

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, 2011**

ASSETS	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
Current assets:					
Cash and investments	\$ 1,082,069	\$ 452,899	\$ 280,400	\$ -	\$ 1,815,368
Accounts receivable - net		566		5,325	5,891
Interest receivable	3,061	1,031	672		4,764
Prepaid items		20,000			20,000
Total current assets	1,085,130	474,496	281,072	5,325	1,846,023
Capital Assets:					
Depreciable					
Buildings	429,246				429,246
Improvements	42,399				42,399
Equipment	7,176,268		1,627,568		8,803,836
Total depreciable capital assets	7,647,913		1,627,568		9,275,481
Less accumulated depreciation	(5,821,120)		(1,523,013)		(7,344,133)
Total capital assets, net	1,826,793		104,555		1,931,348
Total Assets	2,911,923	474,496	385,627	5,325	3,777,371
LIABILITIES					
Current Liabilities:					
Accounts payable	53,219	168,629	85,048	10,234	317,130
Due to other funds				205,858	205,858
Claims and judgments payable		207,724			207,724
Compensated absences	34,947		10,518	56,130	101,595
Payroll and related liabilities	11,218		4,720	7,169	23,107
Total current liabilities	99,384	376,353	100,286	279,391	855,414
NET ASSETS					
Investment in capital assets, net of related debt	1,826,793		104,555		1,931,348
Unrestricted	985,746	98,143	180,786	(274,066)	990,609
Total Net Assets (Deficit)	\$ 2,812,539	\$ 98,143	\$ 285,341	\$ (274,066)	\$ 2,921,957

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
Operating Revenues:					
Charges for services	\$ 1,057,573	\$ 1,363,615	\$ 872,449	\$ -	\$ 3,293,637
Other operating revenues	32,949	176,394	2,334	90,395	302,072
Total Operating Revenues	1,090,522	1,540,009	874,783	90,395	3,595,709
Operating Expenses:					
Maintenance and operation	1,207,113	107,818	720,079	989,646	3,024,656
Administration	41,553	17,863	7,196	73,571	140,183
Insurance costs and claims	26,030	1,386,625		16,449	1,429,104
Depreciation	398,705		113,252		511,957
Total Expenses	1,673,401	1,512,306	840,527	1,079,666	5,105,900
Operating Income (Loss)	(582,879)	27,703	34,256	(989,271)	(1,510,191)
Non-Operating Revenues (Expenses)					
Investment income (loss)	10,705	(7,920)	1,360	5,759	9,904
Total Non-Operating Revenues (Expenses)	10,705	(7,920)	1,360	5,759	9,904
Income (Loss) Before Contributions and Transfers	(572,174)	19,783	35,616	(983,512)	(1,500,287)
Transfer in				700,000	700,000
Change in Net Assets	(572,174)	19,783	35,616	(283,512)	(800,287)
Net Assets, beginning of fiscal year	3,384,713	78,360	249,725	9,446	3,722,244
Net Assets (Deficit), end of fiscal year	\$ 2,812,539	\$ 98,143	\$ 285,341	\$ (274,066)	\$ 2,921,957

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**CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

	<u>Equipment Operations</u>	<u>Risk Management</u>
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,108,612	\$ 1,542,574
Payments to suppliers and users	(778,914)	(1,561,262)
Payments to employees	(503,568)	
	<u>(173,870)</u>	<u>(18,688)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Non-capital Financing Activities:		
Transfer from other fund		
Due to/from other funds		
	<u> </u>	<u> </u>
Net Cash Provided by Non-capital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Acquisitions of capital assets/ adjustments	(129,198)	
	<u>(129,198)</u>	<u> </u>
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest received	7,644	(8,951)
	<u>7,644</u>	<u>(8,951)</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(295,424)	(27,639)
Cash and Cash Equivalents, July 1, 2010	<u>1,377,493</u>	<u>480,538</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 1,082,069</u>	<u>\$ 452,899</u>
Cash and Investments on Combining Statement of Net Assets	<u>\$ 1,082,069</u>	<u>\$ 452,899</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (582,879)	\$ 27,703
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	398,705	
(Increase) Decrease in Operating Assets:		
Accounts receivable	18,090	2,565
Increase (Decrease) in Operating Liabilities:		
Claims and judgments payable		(24,053)
Accounts payable	(11,793)	(24,903)
Compensated absences	4,974	
Due to other funds		
Payroll and related liabilities	(967)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (173,870)</u>	<u>\$ (18,688)</u>

Information Technology Operations	Redevelopment Administration	Totals
\$ 874,783	\$ 85,070	\$ 3,611,039
(471,365)	(666,816)	(3,478,357)
(222,939)	(383,941)	(1,110,448)
180,479	(965,687)	(977,766)
	700,000	700,000
	205,858	205,858
	905,858	905,858
(57,245)		(186,443)
(57,245)		(186,443)
688	5,759	5,140
688	5,759	5,140
123,922	(54,070)	(253,211)
156,478	54,070	2,068,579
\$ 280,400	\$ -	\$ 1,815,368
\$ 280,400	\$ -	\$ 1,815,368
\$ 34,256	\$ (989,271)	(1,510,191)
113,252		511,957
	(5,325)	15,330
		(24,053)
31,828	(13,203)	(18,071)
2,471	40,356	47,801
(1,328)	1,756	(539)
\$ 180,479	\$ (965,687)	\$ (977,766)

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