

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Eureka, we offer readers of the City of Eureka's financial statements this narrative overview and analysis of the financial activities of the City of Eureka for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal found in the introductory section of this annual report.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Eureka's basic financial statements. The City of Eureka's basic financial statements comprise 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 of Eureka's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Eureka's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Eureka is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eureka that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eureka include general government, public safety, community development, community services, culture-recreation, highways and street, public works, and interest on long-term debt. The business-type activities of the City of Eureka include water, wastewater, transit, harbor, building, and golf operations.

The government-wide financial statements include not only the City of Eureka itself (known as the primary government), but also a legally separate redevelopment agency for which the City of Eureka is financially accountable. The redevelopment agency, although legally separate, functions for all practical purposes as a department of the City of Eureka, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found beginning on page 13 of this report.

**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 of Eureka, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eureka can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-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 a government's short-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 government's short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Eureka maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, housing and the redevelopment funds, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements found in the supplemental statements and schedules section of this report.

The City of Eureka adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget and is found on page 79 in the basic financial statements section of this report. The basic governmental fund financial statements can be found on pages 16-23 of this report.

**Proprietary funds.** The City of Eureka maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Eureka uses enterprise funds to account for its water, wastewater, transit, harbor, building, and golf operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Eureka's various functions. The City of Eureka uses internal service funds to account for its equipment operation, risk management, information technology, and redevelopment administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, transit, harbor, building, and golf operations, all of which are considered to be major funds of the City of Eureka. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements found in the supplemental statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 24-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Eureka's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-76 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Eureka's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79-84 of this report.

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89-106 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Eureka, assets exceeded liabilities by \$149,237,923 at the close of the most recent fiscal year.

A large portion of the City of Eureka's net assets (78 percent) reflects its investment in capital assets (e.g., land, easements, buildings, machinery, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Eureka uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Eureka's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Eureka  
Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$23,012,063	\$19,942,401	\$17,816,490	\$23,344,017	\$40,828,553	\$43,286,418
Capital assets	76,154,647	75,812,947	77,180,315	72,030,979	153,334,962	147,843,926
Total assets	<u>99,166,710</u>	<u>95,755,348</u>	<u>94,996,805</u>	<u>95,374,996</u>	<u>194,163,515</u>	<u>191,130,344</u>
Non-current liabilities	16,892,732	17,958,228	21,295,072	20,563,843	38,187,804	38,522,071
Other liabilities	4,324,542	2,051,297	2,413,245	1,188,803	6,737,787	3,240,100
Total liabilities	<u>21,217,274</u>	<u>20,009,525</u>	<u>23,708,317</u>	<u>21,752,646</u>	<u>44,925,591</u>	<u>41,762,171</u>
Net assets:						
Invested in capital assets, net of related debt	59,992,180	60,629,251	58,399,172	56,739,394	118,391,352	117,368,645
Restricted	14,744,122	13,746,334	2,612,843	4,467,734	17,356,965	18,214,068
Unrestricted	3,213,134	1,370,238	10,276,472	12,415,222	13,489,606	13,785,460
<b>Total Net Assets</b>	<u><u>\$77,949,436</u></u>	<u><u>\$75,745,823</u></u>	<u><u>\$71,288,487</u></u>	<u><u>\$73,622,350</u></u>	<u><u>\$149,237,923</u></u>	<u><u>\$149,368,173</u></u>

An additional portion of the City of Eureka's net assets (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$13,489,606 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Eureka is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. Overall, total net assets decreased by \$130,250.

**Changes in net assets.** The statement of net assets provides a snapshot at a given point in time of the assets and liabilities of the City. The other government-wide statement provided is the Statement of Activities. This statement provides the reader with information regarding the revenues, expenses, and changes in net assets over the fiscal year. Generally, all changes to the City's net assets from one fiscal year to the next flows through the statement of activities.

The City of Eureka's net assets decreased by \$130,250, (which includes a prior period adjustment in the amount of (\$308,922) which represents adjustments to advances receivable and payable, capital assets and infrastructure, long term debt, and current assets such as cash and receivables). The change in net assets as a result of governmental activities is a increase of \$2,203,614 while the change in net assets as a result of business-type activities decreased by \$2,333,863.

