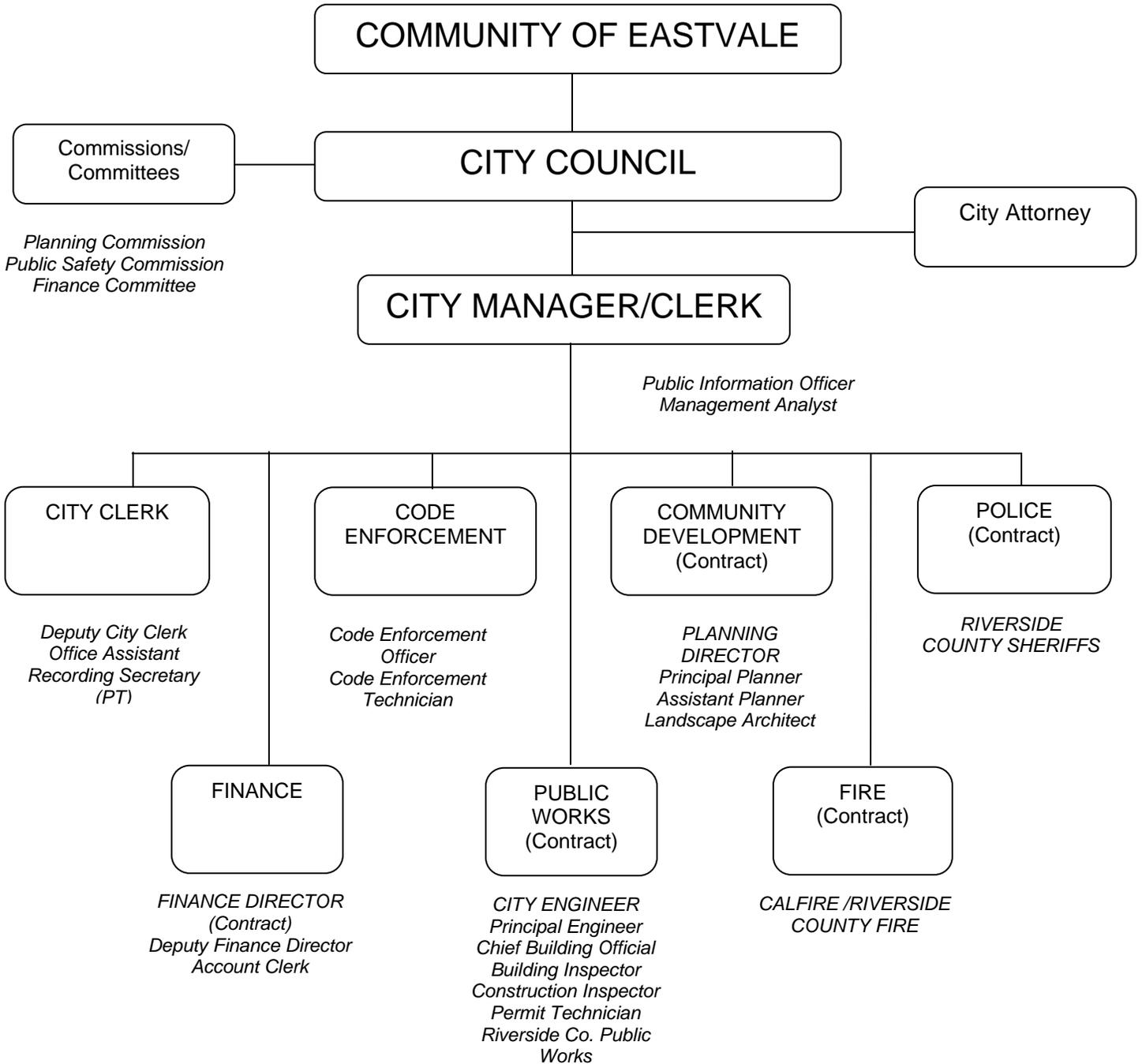
RIC WELCH, Council Member
ADAM RUSH, Council Member
IKE BOOTSMA, Council Member

CITY ADMINISTRATION

CAROL JACOBS
City Manager

JOHN CAVANAUGH, City Attorney
TERRY SHEA, Finance Director

**City of Eastvale
Organizational Chart
June 30, 2012**



Independent Auditors' Report

City Council
City of Eastvale, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Eastvale, 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 and 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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, and 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 schedules on pages 3, 38, and 39 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 Eastvale's financial statements as a whole. The introductory section, the supplementary information (supplementary schedules), as listed in the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules 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 financial statements and certain additional 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 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.

Teaman Ramirez & Smith, Llc.

December 20, 2012

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Management's Discussion and Analysis

As management of the City of Eastvale, California (City), we are pleased to offer to the readers of the City's financial statements this narrative, overview, and analysis of the financial activities of the City for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. The relationship between the revenues and expenses can be thought of as the City's operating results. The City's net assets, as measured in the Statement of Net Assets, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, as measured in the Statement of Activities, are another indicator of whether its financial health is improving or deteriorating. However, it is the City's goal to provide services that improve the quality of life of the residents, and not to generate profits like a company.

It is for that reason that readers need to consider many other non-financial factors, such as the condition of roads, in assessing the overall health of the City. It is also important to note that the City's prior year financial statements reported on only a nine month period or 3/4 of a fiscal year. This is the first full fiscal year since incorporating in October 1, 2010.

- The assets of the City exceeded its liabilities at the end of fiscal year 2012 by \$189,467,246. The difference between assets and liabilities is referred to as net assets. This is an \$8,228,821 increase from the prior year. The increase is mostly attributed to capital contributions.
- As of June 30, 2012, the City's governmental funds reported combined fund balances of \$11,447,674, a \$5,391,042 increase in comparison to the prior year. Approximately 63.1 percent, or \$7,223,650, of the total amount of the governmental funds' fund balances are unassigned.
- As of June 30, 2012, unassigned fund balance for the General Fund was \$7,227,171, or 76.1 percent of total General Fund expenditures. The fund balance increased \$3,295,006 from the prior year. Again, this is mostly attributed to the fact that the prior year financial statements covered only a nine month period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Eastvale's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report 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. Over time, increases or decreases may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, economic development, building and planning, animal control, and public works. The City does not have any business-type activities.

The government-wide financial statements can be found in the Table of Contents under the heading Basic Financial Statements.

Fund financial statements: A *fund* is a grouping of related accounts that is 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 two categories: governmental funds and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains nine individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, and Gas Tax Special Revenue Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, special revenue funds, debt service fund and capital projects fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found in the Table of Contents under the heading Basic Financial Statements.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found in the Table of Contents under the heading Basic Financial Statements.

Notes to the basic financial statements: The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in the Table of Contents under the heading Notes to the Financial Statements.

Other supplementary information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI), about the City's General Fund and the Gas Tax Fund budgetary comparison. The combining statements referred to earlier in connection with nonmajor governmental funds are presented for all non-major Special Revenue Funds. The supplementary financial information also includes budgetary comparison schedules for the nonmajor governmental funds to demonstrate compliance with the annual budget as adopted and amended. The Required Supplementary Information can be found following the Notes to Financial Statements.

The combining statements for nonmajor governmental funds and the budgetary comparison schedules for the nonmajor governmental funds can be found following the Required Supplementary Information.

Government-wide financial analysis

The government-wide financial statements provide long-term and short term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

For the fiscal year ended June 30, 2012, City assets exceeded liabilities by \$189,467,246 as summarized below:

City of Eastvale Summary of Net Assets For the Year Ended June 30, 2012

	Governmental Activities	
	2012	2011
Assets:		
Current and other assets	\$ 12,555,547	\$ 6,303,315
Capital assets (net of depreciation)	179,844,728	175,187,193
Total assets	<u>192,400,275</u>	<u>181,490,508</u>
Liabilities:		
Current and other liabilities	1,107,873	294,107
Long-term liabilities	1,825,156	168,096
Total liabilities	<u>2,933,029</u>	<u>462,203</u>
Net assets:		
Invested in capital assets, net of related debt	179,844,728	175,187,193
Restricted	4,306,367	2,098,477
Unrestricted	5,316,151	3,742,635
Total net assets	<u>\$ 189,467,246</u>	<u>\$ 181,028,305</u>

Total assets increased \$10,909,767 as a result of significant increases in cash and because fiscal year 2011-2012 was the City's first full fiscal year of conducting governmental activities. The prior year financial statements covered only a nine month period since the City's incorporation in October 2010. This increase is further explained by the City experiencing an increase of property and sales taxes of \$3,919,637 from the County of Riverside in fiscal year 2011-2012. Assets also increased by \$3,144,487, due to an increase in revenue collected from the issuance of licenses and permits.

