

INTERNAL SERVICE FUNDS

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Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

- **Equipment Operations Fund** - This fund was established as an internal service fund through which City departments are charged for the use of vehicles and other equipment, based on actual operating costs. In addition, rates for vehicles and heavy equipment include a depreciation contribution factor to establish a reserve for future replacement.
- **Risk Management Fund** - This fund is used to account for the City's workers' compensation program, general liability and property insurance program, and group health program. In March, 1993 the City joined the Redwood Empire Municipal Insurance Fund for its workers' compensation and liability insurance programs, changing from self-insurance to a municipal; insurance pool. The City will continue to administer worker's compensation claims from prior to March, 1993, and existing liability claims. In August 2002, the City changed from its group health self-insurance program and joined three separate municipal insurance pools that are dependent on the respective employees' bargaining unit. Prior claims were paid through May 2003.
- **Information Technology Operations Fund** - This fund was established to develop a reserve account for information technology equipment and software and will be used to fund future equipment and major software replacements based on an analysis of future needs. Each department is assessed an annual amount that will provide adequate funds to replace current computer and related equipment. In addition, the fund provides City-wide support for all office automation equipment.
- **Redevelopment Administration Fund** - This fund was established to account for administrative services provided by the City to the Redevelopment Agency.

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2007**

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology Operations</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,878,666	\$ 815,233	\$ 368,110
Accounts receivable - net	1,915	1,400	
Interest receivable	19,057	10,587	4,206
Prepaid items		20,000	
	<hr/>	<hr/>	<hr/>
Total current assets	<u>1,899,638</u>	<u>847,220</u>	<u>372,316</u>
Capital Assets:			
Depreciable			
Buildings	429,246		
Improvements	42,399		
Equipment	5,626,187		1,432,311
	<hr/>	<hr/>	<hr/>
Total depreciable capital assets	6,097,832		1,432,311
Less accumulated depreciation	<u>(4,712,097)</u>	<hr/>	<u>(1,075,086)</u>
Total capital assets, net	<u>1,385,735</u>	<hr/>	<u>357,225</u>
Total Assets	<u>\$ 3,285,373</u>	<u>\$ 847,220</u>	<u>\$ 729,541</u>

<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 511,615	\$ 3,573,624
90	3,405
6,352	40,202
<u>518,057</u>	<u>20,000</u>
	<u>3,637,231</u>
	429,246
	42,399
	<u>7,058,498</u>
	7,530,143
	<u>(5,787,183)</u>
	<u>1,742,960</u>
<u>\$ 518,057</u>	<u>\$ 5,380,191</u>

(Continued)

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS (Continued)
June 30, 2007

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology Operations</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 90,587	\$ 127,940	\$ 37,676
Interest payable			3,567
Claims and judgments payable		391,382	
Capital lease payable, current portion			64,421
Compensated absences, current portion	25,117		8,221
Payroll and related liabilities	9,783		5,995
	<u>125,487</u>	<u>519,322</u>	<u>119,880</u>
Noncurrent Liabilities:			
Capital lease payable			67,043
Compensated absences			
	<u> </u>	<u> </u>	<u>67,043</u>
Total noncurrent liabilities	<u> </u>	<u> </u>	<u>67,043</u>
Total Liabilities	<u>125,487</u>	<u>519,322</u>	<u>186,923</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,385,735		225,761
Unrestricted	1,774,151	327,898	316,857
	<u>1,774,151</u>	<u>327,898</u>	<u>316,857</u>
Total Net Assets	<u>\$ 3,159,886</u>	<u>\$ 327,898</u>	<u>\$ 542,618</u>

<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 49,451	\$ 305,654
	3,567
	391,382
	64,421
	33,338
<u>6,220</u>	<u>21,998</u>
<u>55,671</u>	<u>820,360</u>
	67,043
<u>14,128</u>	<u>14,128</u>
<u>14,128</u>	<u>81,171</u>
<u>69,799</u>	<u>901,531</u>
	1,611,496
<u>448,258</u>	<u>2,867,164</u>
<u>\$ 448,258</u>	<u>\$ 4,478,660</u>