Details of the City's changes in net assets are as follows:

City of Eureka  
Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 3,310,835	\$ 2,642,484	\$ 12,432,391	\$ 12,299,680	\$ 15,743,226	\$ 14,942,164
Operating grants and contributions	2,021,282	1,845,142	-	-	2,021,282	1,845,142
Capital grants and contributions	1,939,634	1,798,449	890,000	272,728	2,829,634	2,071,177
General Revenues:						
Taxes:						
Property taxes	5,891,831	5,135,206	-	-	5,891,831	5,135,206
Sales taxes	9,767,022	9,278,077	-	-	9,767,022	9,278,077
Other taxes	4,022,230	3,973,219	-	-	4,022,230	3,973,219
Investment income	1,947,578	1,561,018	513,009	742,297	2,460,587	2,303,315
Other	2,224,834	2,177,091	-	-	2,224,834	2,177,091
<b>Total revenues</b>	<b>31,125,246</b>	<b>28,410,686</b>	<b>13,835,400</b>	<b>13,314,705</b>	<b>44,960,646</b>	<b>41,725,391</b>
<b>Expenses:</b>						
General government	3,681,651	3,530,892	-	-	3,681,651	3,530,892
Public safety	11,583,891	11,715,731	-	-	11,583,891	11,715,731
Community development	4,606,187	3,198,428	-	-	4,606,187	3,198,428
Community services *	-	-	-	-	-	-
Culture - recreation	2,472,534	1,997,492	-	-	2,472,534	1,997,492
Public works	5,025,214	2,631,869	-	-	5,025,214	2,631,869
Interest on long-term debt	2,007,686	1,998,632	1,002,139	837,314	3,009,825	2,835,946
Unallocated depreciation	2,065,839	1,789,798	-	-	2,065,839	1,789,798
Water	-	-	3,621,412	3,154,079	3,621,412	3,154,079
Wastewater	-	-	5,201,340	4,590,123	5,201,340	4,590,123
Transit	-	-	1,795,303	1,692,494	1,795,303	1,692,494
Harbor	-	-	1,134,705	920,995	1,134,705	920,995
Building	-	-	562,867	472,560	562,867	472,560
Golf	-	-	21,205	17,066	21,205	17,066
<b>Total expenses</b>	<b>31,443,002</b>	<b>26,862,842</b>	<b>13,338,971</b>	<b>11,684,631</b>	<b>44,781,973</b>	<b>38,547,473</b>
Change in net assets before transfers	(317,756)	1,547,844	496,429	1,630,074	178,673	3,177,918
Transfers	(270,630)	(2,602,206)	270,630	2,602,206	-	-
Change in net assets	(588,386)	(1,054,362)	767,059	4,232,280	178,673	3,177,918
Net assets - beginning	75,745,822	76,382,603	73,622,350	69,339,179	149,368,172	145,721,782
Prior period adjustments	2,792,000	417,582	(3,100,922)	50,891	(308,922)	468,473
Net assets (restated)	78,537,822	76,800,185	70,521,428	69,390,070	149,059,250	146,190,255
Net assets - ending	\$ 77,949,436	\$ 75,745,823	\$ 71,288,487	\$ 73,622,350	\$ 149,237,923	\$ 149,368,173