Current and other liabilities increased by \$813,766 due to the City now incurring the costs for police and fire services, which were provided by the County in the prior year. Long-term liabilities primarily increased due to the addition of the Revenue Neutrality liability of \$1,803,845 due to the County of Riverside.

Invested in capital assets, net of related debt, represents 94.9 percent of the City's net assets. 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, \$4,306,367 or 2.2 percent, represents resources that are subject to restrictions on how they may be used. The remaining balance, unrestricted net assets, is \$5,316,151

Statement of Activities: The statement of activities shows how the City's net assets changed during the fiscal year 2011-2012. Provided below is a summary of changes in net assets.

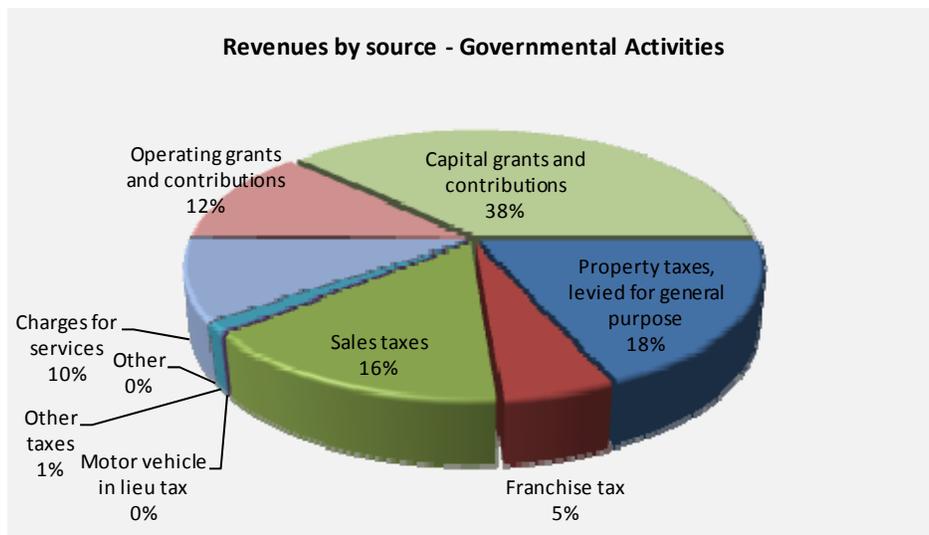
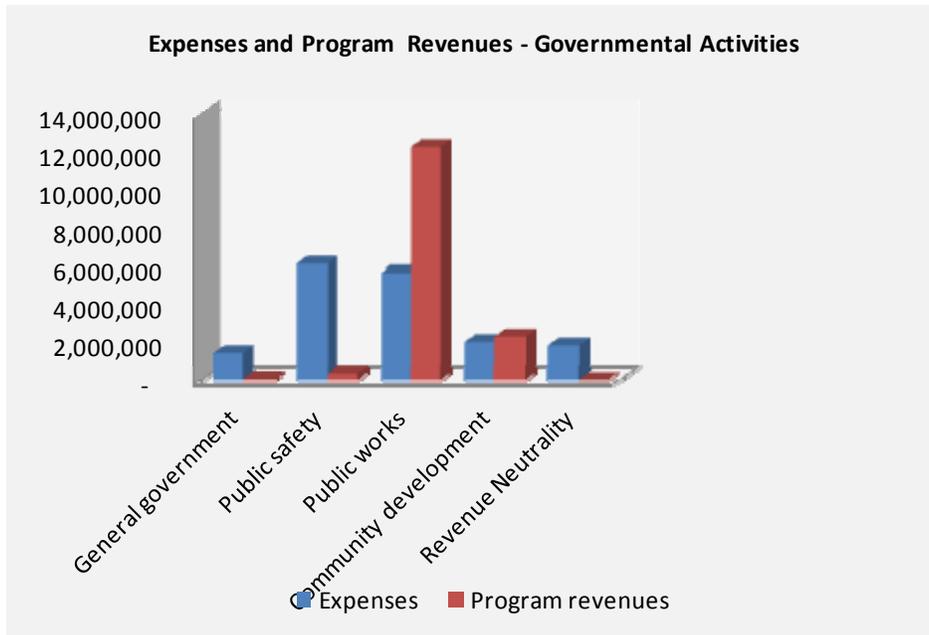
**City of Eastvale
Summary of Changes in Net Assets
For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,468,363	\$ 915,095
Operating grants and contributions	2,940,491	1,898,712
Capital grants and contributions	9,533,039	179,045,821
General revenues	10,208,769	9,480,866
Total revenues	<u>25,150,662</u>	<u>191,340,494</u>
 Expenses:		
General government	1,390,673	902,794
Public safety	6,107,083	4,458,890
Public works	5,628,714	3,928,435
Community development	1,991,526	1,021,939
Revenue Neutrality	1,803,845	-
Interest on long term debt	-	131
Total expenses	<u>16,921,841</u>	<u>10,312,189</u>
 Increase in net assets	 8,228,821	 181,028,305
 Net assets beginning, as restated	 181,238,425	 -
Net assets ending	<u>\$ 189,467,246</u>	<u>\$ 181,028,305</u>

The City's total revenues were \$25,150,662, while the total cost of all programs and services was \$16,921,841. Total revenues decreased \$166,189,832 from the prior year. The change is mainly due to a decrease of \$169,512,782 in capital grants and contributions. Although total revenues decreased overall, it is important to note that all other revenues, except for capital grants and contributions, increased by \$3,322,950. The increase is attributable to this being the City's first full fiscal year since incorporation and an increase in sales tax.

Total expenses increased \$6,609,652 over the prior year. The increase in expenses is due to fiscal year 2011-2012 being the first full year since incorporation. The prior year fiscal year covered only 9-months of operations whereas this fiscal year recorded expenses for a full fiscal year.

The charts below provide graphic representation of the City's expenses compared to program revenues by function and its revenue by source. As noted earlier, it is important to take into consideration that the City's prior year financial statements reported on only a 9 month period or 3/4 of a fiscal year. This is the first full fiscal year since incorporating in October 1, 2010.



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 each function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are therefore used to support program activities citywide. Regarding the revenues by source chart, it shows that 18 percent of governmental activities revenues came from property tax.

Financial Analysis of City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$11,447,674. Of the \$11,447,674, \$7,223,650 or 63.1 percent constitutes unassigned fund balance. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending or constraints are placed on the use of resources, respectively.

General Fund Financial and Budgetary Highlights

The General Fund is the chief operating fund of the City. At June 30, 2012, unassigned fund balance was \$7,227,171. As a measure of the General Fund's financial condition, it may be useful to compare the unassigned fund balance to total expenditures. Unassigned fund balance represents 76.1 percent of General Fund expenditures.

Overall, General Fund revenues for fiscal year ended June 30, 2012 totaled \$12.7 million, compared to \$10.4, million for the previous year. The major components are property taxes (\$5 million), sales taxes (\$4 million), and franchise taxes (\$1.3 million).

General Fund expenditures totaled \$9.5 million for the fiscal year ended June 30, 2012, compared to \$6.5 million for the previous year.

Both revenues and expenditures were significantly higher than the previous year because fiscal year 2011-2012 was the first full fiscal year in the City's existence.

The differences between General Fund budget and actual are summarized below:

- General Fund actual revenues were above budget by \$661,936.
- Actual expenditures were \$1,156,805 less than the budgeted amount of \$10,650,785.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental type activities as of June 30, 2012, amounted to \$179,844,728 (net of accumulated depreciation). During the year, \$9,604,028 of capital assets were added for the governmental activities.

