

INTERNAL SERVICE FUNDS

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2009

ASSETS	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
Current assets:					
Cash and investments	\$ 1,392,992	\$ 519,212	\$ 70,018	\$ 39,594	\$ 2,021,816
Accounts receivable - net	4,651	1,734	392		6,777
Interest receivable	10,649	3,465			14,114
Prepaid items		20,000			20,000
Total current assets	1,408,292	544,411	70,410	39,594	2,062,707
Capital Assets:					
Depreciable					
Buildings	429,246				429,246
Improvements	42,399				42,399
Equipment	6,867,744		1,562,502		8,430,246
Total depreciable capital assets	7,339,389		1,562,502		8,901,891
Less accumulated depreciation	(5,055,215)		(1,295,300)		(6,350,515)
Total capital assets, net	2,284,174		267,202		2,551,376
Total Assets	3,692,466	544,411	337,612	39,594	4,614,083
LIABILITIES					
Current Liabilities:					
Accounts payable	146,129	304,476	16,251	13,145	480,001
Claims and judgments payable		289,926			289,926
Compensated absences, current portion	20,201		11,393	14,608	46,202
Payroll and related liabilities	23,728		11,848	8,709	44,285
Total current liabilities	190,058	594,402	39,492	36,462	860,414
Noncurrent Liabilities:					
Compensated absences	8,268		564		8,832
Total noncurrent liabilities	8,268		564		8,832
Total liabilities	198,326	594,402	40,056	36,462	869,246
NET ASSETS					
Investment in capital assets, net of related debt	2,284,174		267,202		2,551,376
Unrestricted	1,209,966	(49,991)	30,354	3,132	1,193,461
Total Net Assets (deficit)	\$ 3,494,140	\$ (49,991)	\$ 297,556	\$ 3,132	\$ 3,744,837

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
Operating Revenues:					
Charges for services	\$ 1,386,970	\$ 1,177,670	\$ 759,060	\$ 6,182	\$ 3,329,882
Other operating revenues	34,659	139,781	122	6,000	180,562
Total Operating Revenues	1,421,629	1,317,451	759,182	12,182	3,510,444
Operating Expenses:					
Maintenance and operation	1,195,740	356,802	628,178	938,137	3,118,857
Administration			6,456	69,276	75,732
Insurance costs and claims		1,539,796		15,876	1,555,672
Depreciation	358,033		113,939		471,972
Total Expenses	1,553,773	1,896,598	748,573	1,023,289	5,222,233
Operating Income (Loss)	<u>(132,144)</u>	<u>(579,147)</u>	<u>10,609</u>	<u>(1,011,107)</u>	<u>(1,711,789)</u>
Non-Operating Revenues (Expenses)					
Investment income (loss)	80,586	33,187	2,847	911	117,531
Miscellaneous revenue				56	56
Sale of city property	7,750				7,750
Interest expense			(911)		(911)
Total Non-Operating Revenues/(Exp)	88,336	33,187	1,936	967	124,426
Income (Loss) Before Contributions and Transfers	(43,808)	(545,960)	12,545	(1,010,140)	(1,587,363)
Assets contributed	64,765				64,765
Transfer in				850,800	850,800
Change in Net Assets	20,957	(545,960)	12,545	(159,340)	(671,798)
Net Assets, beginning of fiscal year	<u>3,473,183</u>	<u>495,969</u>	<u>285,011</u>	<u>162,472</u>	<u>4,416,635</u>
Net Assets (deficit), end of fiscal year	<u>\$ 3,494,140</u>	<u>\$ (49,991)</u>	<u>\$ 297,556</u>	<u>\$ 3,132</u>	<u>\$ 3,744,837</u>

**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

	<u>Equipment Operations</u>	<u>Risk Management</u>
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,418,899	\$ 1,318,907
Payments to suppliers and users	(580,784)	(1,755,380)
Payments to employees	(508,304)	
Net Cash Provided (Used) by Operating Activities	<u>329,811</u>	<u>(436,473)</u>
Cash Flows from Non-capital Financing Activities:		
Transfer from other fund		
Net Cash Provided 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	(656,222)	
Other non-operating revenue		
Proceeds from the sale of city property	7,750	
Net Cash Used by Capital and Related Financing Activities	<u>(648,472)</u>	
Cash Flows from Investing Activities:		
Interest received	88,968	38,709
Net Cash Provided (Used) by Investing Activities	<u>88,968</u>	<u>38,709</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(229,693)	(397,764)
Cash and Cash Equivalents, July 1, 2008	<u>1,622,685</u>	<u>916,976</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 1,392,992</u>	<u>\$ 519,212</u>
Cash and Investments on Combining Statement of Net Assets	<u>\$ 1,392,992</u>	<u>\$ 519,212</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (132,144)	\$ (579,147)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	358,033	
(Increase) Decrease in Operating Assets:		
Accounts receivable	(2,730)	1,456
Prepaid expenses		10,279
Increase (Decrease) in Operating Liabilities:		
Accounts payable	101,763	130,939
Payroll and related liabilities	4,889	
Net Cash Provided (Used) by Operating Activities	<u>\$ 329,811</u>	<u>\$ (436,473)</u>
Non Cash Transactions		
Contribution of assets from government	\$ 64,765	

Information Technology Operations	Redevelopment Administration	Totals
\$ 758,083	\$ 13,932	\$ 3,509,821
(388,186)	(823,513)	(3,547,863)
(246,373)	(224,882)	(979,559)
<u>123,524</u>	<u>(1,034,463)</u>	<u>(1,017,601)</u>
	850,800	850,800
	850,800	850,800
(55,602)		(55,602)
(2,730)		(2,730)
	56	(656,222)
		56
		7,750
<u>(58,332)</u>		<u>(706,748)</u>
2,847	3,934	134,458
2,847	3,934	134,458
68,039	(179,729)	(739,091)
1,979	219,267	2,760,907
<u>\$ 70,018</u>	<u>\$ 39,538</u>	<u>\$ 2,021,816</u>
<u>\$ 70,018</u>	<u>\$ 39,594</u>	<u>\$ 2,021,816</u>
\$ 10,609	\$ (1,011,107)	\$ (1,711,789)
113,939		471,972
315	1,750	791
		10,279
(7,986)	(37,323)	187,393
6,647	12,217	23,753
<u>\$ 123,524</u>	<u>\$ (1,034,463)</u>	<u>\$ (1,017,601)</u>

\$ 64,765

THIS PAGE INTENTIONALLY LEFT BLANK