

INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

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, 2008**

	Equipment Operations	Risk Management
ASSETS		
Current assets:		
Cash and investments	\$ 1,622,685	\$ 916,976
Accounts receivable - net	1,921	3,190
Interest receivable	19,031	8,987
Prepaid items		30,279
Total current assets	1,643,637	959,432
Capital Assets:		
Depreciable		
Buildings	429,246	
Improvements	42,399	
Equipment	6,428,854	
Total depreciable capital assets	6,900,499	
Less accumulated depreciation	(4,979,279)	
Total capital assets, net	1,921,220	
Total Assets	\$ 3,564,857	\$ 959,432

Information Technology Operations	Redevelopment Administration	Totals
\$ 1,979	\$ 219,267	\$ 2,760,907
707	1,750	7,568
	3,023	31,041
		30,279
2,686	224,040	2,829,795
		429,246
		42,399
1,562,502		7,991,356
1,562,502		8,463,001
(1,181,362)		(6,160,641)
381,140		2,302,360
\$ 383,826	\$ 224,040	\$ 5,132,155

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CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS (Continued)
June 30, 2008

	Equipment Operations	Risk Management
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 44,366	\$ 215,941
Interest payable		
Claims and judgments payable		247,522
Capital lease payable, current portion		
Compensated absences, current portion	31,128	
Payroll and related liabilities	15,201	
Total current liabilities	90,695	463,463
Noncurrent Liabilities:		
Compensated absences	979	
Total noncurrent liabilities	979	
Total Liabilities	91,674	463,463
NET ASSETS		
Investment in capital assets, net of related debt	1,921,220	
Unrestricted	1,551,963	495,969
Total Net Assets	\$ 3,473,183	\$ 495,969

<u>Information Technology Operations</u>	<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 24,237	\$ 44,190	\$ 328,734
1,819		1,819
		247,522
55,602		55,602
8,067	6,278	45,473
9,090	11,100	35,391
<u>98,815</u>	<u>61,568</u>	<u>714,541</u>
		<u>979</u>
		<u>979</u>
<u>98,815</u>	<u>61,568</u>	<u>715,520</u>
325,538		2,246,758
<u>(40,527)</u>	<u>162,472</u>	<u>2,169,877</u>
<u>\$ 285,011</u>	<u>\$ 162,472</u>	<u>\$ 4,416,635</u>

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	Equipment Operations	Risk Management	Information Technology Operations
Operating Revenues:			
Charges for services	\$ 1,094,250	\$ 1,184,715	\$ 622,812
Other operating revenues	77,379	312,540	
Total Operating Revenues	<u>1,171,629</u>	<u>1,497,255</u>	<u>622,812</u>
Operating Expenses:			
Maintenance and operation	1,150,123	74,344	798,609
Administration	52,637	15,825	5,989
Insurance costs and claims	63,472	1,266,742	
Depreciation	247,185		106,275
Total Expenses	<u>1,513,417</u>	<u>1,356,911</u>	<u>910,873</u>
Operating Income (Loss)	<u>(341,788)</u>	<u>140,344</u>	<u>(288,061)</u>
Non-Operating Revenues (Expenses)			
Investment income (loss)	91,394	27,727	8,596
Miscellaneous revenue			14,020
Interest expense			(3,604)
Total Non-Operating Revenues (Expenses)	<u>91,394</u>	<u>27,727</u>	<u>19,012</u>
Change in Net Assets before transfers	(250,394)	168,071	(269,049)
Assets contributed	465,791		
Transfer in	97,900		
Transfer out			
Total Change in Net Assets	<u>313,297</u>	<u>168,071</u>	<u>(269,049)</u>
Net Assets, beginning of fiscal year	3,159,886	327,898	542,618
Prior period adjustment			11,442
Net Assets, beginning of fiscal year, as restated	<u>3,159,886</u>	<u>327,898</u>	<u>554,060</u>
Net Assets, end of fiscal year	<u>\$ 3,473,183</u>	<u>\$ 495,969</u>	<u>\$ 285,011</u>