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

- Purchase of software \$156,200.
- Infrastructure assets donated by private sources to the City \$9,429,497. Additional information on the City's capital assets can be found in note 5 to the basic financial statements and a summary is provided below.

City of Eastvale Summary of Capital Assets (net of depreciation)

	Governmental Activities	
	2012	2011
Leashold improvements	\$ 28,380	\$ 23,093
Machinery, equipment and vehicle	52,334	56,898
Software	145,043	-
Infrastructure	179,618,971	175,107,202
Total	<u>\$ 179,844,728</u>	<u>\$ 175,187,193</u>

Long-term debt: At the end of fiscal year 2012, the City's total long-term debt outstanding was \$1,825,156. This amount was comprised of \$1,803,845 in Revenue Neutrality and \$21,311 in compensated absences.

Outstanding long-term debt of the City is summarized below and additional information can be found in note 6 to the basic financial statements.

City of Eastvale Summary Outstanding Long-Term Debt

	Governmental Activities	
	2012	2011
Revenue Neutrality	\$ 1,803,845	\$ -
Compensated absences	21,311	5,400
Loan payable - County of Riverside	-	210,120
Total long-term debt	<u>\$ 1,825,156</u>	<u>\$ 215,520</u>

Economic Factors and Next Year's Budget

After the adoption of the City's Fiscal Year 2011/12 Budget, the State of California on June 28, 2011 approved SB 89 which eliminated Vehicle License Fees, which was a subvention collected by the State and allocated to cities. The City of Eastvale lost approximately \$3.4M for fiscal year 2011/12.

The fiscal year 2012/13 City budget was prepared conservatively. Property tax estimates were projected with minimal growth from the previous fiscal year and there were no tax rate or fee increases as part of the preparation of and adoption of the 2012/13 Budget. The only revenue with significant budgeted increases was Sales Tax and the increase over the prior year budgeted amount was \$1.3M.

The General Fund budget for fiscal year 2012-13 anticipates using \$516,990 of available reserves.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City Clerk, City of Eastvale, 12363 Limonite Ave. Suite 910, Eastvale, California 91752, or call (951) 361-0900.

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**City of Eastvale
Statement of Net Assets
June 30, 2012**

ASSETS

Cash and investments	\$	11,102,878
Receivables:		
Accounts		223,930
Intergovernmental		1,197,528
Interest		1,781
Prepaid item		29,430
Capital assets, net of accumulated depreciation		<u>179,844,728</u>
 Total assets		 <u>192,400,275</u>

LIABILITIES

Accounts payable and accrued liabilities		1,107,873
Noncurrent liabilities:		
Due within one year		20,017
Due in more than one year		<u>1,805,139</u>
 Total liabilities		 <u>2,933,029</u>

NET ASSETS

Invested in capital assets		179,844,728
Restricted:		
Public works		3,903,372
Community development		402,995
Unrestricted		<u>5,316,151</u>
 Total net assets		 <u>\$ 189,467,246</u>

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

City of Eastvale
Statement of Activities
For the year ended June 30, 2012

		Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
General government	\$ 1,390,673	\$ 73,668	\$ -	\$ -	\$ (1,317,005)
Public safety	6,107,083	221,138	117,031	-	(5,768,914)
Public works	5,628,714	-	2,823,460	9,429,497	6,624,243
Community development	1,991,526	2,173,557	-	103,542	285,573
Revenue Neutrality	1,803,845	-	-	-	(1,803,845)
Total governmental activities	\$ 16,921,841	\$ 2,468,363	\$ 2,940,491	\$ 9,533,039	(1,979,948)
General revenues:					
Taxes					
					4,619,833
					1,346,490
					3,884,798
					37,611
					310,017
					9,452
					568
					10,208,769
					8,228,821
					181,238,425
					\$ 189,467,246

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

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

	General	Special Revenue Funds Gas Tax	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 7,180,382	\$ 2,448,869	\$ 1,473,627	\$ 11,102,878
Receivables:				
Accounts	223,930	-	-	223,930
Intergovernmental	818,401	210,234	168,893	1,197,528
Interest	1,781	-	-	1,781
Prepaid items	29,430	-	-	29,430
Due from other funds	39,393	-	-	39,393
	<u>8,293,317</u>	<u>2,659,103</u>	<u>1,642,520</u>	<u>12,594,940</u>
Total assets	<u>\$ 8,293,317</u>	<u>\$ 2,659,103</u>	<u>\$ 1,642,520</u>	<u>\$ 12,594,940</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,036,716	\$ 62,284	\$ 8,873	\$ 1,107,873
Due to other funds	-	-	39,393	39,393
	<u>1,036,716</u>	<u>62,284</u>	<u>48,266</u>	<u>1,147,266</u>
Total liabilities	<u>1,036,716</u>	<u>62,284</u>	<u>48,266</u>	<u>1,147,266</u>
Fund Balances:				
Nonspendable	29,430	-	-	29,430
Restricted	-	2,596,819	1,597,775	4,194,594
Unassigned	7,227,171	-	(3,521)	7,223,650
	<u>7,256,601</u>	<u>2,596,819</u>	<u>1,594,254</u>	<u>11,447,674</u>
Total fund balances	<u>7,256,601</u>	<u>2,596,819</u>	<u>1,594,254</u>	<u>11,447,674</u>
	<u>\$ 8,293,317</u>	<u>\$ 2,659,103</u>	<u>\$ 1,642,520</u>	<u>\$ 12,594,940</u>
Total liabilities and fund balances	<u>\$ 8,293,317</u>	<u>\$ 2,659,103</u>	<u>\$ 1,642,520</u>	<u>\$ 12,594,940</u>

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

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

Fund balances of governmental funds	\$ 11,447,674
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	179,844,728
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.	
Revenue Neutrality	(1,803,845)
Compensated absences	<u>(21,311)</u>
Net assets of governmental activities	<u><u>\$ 189,467,246</u></u>

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

City of Eastvale
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	General	Special Revenue Funds Gas Tax	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 10,161,136	\$ -	\$ -	\$ 10,161,136
Licenses and permits	2,251,039	-	-	2,251,039
Fines and forfeitures	205,274	-	-	205,274
Intergovernmental	37,611	2,061,032	875,553	2,974,196
Special use fees	-	-	102,214	102,214
Investment earnings	9,452	2,785	2,449	14,686
Other	12,620	-	-	12,620
Total revenues	12,677,132	2,063,817	980,216	15,721,165
EXPENDITURES				
Current:				
General government	1,351,090	-	403	1,351,493
Public safety	5,985,056	-	117,031	6,102,087
Public works	48,477	556,191	105,818	710,486
Community development	1,991,526	-	-	1,991,526
Capital outlay	117,831	56,700	-	174,531
Total expenditures	9,493,980	612,891	223,252	10,330,123
Net change in fund balances	3,183,152	1,450,926	756,964	5,391,042
Fund balances, beginning of year, as restated	4,073,449	1,145,893	837,290	6,056,632
Fund balances, end of year	<u>\$ 7,256,601</u>	<u>\$ 2,596,819</u>	<u>\$ 1,594,254</u>	<u>\$ 11,447,674</u>

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

City of Eastvale
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 balances - total governmental funds	\$	5,391,042
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>		9,429,497
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>		
Cost of assets capitalized		174,531
Depreciation expense		(4,946,493)
<p>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 the governmental funds:</p>		
Increase in accrued compensated absences payable		(15,911)
Increase in Revenue Neutrality		(1,803,845)
		(1,819,756)
Change in net assets of governmental activities	\$	8,228,821

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

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

	<u>Agency Fund</u>
ASSETS	
Cash and investments	<u>\$ 2,468,338</u>
Total assets	<u><u>\$ 2,468,338</u></u>
LIABILITIES	
Accounts payable	\$ 135,821
Deposits	<u>2,332,517</u>
Total liabilities	<u><u>\$ 2,468,338</u></u>

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

City of Eastvale
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the reporting entity

The City of Eastvale was incorporated on October 1, 2010, under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a council-manager form of government and currently provides a wide variety of services to its citizens, including public safety, public services, community development, general administrative and other services. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete. Under this definition, it is determined that there are no component units for this reporting entity, and these financial statements present the financial reporting entity that consisted solely of the City as the primary government.