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	Equipment Operations	Risk Management	Information Technology Operations
Operating Revenues:			
Charges for services	\$ 1,323,765	\$ 1,242,035	\$ 806,319
Other operating revenues	26,647	386,563	
Total Operating Revenues	<u>1,350,412</u>	<u>1,628,598</u>	<u>806,319</u>
Operating Expenses:			
Maintenance and operation	1,074,695	68,472	664,879
Administration	42,389	30,913	11,759
Insurance costs and claims	93,665	1,484,958	
Depreciation	271,974		80,893
Total Expenses	<u>1,482,723</u>	<u>1,584,343</u>	<u>757,531</u>
Operating Income (Loss)	<u>(132,311)</u>	<u>44,255</u>	<u>48,788</u>
Non-Operating Revenues (Expenses)			
Investment income (loss)	116,827	30,385	21,410
Interest expense			(6,190)
Total Non-Operating Revenues (Expenses)	<u>116,827</u>	<u>30,385</u>	<u>15,220</u>
Change in Net Assets before transfers	(15,484)	74,640	64,008
Transfer out			
Total Change in Net Assets	<u>(15,484)</u>	<u>74,640</u>	<u>64,008</u>
Net Assets, beginning of fiscal year	3,175,370	253,258	483,857
Prior period adjustments			(5,247)
Net Assets, beginning of fiscal year, as restated	<u>3,175,370</u>	<u>253,258</u>	<u>478,610</u>
Net Assets, end of fiscal year	<u>\$ 3,159,886</u>	<u>\$ 327,898</u>	<u>\$ 542,618</u>

Redevelopment Administration	Totals
\$ 960,341	\$ 4,332,460
31,281	444,491
<u>991,622</u>	<u>4,776,951</u>
	1,808,046
942,410	1,027,471
	1,578,623
	<u>352,867</u>
<u>942,410</u>	<u>4,767,007</u>
<u>49,212</u>	<u>9,944</u>
26,359	194,981
	<u>(6,190)</u>
<u>26,359</u>	<u>188,791</u>
75,571	198,735
<u>(11,671)</u>	<u>(11,671)</u>
<u>63,900</u>	<u>187,064</u>
417,186	4,329,671
<u>(32,828)</u>	<u>(38,075)</u>
<u>384,358</u>	<u>4,291,596</u>
<u>\$ 448,258</u>	<u>\$ 4,478,660</u>

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007**

	<u>Equipment Operations</u>	<u>Risk Management</u>
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,351,795	\$ 1,628,979
Payments to suppliers and users	(698,693)	(1,437,586)
Payments to employees	(437,431)	
	<u>215,671</u>	<u>191,393</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Non-capital Financing Activities:		
Transfer to other fund		
Net Cash Used by Non-capital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Principal payments - long-term debt		
Interest paid		
Acquisitions of Capital assets/ adjustments	(163,436)	
	<u>(163,436)</u>	
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest received	117,676	26,810
	<u>117,676</u>	<u>26,810</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	169,911	218,203
Cash and Cash Equivalents, July 1, 2006	<u>1,708,755</u>	<u>597,030</u>
Cash and Cash Equivalents, June 30, 2007	<u>\$ 1,878,666</u>	<u>\$ 815,233</u>
Cash and Investments on Combining Statement of Net Assets	<u>\$ 1,878,666</u>	<u>\$ 815,233</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (132,311)	\$ 44,255
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	271,974	
(Increase) Decrease in Operating Assets:		
Accounts receivable	1,383	381
Increase (Decrease) in Operating Liabilities:		
Claims and judgments payable		146,757
Accounts payable	64,843	
Payroll and related liabilities	9,782	
	<u>215,671</u>	<u>191,393</u>
Net Cash Provided (Used) by Operating Activities		

Information Technology Operations	Redevelopment Administration	Totals
\$ 806,319	\$ 991,532	\$ 4,778,625
(471,052)	(718,058)	(3,325,389)
(203,408)	(234,207)	(875,046)
<u>131,859</u>	<u>39,267</u>	<u>578,190</u>
	(11,672)	(11,672)
	(11,672)	(11,672)
(68,784)		(68,784)
(2,623)		(2,623)
(120,942)		(284,378)
<u>(192,349)</u>		<u>(355,785)</u>
21,954	25,436	191,876
21,954	25,436	191,876
(38,536)	53,031	402,609
406,646	458,584	3,171,015
<u>\$ 368,110</u>	<u>\$ 511,615</u>	<u>\$ 3,573,624</u>
<u>\$ 368,110</u>	<u>\$ 511,615</u>	<u>\$ 3,573,624</u>
\$ 48,788	\$ 49,212	\$ 9,944
80,893		352,867
	(90)	1,674
(5,013)	22,805	146,757
7,191	(32,660)	82,635
<u>\$ 131,859</u>	<u>\$ 39,267</u>	<u>\$ 578,190</u>