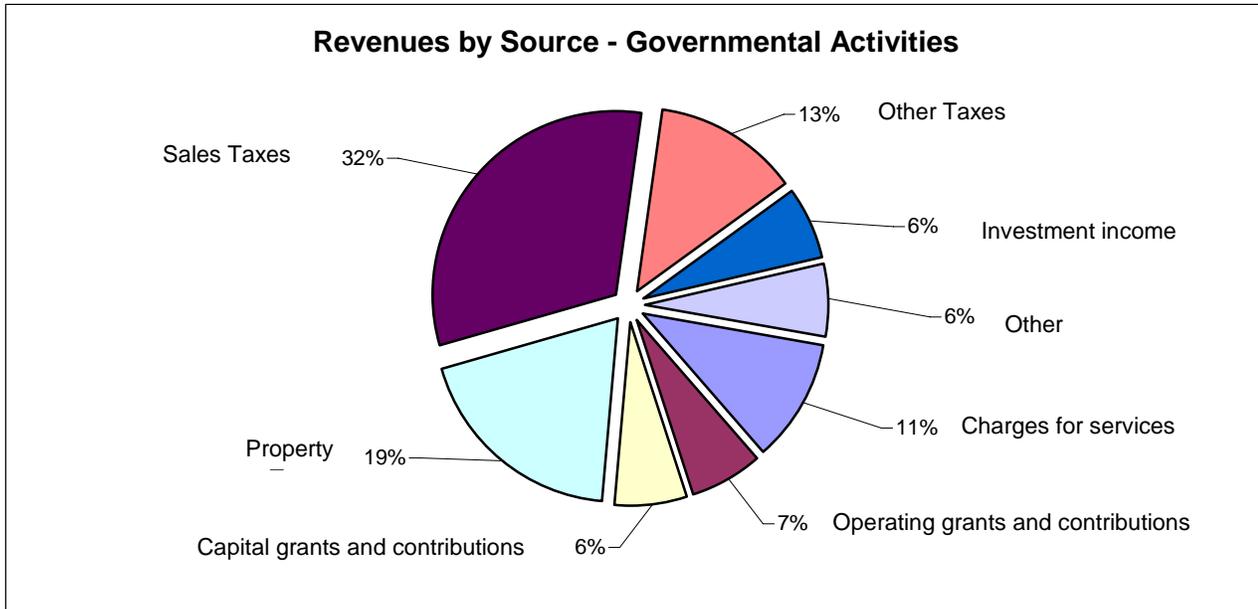
The City's largest governmental revenue source, sales tax, accounts for 32% of total revenues. Property tax is the next largest governmental revenue source making up 19% of total revenues and showing an increase of nearly 15% over the prior year.

Operating grants for governmental activities furnished resources to support four of the City of Eureka's functions: general government, public safety, community development, and public works.

The increase of \$1,407,759 in Community development expenses are primarily the result of increased activities for housing and rehab loans.

The increase of \$2,393,345 in expenditures for Public works is spread roughly equally between Engineering and Public Works maintenance with the bulk of the expenses primarily the result of increased maintenance activities at the Harbor, \$1,762,151.

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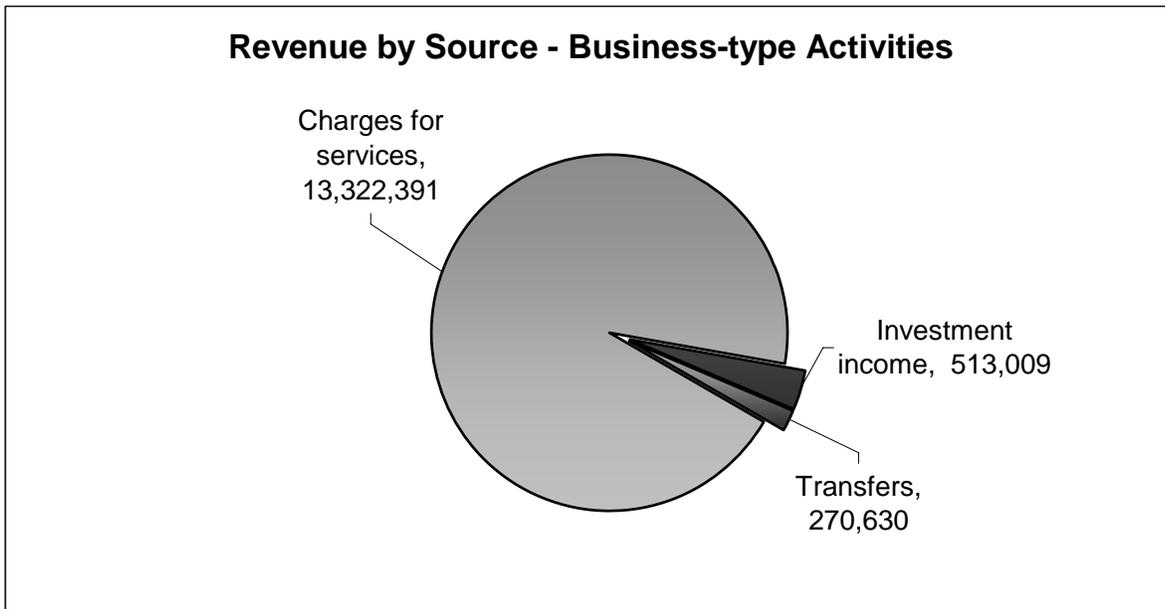
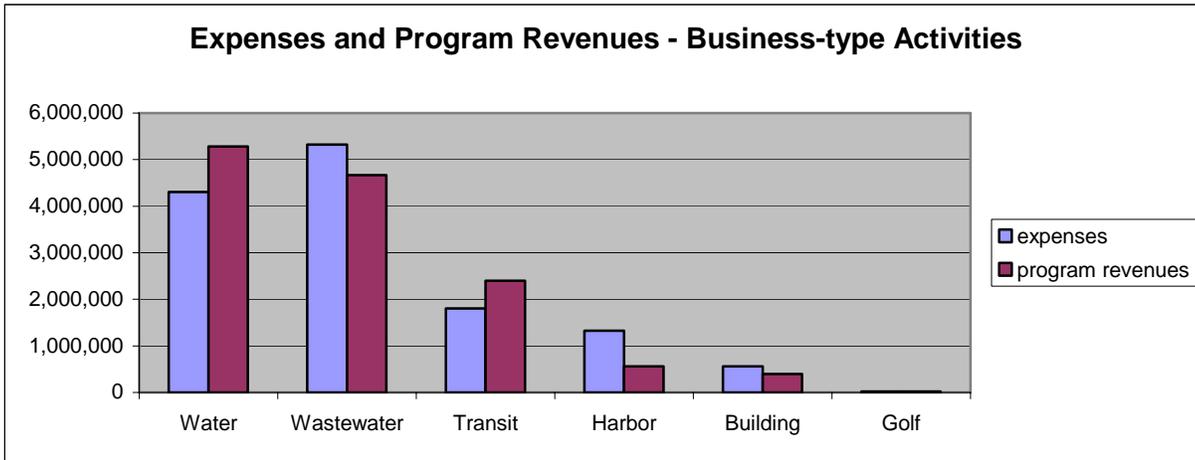