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, 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.

Separate financial statements are provided for governmental funds, 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. The City does not have any proprietary funds.

City of Eastvale
Notes to 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end as available, if they are collected within 60 days of the end of the current fiscal period. Other revenue susceptible to accrual includes sales tax, state gasoline taxes, investment income, and certain other intergovernmental 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 not accounted and reported in another fund.

The *Special Revenue Fund (Gas Tax)* is used to account for the maintenance, rehabilitation, or improvement of public streets of the City. Financing is through the State Highway Users Tax Sections 2103, 2105, 2106, 2107, and 2107.5 of the California Streets and Highways Code.

Additionally, the City reports the following fund types:

The *Agency Fund* is used to account for the resources held by the City in a fiduciary capacity.

City of Eastvale
Notes to Financial Statements
June 30, 2012

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

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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

Other Accounting Policies

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The City's policy is to hold investments until maturity or until market values equal or exceed cost.

Receivables and payables

Activity between funds 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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding are reported in the governmental-wide financial statements as "internal balances".

City of Eastvale
Notes to Financial Statements
June 30, 2012

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

Prepaid cost and deposits

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

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 (amount not rounded) 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 the asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Leasehold improvements	10
Infrastructure	10 - 65
Vehicles	5 - 10
Office equipment	5 - 10
Computer equipment	5

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.

City of Eastvale
Notes to Financial Statements
June 30, 2012

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

Compensated absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination.

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.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, 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.

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 January 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.

City of Eastvale
Notes to 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

The City 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.

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.

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

The City Council may establish (and modify or rescind) fund balance commitments by passage of an ordinance or resolution.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Eastvale
Notes to Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Budgetary Information

The City prepares its budgets on the basis of estimated actual expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis consistent with generally accepted accounting principles.

Each year, the City Manager submits a proposed budget to the City Council during May. The City Council holds budget hearings during May and June. The final budget is adopted by the City Council in June.

No budget expenditures can be disbursed without proper appropriations. Once the budget is adopted, no additional funds can be authorized without the City Council's approval. The level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the individual fund level. The City Manager can authorize budget transfers between departments without additional appropriations.

Throughout the year, budgeted expenditures are reviewed and projections are made by the City Manager. Therefore, any necessary changes are submitted for approval to the City Council with a recorded action for any budget adjustments.

Formal budgetary integration is employed as a management control device during the year for all the Governmental Type Funds. Budgets for all the Governmental Type Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council.

The following fund had expenditures in excess of appropriations:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Development Impact Fees	\$ -0-	\$ 38,790	\$ (38,790)

City of Eastvale
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 11,102,878
Statement of Fiduciary Assets and Liabilities	
Cash and investments	<u>2,468,338</u>
Total cash and investments	<u><u>\$ 13,571,216</u></u>

Cash and investments as of June 30, 2012, consist of the following:

Cash on hand	\$ 800
Deposits with financial institutions	9,052,404
Investments	<u>4,518,012</u>
	<u><u>\$ 13,571,216</u></u>

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on cash balances.

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Authorized investments

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees 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.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U. S. Treasuries	5 years	None	None
Money Market Accounts	N/A	10%	5%
Certificates of Deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	10%	5%
Commercial Paper	270 days	10%	10%
Medium-Term Notes	5 years	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	10%	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 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 to market interest rate fluctuations are presented below.

Investment Type	Totals	12 months or less	13 to 24 months	25 to 60 months
Local agency investment fund	\$ 2,005,200	\$ 2,005,200	\$ -	\$ -
Money market	2,512,812	2,512,812	-	-
Totals	<u>\$ 4,518,012</u>	<u>\$ 4,518,012</u>	<u>\$ -</u>	<u>\$ -</u>

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 3: 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. Information about the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each type of investment held by the City can be found below.

<u>Investment Type</u>	<u>Totals</u>	<u>Minimum legal rating</u>	<u>Ratings as of year end</u>
Local agency investment fund	\$ 2,005,200	N/A	Not rated
Money market	<u>2,512,812</u>	N/A	Not rated
Totals	<u>\$ 4,518,012</u>		

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2012, no Investments in any one issuer (other than Mutual Funds and External Investment Pools) represented 5% or more of the City's investments.

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 deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, the City had deposits of \$2,262,812 with financial institutions in excess of federal depository insurance limits that were held in collateralized accounts.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 3: Cash and Investments (continued)

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 4: Interfund Receivables and Payables

Funds	Due To Other Funds Nonmajor Governmental Funds
Due From Other Funds: General Fund	\$ 39,393

The due to General Fund from the Nonmajor Funds was a result of temporary deficit cash balances in those funds.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 5: Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 25,659	\$ 11,576	\$ -	\$ 37,235
Vehicles	24,982	-	-	24,982
Machinery & equipment	37,238	6,755	-	43,993
Software	-	156,200	-	156,200
Infrastructure	178,707,578	9,429,497 *	-	188,137,075
Total capital assets, being depreciated	<u>178,795,457</u>	<u>9,604,028</u>	<u>-</u>	<u>188,399,485</u>
Less accumulated depreciation for:				
Leasehold improvements	(2,566)	(6,289)	-	(8,855)
Vehicles	(2,498)	(4,996)	-	(7,494)
Machinery & equipment	(2,824)	(6,323)	-	(9,147)
Software	-	(11,157)	-	(11,157)
Infrastructure	(3,600,376)	(4,917,728)	-	(8,518,104)
Total accumulated depreciation	<u>(3,608,264)</u>	<u>(4,946,493)</u>	<u>-</u>	<u>(8,554,757)</u>
Total capital assets, being depreciated, net	<u>175,187,193</u>	<u>4,657,535</u>	<u>-</u>	<u>179,844,728</u>
Governmental activities capital assets, net	<u>\$ 175,187,193</u>	<u>\$ 4,657,535</u>	<u>\$ -</u>	<u>\$ 179,844,728</u>

* Infrastructure assets were contributed from private sources.

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

Governmental activities:	
General government	\$ 23,769
Public safety	4,996
Public works	<u>4,917,728</u>
Total depreciation expense - governmental activities	<u>\$ 4,946,493</u>

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 6: Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Loan payable - County of Riverside	\$ 210,120	\$ -	\$ 210,120	\$ -	\$ -
Revenue Neutrality - County of Riverside	-	1,803,845	-	1,803,845	-
Compensated absences	<u>5,400</u>	<u>28,255</u>	<u>12,344</u>	<u>21,311</u>	<u>20,017</u>
Governmental activity long-term liabilities	<u>\$ 215,520</u>	<u>\$ 1,832,100</u>	<u>\$ 222,464</u>	<u>\$ 1,825,156</u>	<u>\$ 20,017</u>

Governmental Activities:

Loan Payable - County of Riverside

As part of the Comprehensive Fiscal Analysis (CFA) prepared as part of the formation documents for the City, the County of Riverside (County) and other servicing agencies were to provide municipal level services during the transition year (October 1, 2010 through June 30, 2011). The County was to receive certain revenues on behalf of the City and apply them to the payment that would otherwise be necessary for providing those services. However, the County is allowed under the law to require the City to pay back the overall net cost of providing these services in the form of a loan. The loan has a 3 percent interest rate and does not have a set debt service schedule and shall be due within five (5) years of the agreement, but no later than June 30, 2016. The original loan amount and balance as of June 30, 2011 was \$210,120, and the City paid the entire balance during fiscal year 2011-12. During the current fiscal year the County advised the City that its original calculations were in error and the City did not owe the County for the transition period and was refunding the amount the City paid.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 6: Long-Term Liabilities (continued)

Revenue Neutrality Agreement – County of Riverside

As part of the Incorporation process a Comprehensive Fiscal Analysis was prepared as to determine the fiscal feasibility and for revenue neutrality negotiations between the County of Riverside (County) and the City. It was determined that in the event of incorporation the revenue transferring to the City would be greater than net costs of services to be transferred, and would result in a negative fiscal impact to the County. To mitigate the negative fiscal impact the City and County entered into a Revenue Neutrality Agreement in which the City shall pay the County a portion of its tax revenues. The payments were developed utilizing the net county savings calculated under the revenue neutrality calculation for the base fiscal year 2007/2008, with a 3.5 percent annual inflation rate applied. The County’s annual net financial loss is the difference between the adjusted Net County Cost and the amount of actual revenues as received and reported by the City in its annual audit report. The annual tax revenue payment is the sum of the County’s base year net loss plus 40 percent of the net growth in the net loss over the base year.