Redevelopment Administration	Totals
\$ 4,292	\$ 2,906,069
26,383	416,302
<u>30,675</u>	<u>3,322,371</u>
	2,023,076
1,111,192	1,185,643
	1,330,214
	353,460
<u>1,111,192</u>	<u>4,892,393</u>
<u>(1,080,517)</u>	<u>(1,570,022)</u>
(2,471)	125,246
	14,020
	(3,604)
<u>(2,471)</u>	<u>135,662</u>
(1,082,988)	(1,434,360)
	465,791
806,242	904,142
(9,040)	(9,040)
<u>(285,786)</u>	<u>(73,467)</u>
448,258	4,478,660
	11,442
<u>448,258</u>	<u>4,490,102</u>
<u>\$ 162,472</u>	<u>\$ 4,416,635</u>

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

	<u>Equipment Operations</u>	<u>Risk Management</u>
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,191,620	\$ 1,495,465
Payments to suppliers and users	(852,905)	(1,423,049)
Payments to employees	(447,140)	
Net Cash Provided (Used) by Operating Activities	<u>(108,425)</u>	<u>72,416</u>
Cash Flows from Non-capital Financing Activities:		
Transfer to other fund		
Other non operating revenue		
Prior period adjustment		
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	(238,976)	
Net Cash Used by Capital and Related Financing Activities	<u>(238,976)</u>	
Cash Flows from Investing Activities:		
Interest received	91,420	29,327
Net Cash Provided (Used) by Investing Activities	<u>91,420</u>	<u>29,327</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(255,981)	101,743
Cash and Cash Equivalents, July 1, 2007	<u>1,878,666</u>	<u>815,233</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 1,622,685</u>	<u>\$ 916,976</u>
Cash and Investments on Combining Statement of Net Assets	<u>\$ 1,622,685</u>	<u>\$ 916,976</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (341,788)	\$ 140,344
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	267,182	
(Increase) Decrease in Operating Assets:		
Accounts receivable	(6)	(1,790)
Prepaid expenses		(10,279)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(46,221)	(55,859)
Payroll and related liabilities	12,408	
Net Cash Provided (Used) by Operating Activities	<u>\$ (108,425)</u>	<u>\$ 72,416</u>
Non Cash Transactions		
Contribution of assets from proprietary funds	\$ 97,900	\$ -
Contribution of assets from government	465,791	

Information Technology Operations	Redevelopment Administration	Totals
\$ 622,105	\$ 29,015	\$ 3,338,205
(580,684)	(885,772)	(3,742,410)
<u>(234,411)</u>	<u>(233,652)</u>	<u>(915,203)</u>
(192,990)	(1,090,409)	(1,319,408)
	(9,039)	(9,039)
14,020	806,242	820,262
<u>11,442</u>		<u>11,442</u>
25,462	797,203	822,665
(75,862)		(75,862)
(5,352)		(5,352)
<u>(130,191)</u>		<u>(369,167)</u>
<u>(211,405)</u>		<u>(450,381)</u>
12,802	858	134,407
<u>12,802</u>	<u>858</u>	<u>134,407</u>
(366,131)	(292,348)	(812,717)
<u>368,110</u>	<u>511,615</u>	<u>3,573,624</u>
<u>\$ 1,979</u>	<u>\$ 219,267</u>	<u>\$ 2,760,907</u>
<u>\$ 1,979</u>	<u>\$ 219,267</u>	<u>\$ 2,760,907</u>
\$ (288,061)	\$ (1,080,517)	\$ (1,570,022)
106,275		373,457
(707)	(1,660)	(4,163)
		(10,279)
(13,438)	(8,232)	(123,750)
2,941		15,349
<u>\$ (192,990)</u>	<u>\$ (1,090,409)</u>	<u>\$ (1,319,408)</u>
\$ -	\$ -	\$ 97,900
		465,791

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