Public safety expenses account for 37% of total governmental activity expenses, and decreased slightly compared to the prior fiscal year. The decrease can be attributed to vacant positions.

**Business-type activities.** Business-type activities decreased the City of Eureka’s net assets by \$2,333,863. This is the net of a current year increase in business-type net assets of \$767,059 and a prior period adjustment decreasing net assets by \$3,100,922. The prior period adjustment is being made because an error was discovered in the calculation of advances due from the Eureka Redevelopment Agency to the Water and Wastewater funds.

Key elements of the change in net assets are:

- \$1,156,257 increase in Water fund is due to rates designed to achieve bond coverage and create reserves for future capital
- \$352,672 loss in Wastewater Fund. These rates were also designed to achieve bond coverage and create reserves for future capital but experience is showing the rates are insufficient. A rate study is currently in progress to study this and produce new rate recommendations for FY2008-09.
- \$663,836 loss in the Harbor Fund. Operating costs and debt service continue to outpace operating revenues in this fund requiring an ongoing, growing subsidy from the City.
- \$91,553 loss in the Building Fund. Operating costs continue to outpace operating revenues in this fund. A new rate setting methodology is in the works and is expected to produce sufficient cost recovery in FY2008-09.
- \$711,615 loss in the Transit Fund. Operating costs outpace operating revenues despite systematic farebox increases requiring a continuous and growing subsidy from the City. In FY2006-07, Humboldt Transit District contributed \$890K to assist the City with the purchase of two new energy efficient buses.



**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Eureka's governmental funds reported combined ending fund balances of \$6,919,264, a decrease of \$6,154,404 in comparison with the prior year. The majority of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following purposes: 1) for advances to other funds (\$4,955,431); and 2) for land held for resale (\$4,613,178). The decrease is made up of a prior period adjustment of (\$3,219,595) and a current year net change of (\$2,934,809). The prior period adjustments are discussed in detail in the Notes to the Financial Statements beginning on page 74. The current year decrease in net assets is spread roughly equally among the governmental funds with the exception of the Redevelopment Agency Capital Projects fund with a decrease of (\$1,762,151) most of which was spent on harbor dredging.