The amount owed for fiscal years 2010-11 and 2011-12 is \$1,803,145. This amount plus the amount that will be owed for fiscal year 2012-13 are deferred until fiscal year 2013-14 and then will be due in ten annual payments with interest at 3 percent. There is no set debt service schedule at this time. In subsequent years an estimated amount is due within 60 days following the end of the City’s fiscal year and the final balance owed within 60 days following the completion of the City’s audited financial statements. The term of the agreement is for 30 years and extends to June 30, 2040

Note 7: Operating Lease

The City leases a copier/scanner/printer/fax under a noncancelable operating lease. Rental costs for the lease were \$3,681 for the fiscal year ended June 30, 2012. The future minimum lease payments as of June 30, 2012 are as follows:

Year	<u>Copier/Scanner/Printer/Fax</u>
2013	\$ 3,690
2014	3,690
2015	3,690
2016	<u>1,231</u>
	<u>\$ 12,301</u>

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 7: Operating Lease (continued)

On October 1, 2010, the City entered into a twenty two month operating lease agreement to rent its current office suite. The office lease provided for monthly rent of \$2,150 in addition to common area maintenance costs for the first ten months and \$2,215 thereafter. On July 1, 2011, the City Hall relocated and the lease was amended providing for monthly rent starting at \$5,080 per month in addition to common area maintenance costs for the first seventeen months, \$5,232 for months 18-28, and \$5,385 for months 29-41. The City has the option to renew the lease upon termination at November 30, 2014. Rental costs including maintenance costs for the year ended June 30, 2012 were \$60,960.

Minimum future rental payments under the operating leases as of June 30, 2012 are as follows (amounts do not include common area maintenance costs):

Year	<u>Office Lease</u>
2013	\$ 62,377
2014	64,208
2015	<u>26,924</u>
	<u>\$ 153,509</u>

Note 8: Retirement Plan

Plan Description

During fiscal year 2011-2012, the City began contributing 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 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 9.126% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 8: Retirement Plan (continued)

Annual Pension Cost

For 2012, the City's annual pension cost of \$12,958 for PERS was equal to the City's required contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age normal actuarial cost method.

THREE YEAR TREND INFORMATION FOR PERS		
Fiscal year	Required Contribution	Percentage Contributed
6/30/2010	N/A	N/A
6/30/2011	N/A	N/A
6/30/2012	\$12,958	100%

Note 9: Risk Management

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies: twenty-two cities, three transit agencies and six special districts. The City participates in the liability, property, auto physical damage, and crime insurance programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a \$0 self-insured retention for this coverage and participates in risk sharing pools for losses up to \$1 million, followed by PERMA's membership in the CSAC Excess Insurance Authority (EIA) for \$49 million of excess liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

The auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Auto physical damage coverage is written on an agreed amount basis.

The crime insurance program provides public employee dishonesty, forgery or alteration, and computer fraud coverage under a master insurance policy.

The City is insured with the State Compensation Insurance Fund for workers' compensation claims. There is no deductible requirement for this coverage.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 10: Fund Equity

The City has established certain fund balance designations to report the amounts in the following funds, which represent available spendable resources restricted, committed or assigned for a specific purpose:

	General Fund	Major Special Revenue Fund Gas Tax Fund	Non-Major Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 29,430	\$ -	\$ -	\$ 29,430
Restricted for:				
Public works	-	2,596,819	1,194,780	3,791,599
Community development	-	-	402,995	402,995
Unassigned	7,227,171	-	(3,521)	7,223,650
	<u>\$ 7,256,601</u>	<u>\$ 2,596,819</u>	<u>\$ 1,594,254</u>	<u>\$ 11,447,674</u>

The following fund has a deficit fund balance as of June 30, 2012:

Landscape Maintenance Fund \$ (3,521)

The deficit is as a result of start up costs which will be offset with future special assessment revenue.

Note 11: Joint Ventures

The Western Riverside County Regional Conservation Authority (Authority) was created in 2004 to protect 146 native species of plants and animals and preserving a half million acres of their habitat. Resolution 10-28, signed October 1, 2010, authorized the City Manager to pursue membership in the Riverside Conservation Authority, which would also fulfill one of the LAFCO's conditions of incorporation for the City. Resolution 10-48, signed December 8, 2010, authorized the Mayor to sign the Joint Powers Agreement with the Riverside Conservation Authority and the agreement with the U.S. Fish and Wildlife Service and California Department of Fish and Game relating to the implementation of the Western Riverside County Multiple Species Habitat Conservation Plan.

There will also be some additional (and unquantifiable) expenses associated with the City's interaction with the Authority. However, these additional expenses are expected to be relatively minor. There will be staff costs associated with locally implementing the program, which will be borne by the general fund for City projects and for the periodic reports to the Authority, and by landowners and developers through the City's full cost recovery program for private development applications. Copies of the Authority's annual financial report may be obtained from the Western Riverside County Regional Conservation Authority Riverside Centre Building at 3403 10th Street, Suite 320, Riverside, CA 92501.

City of Eastvale
Notes to Financial Statements
June 30, 2012

Note 12: Prior-Period Adjustment

The government-wide net assets and the beginning fund balances for the General and Gas Tax Funds have been adjusted to correct the recognition of the loan payable from the County of Riverside (County) that was owed for transitional services. The County corrected the error and will reimburse the City's payment.

Government-wide financial statements:

Net assets, beginning of year	\$ 181,028,305
Prior period adjustment	<u>210,120</u>
Net assets, beginning of year, as restated	<u>\$ 181,238,425</u>

Governmental Fund financial Statements:

	<u>General</u>	<u>Special Revenue Fund Gas Tax</u>
Fund balances, beginning of year	\$ 3,958,155	\$ 1,261,187
Prior period adjustment	<u>115,294</u>	<u>(115,294)</u>
Fund balances, end of year	<u>\$ 4,073,449</u>	<u>\$ 1,145,893</u>

Note 13: Subsequent Event

On October 1, 2012, the City amended its lease with Eastvale Gateway III, LLC, to expand the premises of the leased property described in note 5. The amendment resulted in an additional \$1,000 rent expense per month.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Eastvale
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,628,296	\$ 7,628,296	\$ 10,161,136	\$ 2,532,840
Licenses and permits	779,098	779,098	2,251,039	1,471,941
Fines and forfeitures	125,000	125,000	205,274	80,274
Intergovernmental	3,442,802	3,442,802	37,611	(3,405,191)
Investment earnings	40,000	40,000	9,452	(30,548)
Other	-	-	12,620	12,620
	<hr/>		<hr/>	
Total revenues	12,015,196	12,015,196	12,677,132	661,936
EXPENDITURES				
Current:				
General government	1,865,852	1,865,852	1,351,090	514,762
Public safety	6,775,500	6,775,500	5,985,056	790,444
Public works	146,500	146,500	48,477	98,023
Community development	1,555,640	1,555,640	1,991,526	(435,886)
Capital outlay	233,220	233,220	117,831	115,389
Debt service:				
Principal	63,896	63,896	-	63,896
Interest	10,177	10,177	-	10,177
	<hr/>		<hr/>	
Total expenditures	10,650,785	10,650,785	9,493,980	1,156,805
	<hr/>		<hr/>	
Excess of revenues over expenditures	1,364,411	1,364,411	3,183,152	1,818,741
OTHER FINANCING SOURCES				
Transfers in	81,793	81,793	-	(81,793)
	<hr/>		<hr/>	
Total other financing sources	81,793	81,793	-	(81,793)
	<hr/>		<hr/>	
Net change in fund balance	1,446,204	1,446,204	3,183,152	1,736,948
	<hr/>		<hr/>	
Fund balance, beginning of year, as restated	4,073,449	4,073,449	4,073,449	-
	<hr/>		<hr/>	
Fund balance, end of year	<u>\$ 5,519,653</u>	<u>\$ 5,519,653</u>	<u>\$ 7,256,601</u>	<u>\$ 1,736,948</u>

City of Eastvale
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Gas Tax Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,885,670	\$ 1,885,670	\$ 2,061,032	\$ 175,362
Investment earnings	34,410	34,410	2,785	(31,625)
Total revenues	<u>1,920,080</u>	<u>1,920,080</u>	<u>2,063,817</u>	<u>143,737</u>
EXPENDITURES				
Current:				
Public works	2,254,000	2,254,000	556,191	1,697,809
Capital outlay	-	-	56,700	(56,700)
Total expenditures	<u>2,254,000</u>	<u>2,254,000</u>	<u>612,891</u>	<u>1,641,109</u>
Excess of revenues over expenditures	<u>(333,920)</u>	<u>(333,920)</u>	<u>1,450,926</u>	<u>1,784,846</u>
OTHER FINANCING SOURCES				
Transfers out	<u>(81,793)</u>	<u>(81,793)</u>	<u>-</u>	<u>81,793</u>
Total other financing sources	<u>(81,793)</u>	<u>(81,793)</u>	<u>-</u>	<u>81,793</u>
Net change in fund balance	(415,713)	(415,713)	1,450,926	1,866,639
Fund balance, beginning of year, as restated	<u>1,145,893</u>	<u>1,145,893</u>	<u>1,145,893</u>	<u>-</u>
Fund balance, end of year	<u>\$ 730,180</u>	<u>\$ 730,180</u>	<u>\$ 2,596,819</u>	<u>\$ 1,866,639</u>

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Measure A - This fund is used to account for the construction, reconstruction, alteration, and maintenance of the streets and roads of the City.

AQMD Trust Fund – This fund is used to account for the City’s portion of motor vehicle registration fees collected pursuant to AB2766 passed during the 1990 State legislative session. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks, and buses. It also included funds allocated through a competitive process as a result of this legislation.

Supplemental Law Enforcement Services Fund – This fund is used to account for the receipts and expenditures of funds resulting from the Citizen’s Option for Public Safety (COPS) program, a state funded program.

Miscellaneous Grants Fund – This fund is used to account for the receipts and expenditures of miscellaneous grants not accounted for in a separate fund.

Law Enforcement Grants Fund– This fund is used to account for grant funds used for frontline law enforcement services.

Landscape Maintenance Fund – This fund is used to account for the costs of operation, maintenance, landscaping, and lighting district in 89-1 consolidated. Funding is provided by assessments specific to parcels in the district 89-1 consolidated.

Development Impact Fees Fund – This fund is used to account for the receipt of fees for development related activities such as infrastructure and public facilities.

**City of Eastvale
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	Special Revenue Funds		
	Measure A	AQMD Trust	Supplemental Law Enforcement Services
ASSETS			
Cash and investments	\$ 1,004,930	\$ 51,222	\$ -
Receivables:			
Intergovernmental	116,277	16,744	25,000
Total Assets	\$ 1,121,207	\$ 67,966	\$ 25,000
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 8,840	\$ -	\$ -
Due to other funds	-	-	25,000
Total Liabilities	8,840	-	25,000
Fund Balances:			
Restricted for:			
Public works	1,112,367	67,966	-
Community development	-	-	-
Unassigned	-	-	-
Total fund balances	1,112,367	67,966	-
Total liabilities and fund balances	\$ 1,121,207	\$ 67,966	\$ 25,000

Special Revenue Funds				Total Nonmajor Governmental Funds
Miscellaneous Grants	Law Enforcement Grants	Landscape Maintenance	Development Impact Fees	
\$ 14,480	\$ -	\$ -	\$ 402,995	\$ 1,473,627
-	10,872	-	-	168,893
<u>\$ 14,480</u>	<u>\$ 10,872</u>	<u>\$ -</u>	<u>\$ 402,995</u>	<u>\$ 1,642,520</u>
\$ 33	\$ -	\$ -	\$ -	\$ 8,873
-	10,872	3,521	-	39,393
<u>33</u>	<u>10,872</u>	<u>3,521</u>	<u>-</u>	<u>48,266</u>
14,447	-	-	-	1,194,780
-	-	-	402,995	402,995
-	-	(3,521)	-	(3,521)
<u>14,447</u>	<u>-</u>	<u>(3,521)</u>	<u>402,995</u>	<u>1,594,254</u>
<u>\$ 14,480</u>	<u>\$ 10,872</u>	<u>\$ -</u>	<u>\$ 402,995</u>	<u>\$ 1,642,520</u>

City of Eastvale
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds		
	Measure A	AQMD Trust	Supplemental Law Enforcement Services
REVENUES			
Intergovernmental	\$ 675,735	\$ 67,940	\$ 100,000
Development impact fees	-	-	-
Investment earnings	1,092	26	-
	<u>676,827</u>	<u>67,966</u>	<u>100,000</u>
 Total Revenues	<u>676,827</u>	<u>67,966</u>	<u>100,000</u>
 EXPENDITURES			
General government	-	-	-
Public safety	-	-	100,000
Public works	63,507	-	-
	<u>63,507</u>	<u>-</u>	<u>100,000</u>
 Total Expenditures	<u>63,507</u>	<u>-</u>	<u>100,000</u>
 Net change in fund balances	<u>613,320</u>	<u>67,966</u>	<u>-</u>
 Fund balances, beginning of year	<u>499,047</u>	<u>-</u>	<u>-</u>
 Fund balances, end of year	<u>\$ 1,112,367</u>	<u>\$ 67,966</u>	<u>\$ -</u>

Special Revenue Funds

<u>Miscellaneous Grants</u>	<u>Law Enforcement Grants</u>	<u>Landscape Maintenance</u>	<u>Development Impact Fees</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 14,847	\$ 17,031	\$ -	\$ -	\$ 875,553
-	-	-	102,214	102,214
<u>3</u>	<u>-</u>	<u>-</u>	<u>1,328</u>	<u>2,449</u>
<u>14,850</u>	<u>17,031</u>	<u>-</u>	<u>103,542</u>	<u>980,216</u>
403	-	-	-	403
-	17,031	-	-	117,031
<u>-</u>	<u>-</u>	<u>3,521</u>	<u>38,790</u>	<u>105,818</u>
<u>403</u>	<u>17,031</u>	<u>3,521</u>	<u>38,790</u>	<u>223,252</u>
14,447	-	(3,521)	64,752	756,964
<u>-</u>	<u>-</u>	<u>-</u>	<u>338,243</u>	<u>837,290</u>
<u>\$ 14,447</u>	<u>\$ -</u>	<u>\$ (3,521)</u>	<u>\$ 402,995</u>	<u>\$ 1,594,254</u>

City of Eastvale
Nonmajor Governmental Funds Comparison Schedules
For the year ended June 30, 2012

Budgetary comparison statements are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as provided for by GASB Statement No. 34. The budgetary comparison schedules for the remaining funds are presented to aid in additional analysis and are not a required part of the basic financial statements. The City did not prepare budgets for AQMD Trust Fund, Miscellaneous Grants Fund, and the Landscape Maintenance Fund, so no budgetary comparisons are presented for these funds.