The general fund is the chief operating fund of the City of Eureka. At the end of the current fiscal year, unreserved fund balance of the general fund was \$974,547 a decrease of \$1,115,783 in comparison with the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance at the end of the fiscal

year represented 4% of total general fund expenditures, while total fund balance represents 27% of the same amount.

The fund balance of the City of Eureka's general fund decreased by \$1,014,221 during the current fiscal year; of which \$583,981 is from prior period adjustments. The decrease was planned and represents Council's determination to maintain services in spite of shrinking reserves.

The housing funds have a total fund balance of \$4,103,927, all of which will be used for specific housing activities.

The Eureka Redevelopment Funds have a total fund balance of (\$4,172,401). \$5,435,209 represents funds available in the Capital Projects Fund for redevelopment activities. The (\$9,607,610) in the Debt Service Fund represents advances due to City of Eureka.

The change in the Redevelopment Agency Capital Projects Fund balance of (\$1,765,151) is primarily the result of expenditures for our Public Marina dredging.

**Proprietary funds.** The City of Eureka's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and wastewater funds at the end of the year amounted to \$11,137,806 and those for other proprietary funds total \$(861,334). This negative net assets is a result of the activities within the City's Harbor fund and Transit fund.

### **General Fund Budgetary Highlights**

The net difference between the original budget and the final amended budget is \$1,048,145. This is comprised of an increase of \$293,057 in revenue, an increase of \$2,530,744 in expenditures, and a net change in other financing sources/uses of \$1,189,541. The changes can be briefly summarized as follows:

- \$72,000 increase allocated to operating budgets for a share of the Classification and Compensation Study
- \$115,000 increase allocated to operating budgets for increases in health insurance premiums
- An additional \$848,375 increase in departmental operating budgets for a variety of needs not anticipated in the budget process. The majority of this, \$750,238, is for public safety
- \$95,380 increase in debt service payments due on new capital lease
- \$1,400,109 increase in capital outlay for the fire classroom, the improvements at City Hall, the McFarlan trail purchase, the Rookery project and the aerial photo contract
- The increases in revenue represent anticipated reimbursements for some of the operating expenditure increases, including \$194,000 in booking fees, approximately \$28,000 for an after school program and reimbursements for the emergency operation center training.
- \$1,195,000 increase in other financing sources represents capital lease proceeds

The difference between the final budget and actual budgetary expenditures is \$915,186, slightly less than 4%. Most operating departments used between 90% and 100% of their budgets, with the exception of the Personnel Department and the City Attorney. Both of these departments spent approximately 85% of their budgets.

The difference between the final budget and actual budgetary revenues is a surplus of \$677,637. Tax revenues were within 1.3% of budget. Intergovernmental revenues produced the largest amount of unexpected revenue, with \$375,460 over budget. The largest single factor was \$248,000 of SB90 revenue. These are items the state of California statutorily allows the city to bill for reimbursement.

### **Capital Asset and Debt Administration**

**Capital assets.** The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure. At June 30, 2007, the City of Eureka's net capital assets for its governmental and business-type activities amounts to \$153,334,962 (net of accumulated depreciation). The investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure, artwork, and construction in progress. Net additions to capital assets of the City over the prior year totaled \$5,491,037.

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

- Construction in progress such as the Martin Slough Lift Station, City Hall Improvements and Water Transmission Line Replacement, and Zoo improvements accounted for an increase of \$4,087,691 as of the close of the fiscal year.
- New water meters were purchased through initiation of a capital lease and added \$2,519,694 to total construction in progress at the close of the fiscal year.
- A variety of street construction projects added \$589,619 to construction in progress during the fiscal year..
- Construction in progress in the amount of \$17,004,810 was capitalized during the fiscal year primarily due to the completion of the City Hall remodel, Fisherman's Terminal, and water line replacement projects.