City of Eastvale
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Measure A Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 579,000	\$ 579,000	\$ 675,735	\$ 96,735
Investment earnings	12,915	12,915	1,092	(11,823)
Total revenues	<u>591,915</u>	<u>591,915</u>	<u>676,827</u>	<u>84,912</u>
EXPENDITURES				
Current:				
Public works	<u>940,000</u>	<u>940,000</u>	<u>63,507</u>	<u>876,493</u>
Total expenditures	<u>940,000</u>	<u>940,000</u>	<u>63,507</u>	<u>876,493</u>
Excess of revenues over expenditures	<u>(348,085)</u>	<u>(348,085)</u>	<u>613,320</u>	<u>961,405</u>
OTHER FINANCING USES				
Transfers out	<u>(81,793)</u>	<u>(81,793)</u>	-	<u>81,793</u>
Total other financing sources	<u>(81,793)</u>	<u>(81,793)</u>	-	<u>81,793</u>
Net change in fund balance	(429,878)	(429,878)	613,320	1,043,198
Fund balance, beginning of year	<u>499,047</u>	<u>499,047</u>	<u>499,047</u>	-
Fund balance, end of year	<u>\$ 69,169</u>	<u>\$ 69,169</u>	<u>\$ 1,112,367</u>	<u>\$ 1,043,198</u>

City of Eastvale
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Supplemental Law Enforcement Services Fund
For the year ended June 30, 2012

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

City of Eastvale
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Law Enforcement Grants Fund
For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 21,448	\$ 17,031	\$ (4,417)
Total revenues	-	21,448	17,031	(4,417)
EXPENDITURES				
Current:				
Public safety	-	21,448	17,031	4,417
Total expenditures	-	21,448	17,031	4,417
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Eastvale
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Development Impact Fees Fund
For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Development impact fees	\$ -	\$ -	\$ 102,214	\$ 102,214
Investment earnings	1,234	1,234	1,328	94
Total revenues	<u>1,234</u>	<u>1,234</u>	<u>103,542</u>	<u>102,308</u>
EXPENDITURES				
Current:				
Community development	-	-	38,790	(38,790)
Total expenditures	<u>-</u>	<u>-</u>	<u>38,790</u>	<u>(38,790)</u>
Net change in fund balance	1,234	1,234	64,752	63,518
Fund balance, beginning of year	<u>338,243</u>	<u>338,243</u>	<u>338,243</u>	<u>-</u>
Fund balance, end of year	<u>\$ 339,477</u>	<u>\$ 339,477</u>	<u>\$ 402,995</u>	<u>\$ 63,518</u>

AGENCY FUND

Agency Fund - To account for developer deposits received for various planning projects.

City of Eastvale
Statement of Changes in Fiduciary Assets and Liabilities
For the year ended June 30, 2012

Agency Fund	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS				
Cash and investments	\$ 1,074,736	\$ 6,546,175	\$ 5,152,573	\$ 2,468,338
Total assets	<u>\$ 1,074,736</u>	<u>\$ 6,546,175</u>	<u>\$ 5,152,573</u>	<u>\$ 2,468,338</u>
LIABILITIES				
Accounts payable	\$ -	\$ 135,821	\$ -	\$ 135,821
Deposits	1,074,736	6,410,354	5,152,573	2,332,517
Total liabilities	<u>\$ 1,074,736</u>	<u>\$ 6,546,175</u>	<u>\$ 5,152,573</u>	<u>\$ 2,468,338</u>

STATISTICAL SECTION

This part of the City of Eastvale's 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 City's overall financial health.

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the city's financial performance and position have changed over time.	52
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	56
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. The City maintains no outstanding debt and does not have any pledged revenues to report.	60
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other government agencies.	65
<u>Operating Information</u> - These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	67

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City incorporated on October 1, 2010 with a nine month fiscal year ending June 30, 2011 and does not have any historical data beyond that year.

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City of Eastvale
Net Assets by Component
Last Two Fiscal Years
(accrual basis of accounting)
(amount expressed in thousands)

	Fiscal Year	
	2011	2012
Governmental activities		
Invested in capital assets net of related debt	\$ 175,187	\$ 179,845
Restricted	2,098	4,306
Unrestricted	3,743	5,316
Total governmental activities net assets	<u>\$ 181,028</u>	<u>\$ 189,467</u>

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

City of Eastvale
Changes in Net Assets
Last Two Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year	
	2011	2012
Expenses		
Governmental activities:		
General government	\$ 903	\$ 1,391
Public safety	4,459	6,107
Public works	3,928	5,629
Community development	1,022	1,991
Revenue Neutrality	-	1,804
Total governmental activities expenses	10,312	16,922
Total primary government expenses	\$ 10,312	\$ 16,922
Program Revenues		
Governmental activities:		
Charges for services		
General government	-	74
Public safety	22	221
Community development	893	2,174
Operating contributions and grants	1,899	2,940
Capital contributions and grants	179,045	9,533
Total primary government program revenues	181,859	14,942
Total primary government program revenues	\$ 181,859	\$ 14,942
Total primary government net expense	\$ 171,547	\$ (1,980)
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property tax	\$ 3,871	\$ 4,620
Franchise tax	594	1,346
Sales tax	1,487	3,885
Motor Vehicle in Lieu tax	3,235	38
Other taxes	290	310
Investment income	4	9
Other	-	1
Total governmental activities	9,481	10,209
Total primary government	\$ 9,481	\$ 10,209
Total Change in Net Assets	\$ 181,028	\$ 8,229

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

City of Eastvale
Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)
(amount expressed in thousands)

	Fiscal Year	
	2011	2012
General fund		
Nonspendable	\$ 26	\$ 30
Restricted	-	-
Unassigned	3,932	7,227
Total general fund	3,958	7,257
 All other governmental funds		
Nonspendable	-	-
Restricted	2,099	4,195
Unassigned	-	(4)
Total all other governmental funds	2,099	4,191
 Total fund balances of governmental funds	\$ 6,057	\$ 11,448

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

City of Eastvale
Changes in Fund Balances of Governmental Funds
Last Two Fiscal Years

(modified accrual basis of accounting)
(amount expressed in thousands)

	Fiscal Year	
	2011	2012
Revenues		
Taxes		
Property tax	\$ 3,871	\$ 4,620
Franchise tax	594	1,346
Sales tax	1,487	3,885
Other taxes	290	310
Licenses and permits	893	2,251
Fines and forfeitures	22	205
Intergovernmental	5,132	2,974
Special use fees	338	102
Investment income	6	15
Other	-	13
Total revenues	<u>12,633</u>	<u>15,721</u>
Expenditures		
Current:		
General government	955	1,351
Public safety	4,481	6,102
Public works	328	710
Community Development	1,022	1,992
Debt service		
Interest	-	-
Capital outlay	-	175
Total expenditures	<u>6,786</u>	<u>10,330</u>
Excess of revenues over expenditures	5,847	5,391
Other financing sources		
Proceeds of long-term debt	210	-
Total other financing sources	<u>210</u>	<u>-</u>
Net change in fund balance	<u>\$ 6,057</u>	<u>\$ 5,391</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available

Source: City of Eastvale Finance Department

City of Eastvale
Assessed Value and Estimated Actual Value of Taxable Property
Last Fiscal Year
(amounts expressed in thousands)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other	Total Assessed Valuation	Less Tax Exempt Property	Total Taxable Assessed Value	Direct Tax Rate (City)
2012	\$ 5,084,826	\$ 207,045	\$ 418,137	\$ 317,720	\$ 6,027,728	\$ (18,826)	\$ 6,008,902	0.0248

Note: Fiscal Year 2011-12 is the first fiscal year since the incorporation of Eastvale on October 1, 2010. California Revenue and Taxation Code Section 2905 states that taxes on unsecured property are to be taxed at tax rates fixed prior to the lien date (prior year). No unsecured value is included in the report above for the 2011-12 roll year as the County received taxes on the unsecured value in that year. Estimated Actual Value amounts are not available.

Source: County of Riverside, Auditor-Controller/HdL, Coren & Cone

City of Eastvale
Direct and Overlapping Property Tax Rates
Last Fiscal Year
(rate per \$100 of assessed value)

City Direct Rates					
Fiscal Year	Basic County, City, and School Levy	Community College District	Water District	School District	Total
2012	1.00000	0.01700	0.00370	0.11541	1.13611

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: County of Riverside, Auditor-Controller/HdL, Coren & Cone

**City of Eastvale
Principal Property Tax Payers
June 30, 2012**

Taxpayer	2012	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
AMB Institutional Alliance Fund	\$ 81,045,851	1.35%
LBA Riv Company IV	71,860,000	1.20%
Eastvale Gateway II	52,226,362	0.87%
Homecoming III at Eastvale	52,048,559	0.87%
SC Eastvale Development Company	49,594,287	0.83%
Homecoming II at Eastvale	43,375,919	0.72%
Prologis California I	41,282,996	0.69%
Hamner Park Associates	33,769,695	0.56%
J W Mitchell Company	31,541,228	0.52%
WW Grainer Inc.	28,849,600	0.48%
Total	\$ 485,594,497	8.08%

Note: Due to the City's incorporation on October 1, 2010, fiscal year 2010-11 is a nine month transitional fiscal year.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: HdL, Coren & Cone

**City of Eastvale
Property Tax Levies and Collections
Last Fiscal Year**

Fiscal Year	Taxes Levied For the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 4,902,083	\$ 4,619,832	94.24%	-	\$ 4,619,832	94.24%

Note: Fiscal Year 2011-12 is the first full fiscal year since incorporation of Eastvale on October 1, 2010. California Revenue and Taxation Code Section 2905 states that taxes on unsecured property are to be taxed at rates fixed prior to the lien date (prior year). The City had no collections in prior fiscal year of which taxes were collected in subsequent years.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department, Riverside County Auditor-Controller's Office.

**City of Eastvale
Ratio of Outstanding Debt by Type
Last Fiscal Year**

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	County Revenue Neutrality (1)	Total Governmental Activities	% of Actual Assessed Value of Property (2)	Per Capita (3)
2012	\$ -	\$ -	\$ 1,803,845	\$ 1,803,845	0.030%	\$ 32.44

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

- (1) County Revenue Neutrality is not a bonded debt.
- (2) Assessed value used because actual value of taxable property is not readily available in State of California.
- (3) See the Schedule of Demographics and Economic Statistics for population data.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

**City of Eastvale
Ratio of General Bonded Debt
Last Fiscal Year**

Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Total Governmental Activities	Percent of Assessed Value	Debt per Capita
2012	-	-	-	-	0.00%	-

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

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

City of Eastvale
Direct and Overlapping Bonded Debt
June 30, 2012

2011-12 Assessed Valuation	\$ 6,027,768,985
Redevelopment Incremental Valuation	<u>664,251,724</u>
Adjusted Assessed Valuation	\$ 5,341,943,795

	Outstanding Debt June 30, 2012	Percent Applicable (1)	Amount Applicable to City June 30, 2012
<u>Overlapping Tax and Assessment Debt</u>			
Metropolitan Water District	\$ 196,545,000	0.295%	\$ 579,808
Riverside Community College District	230,858,371	9.225%	21,296,685
Corona-Norco Unified School District	274,072,570	23.201%	63,587,577
Jurupa Community Services District	51,252,972	7.037%	3,606,672
Corona-Norco Unified School District Community Facilities District (2)	14,560,000	100.000%	14,560,000
Jurupa Community Services District Community Facilities District (3)	284,035,000	100% - 20.531%	<u>265,498,856</u>
Total Overlapping Tax and Assessment Debt			\$ 369,129,598
<u>Direct and Overlapping General Fund Debt</u>			
Riverside County General Fund Obligations	655,042,180	3.683%	24,125,203
Riverside County Pension Obligations	357,540,000	3.683%	13,168,198
Riverside County Board of Education Certificates of Participation	5,055,000	3.683%	186,176
Corona-Norco Unified School District General Fund Obligations	30,035,000	23.201%	6,968,420
Jurupa Unified School District Certificates of Participation	7,220,000	7.037%	508,071
City of Eastvale Certificates of Participation	0	100	0
Total Gross Direct and Overlapping General Fund Debt			<u>44,956,068</u>
Less: Riverside County supported obligations			<u>456,541</u>
Total Net Direct and Overlapping General Fund Debt			\$ 44,499,527
Total Direct Debt			\$0
Gross Combined Total Debt (4)			\$ 414,085,666
Net Combined Total Debt			\$ 413,629,125

Ratios to 2011-12 Assessed Valuation

Direct Debt	0%
Total Overlapping Tax and Assessment Debt	6.124%

Ratios to 2011-12 Adjusted Assessed Valuation

Gross Combined Total Debt (4)	7.752%	\$ 414,085,666
Net Combined Total Debt	7.743%	\$ 413,629,125

State School Building Aid Repayable as of 6/12/12: \$ -

Notes:

- (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the City.
(2) It is estimated that CFDs 98-1, 02-1, 03-1, 03-2, 03-4, 04-1, 04-2 I.A.2, and 06-1 are entirely within the City's boundaries.
(3) CFDs 2, 3, 4, 5, 6, 7, 10, 11, 12, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 29, 30, 32, 34, 35, 38 and 39 are entirely within the City's boundaries. It is estimated that 20.531% of CFD 1 is located within the City's boundaries.
(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

City of Eastvale
Legal Debt Margin Information
Last Fiscal Year
(amount expressed in thousands)

Fiscal Year	Assessed Valuation	Legal Debt Limit (15% of Assessed Value)	Amount of Debt Applicable to Debt Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of the Debt Limit
2012	\$ 6,027,728	\$ 904,159	\$ -	\$ 904,159	0.0%

Note: Section 43605 of the Government Code of the State of California limits the amount of general bonded indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City. The City has no general obligation bonded debt.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

**City of Eastvale
Pledged Revenue Coverage
Last Fiscal Year**

Lease Revenue Bonds						
Fiscal Year	Revenue	Less Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2012	The City has no direct outstanding bonded debt					

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

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

**City of Eastvale
Demographic and Economic Status
Last Fiscal Year**

Calendar Year	(1) Population	(2) Personal Income In Thousands	Per Capita Personal Income	(3) Median Age	(4) Unemployment Rate
2012	55,602	\$ 1,514,209	\$ 27,233	30	(4)

Note: The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Sources: (1) Population - California Department of Finance
 (2) Personal Income - California Franchise Tax Board, adjusted gross income for zip code 90201
 (3) Median Age - U.S. Census Bureau State of California
 (4) Unemployment Rate - Information not available

**City of Eastvale
Employment By Industry
Current Year**

Industry	2012	
	Labor Force	Percent of Total
Farm	13,700	2.44%
Goods Producing	72,500	12.93%
Trade, Transportation and Utilities	124,600	22.22%
Information	9,700	1.73%
Financial Activities	18,100	3.23%
Professional and Business Services	54,700	9.76%
Education and Health Services	62,900	11.22%
Leisure and Hospitality	72,800	12.98%
Other Services	19,100	3.41%
Government	112,600	20.08%
Total	560,700	100.00%

Note: Information on the largest employers for the City of Eastvale is not available. Presented above is the annual average of Industry Employment & Labor Force for Riverside County as of December 2011.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: State of California Employment Development Department

**City of Eastvale
Full-time City Employees
by Function
Last Two Fiscal Years**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Services</u>	<u>Total</u>
2011	4				4
2012	6				6

Notes: The City of Eastvale contracts services for Public Works, Planning, Building & Safety, Police and Fire. Parks and Recreation is provided by the Jurupa Community Services District.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale Finance Department

**City of Eastvale
Operating Indicators
by Function
Last Two Fiscal Years**

	Fiscal Year	
	2011	2012
Finance		
Business license applications	(1)	817
Building and Safety		
Construction valuation	\$ 71,690,823	\$ 133,358,335
Building permits issued	968	1,509
Public Safety		
Total arrests	512	648
Calls for service	1311	22,154

Notes:

(1) Fiscal year 2011-12 is the first fiscal year the City provided the business license program.

No business licenses were issued by the City during fiscal year 2010-11.

The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale, Various Departments

**City of Eastvale
Capital Asset Statistics
by Function
Last Two Fiscal Years**

	Fiscal Year	
	2011	2012
Public Works		
Streets (miles)	1,162	1,178
Traffic signaled Intersections	40	41
Bridges	1	1

Note: The City was incorporated during fiscal year 2010-2011. No information prior to that year is available.

Source: City of Eastvale, Various Departments