City of Eureka  
Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$4,078,899	\$4,143,599	\$11,348,689	\$11,026,586	\$15,427,588	\$15,170,185
Easements	23,922,864	23,922,864			23,922,864	23,922,864
Buildings	10,505,379	9,569,042	6,411,598	6,485,056	16,916,977	16,054,098
Improvements other than buildings	10,505,436	7,757,769	18,165,750	19,035,364	28,671,186	26,793,133
Machinery and equipment	3,118,794	3,611,515	20,300,119	20,415,703	23,418,913	24,027,218
Infrastructure	21,025,308	18,307,951	13,853,250	4,871,853	34,878,558	23,179,804
Artwork	86,795	86,795			86,795	86,795
Construction in progress	2,911,172	8,413,412	7,100,909	10,196,417	10,012,081	18,609,829
<b>Total capital assets</b>	<b>\$76,154,647</b>	<b>\$75,812,947</b>	<b>\$77,180,315</b>	<b>\$72,030,979</b>	<b>\$153,334,962</b>	<b>\$147,843,926</b>

Additional information on the City of Eureka's capital assets can be found in note 7 on pages 58-59 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Eureka had total bonded debt outstanding of \$32,658,655. Of this amount, \$13,088,655 comprises debt backed by revenues within the water fund, another \$3,620,000 comprises debt backed by revenues within the wastewater fund, \$700,000 comprises debt backed by revenues within the harbor fund and \$15,250,000 in tax allocation bonds backed by incremental tax revenues from the redevelopment project areas.

City of Eureka  
Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds payable, net	\$15,250,000	\$15,250,000	\$17,408,655	\$17,958,718	\$32,658,655	\$33,208,718
Capital leases	1,651,321	743,961	2,519,695		4,171,016	743,961
Loans payable			2,402,380	2,465,705	2,402,380	2,465,705
Net pension obligation	185,798	1,145,707			185,798	1,145,707
Compensated absences	966,246	818,560	138,296	139,420	1,104,542	957,980
	<b>\$18,053,365</b>	<b>\$17,958,228</b>	<b>\$22,469,026</b>	<b>\$20,563,843</b>	<b>\$40,522,391</b>	<b>\$38,522,071</b>

The Redevelopment Agency has one outstanding bond which carries an underlying rating of A- from Standard & Poor's. Based on a bond insurance policy issued by Financial Guarantee Insurance Company, the bonds carry a rating of AAA.

The City's Water and Wastewater Revenue bonds carry AAA ratings based on bond insurance provided by Financial Security Insurance Company.

Changes to the City's long-term debt included net increases to the liability for compensated absences of \$146,562, increases to bonds and capital leases payable of \$2,876,992, and reductions to loans payable and pension obligations of \$1,023,234

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The current debt limitation for the City of Eureka is \$71,243,748, which is significantly in excess of the City of Eureka's outstanding general obligation debt, which is currently zero.

Additional information on the City of Eureka's long-term debt can be found in note 9 on pages 61-67 of this report.

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

- The unemployment rate for the City of Eureka is currently 6.4 percent, which is a decrease from a rate of 6.75 percent a year ago. This does not compare favorably to the state's average unemployment rate of 5.1 percent and the national average rate of 4.3 percent.
- At the time the budget was prepared, retail sales and home sales were strong in Eureka, with retail sales up 14.5% from the previous year and home sales up 6.5% over the previous year. Hotel occupancy was weakening, with a year-to-year downtrend of 3.7%.
- Overall, PERS rates continue to rise, with the FY07-08 rates for Police increasing from 30.049% to 32.29%; the rates for Fire decreasing slightly from 30.83% to 30.81% and the rates for Non-Public Safety employees increasing from 16.028% to 16.928%

All of these factors were considered in preparing the City of Eureka's budget for the 2007-08 fiscal year.

During the current fiscal year, the unreserved fund balance in the general fund decreased to \$974,547 which is available in the 2007-08 fiscal year for appropriation. Of this amount the City of Eureka has appropriated \$627,122 for spending in the 2007-08 fiscal year budget. It is intended that this use of available fund balance will avoid the need to reduce services during the 2007-08 fiscal year.

Water fund rates were increased for the 2007-08 budget year. The water rates were increased by an average of 3% for all customers. These rate increases were necessary to finance debt service and meet coverage requirements on the debt issued during the 2002-03 and 2005-06 fiscal years within the water fund. Rate increases for the wastewater fund were increased by 3.5% in the 2007-08 budget year for all customers with the exception of the senior citizen rate to finance debt issued during the 2002-03 fiscal year within the wastewater fund.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Eureka's finances for all those with an interest in the government's finances, and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Eureka, 531 K Street, Eureka, California, 95501.

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