

EUREKA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

June 30, 2007

**EUREKA REDEVELOPMENT AGENCY
EUREKA, CALIFORNIA**

June 30, 2007

AGENCY BOARD MEMBERS

<u>NAME</u>	<u>POSITION</u>
Virginia Bass	Chairperson
Larry Glass	Member
Polly Endert	Member
Jeff Leonard	Member
Chris Kerrigan	Member
Mike Jones	Member

ADMINISTRATION

David W. Tyson	Executive Director
----------------	--------------------

MAILING ADDRESS

531 K Street
Eureka, California 95501-1146
(707)441-4100

EUREKA REDEVELOPMENT AGENCY
Table of Contents
For the Fiscal Year Ended June 30, 2007

Independent Auditor’s Report	1	
Management’s Discussion and Analysis	3	
Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets.....	8	
Statement of Activities.....	9	
Fund Financial Statements:		
Balance Sheet – Governmental Fund.....	10	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.....	11	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	12	
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Statement Analysis.....	13	
Notes to Basic Financial Statements.....	14	
Required Supplemental Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Low and Moderate Income Housing Special Revenue Fund.....	31	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Redevelopment Administration Fund.....	32	
Other Supplemental Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Redevelopment Agency Debt Service Fund.....	33	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Redevelopment Agency Capital Projects Fund.....	34	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards		35

**EUREKA REDEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2007**

As management of the Eureka Redevelopment Agency (the “Agency”), we offer readers of the Agency’s financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information contained within the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the Agency’s basic financial statements. The Agency’s financial statements are comprised of three parts; (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Agency’s finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the Agency’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 Agency is improving or deteriorating.

The Statement of Activities presents information showing changes in the Agency’s net assets during the most recent fiscal year. All changes in net assets are reported when they underlying event giving rise to the change occurs, regardless of the timing of the 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.

The Government-wide Financial Statement can be found starting on page **6** of this report.

Fund Financial Statements

A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency uses four funds within its accounting structure. All four are considered “Major” funds under Government Accounting Standards Board Statement No. 34.

The Low and Moderate Income Housing Fund accounts for the resources that are accumulated and used to help provide low-cost housing and housing rehabilitation to low and moderate income households. This fund’s resources are derived primarily from 20% of the tax increment revenues that are generated through the Agency’s activities.

The Redevelopment Administration Fund accounts for operational costs of the Agency. The activities are supported by loans from the City of Eureka, which are repaid by the Debt Service Fund. This is the first year this fund is being reported in the Eureka Redevelopment Agency Financial Statements.

The Debt Service Fund is used to account for accumulated resources that are used to repay the Agency's debt obligations. The main funding source for the Debt Service Fund is the remaining tax increment revenues available after the 20% allocation to the Low and Moderate Income Housing Fund. The tax increment revenues in this fund may only be used to repay debt obligations of the Agency.

The Capital Projects Fund is used to account for the resources that are accumulated and used to construct capital projects and public improvements that benefit the Agency and the community as a whole. The primary funding sources for the Capital Projects Fund are proceeds from tax allocation bonds and loans from the City of Eureka.

All four of the Agency's funds, when combined, are used to account for the same functions reported as "Governmental Activities" in the government-wide financial statements. Unlike the government-wide financial statements, however, the fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of the fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impacts of the Agency's near-term financial decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in the fund balance presented in the fund financial statements provide a reconciliation to facilitate this comparison to the government-wide statements.

The Fund Financial Statements can be found starting on page **8** of this report.

Government-Wide Financial Analysis

The Agency's net assets as reported on the Statement of Net Assets as of June 30, 2007 were \$4,042,568. The prior year net assets have been restated for various items totaling \$3,698,952. For a further explanation of these prior year adjustments refer to Note 7 on page **26** of this report.

As the Agency uses bond and loan proceeds to make capital improvements, resources recorded as assets (cash) are depleted. The capitalized assets become property of the City of Eureka; however, the associated debt remains with the Agency resulting in the net negative position. It should be noted that almost all of the liabilities of the Agency are long-term in nature and will be amortized over the life of the debt, thereby having little impact on current operations. The current portion of the long-term debt that becomes due annually is planned for each year within the Agency's budgetary process. A summary statement of net assets with comparative amounts from last fiscal year are as follows:

**EUREKA REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ASSETS		
Cash and investments	\$ 5,479,672	\$ 7,987,921
Other current assets	262,451	94,147
Non-current assets	<u>24,209,685</u>	<u>23,041,853</u>
Total Assets	29,951,808	30,234,035
LIABILITIES:		
Current liabilities	362,473	293,511
Non-current liabilities	<u>25,546,767</u>	<u>29,520,166</u>
Total Liabilities	25,909,240	29,813,677
NET ASSETS:		
Restricted	3,389,651	7,783,761
Unrestricted	<u>652,917</u>	<u>(7,363,403)</u>
Total Net Assets	<u>\$ 4,042,568</u>	<u>\$ 420,358</u>

Government-wide Financial Analysis

The Agency's primary source of operating revenues is in the form of property tax increment revenues that are generated as a result of the increase in assessed valuation within the project area from year-to-year. For the fiscal year ended June 30, 2007, tax increment revenues, which are classified as "general revenues", totaled \$4,219,716. Expenses for the Agency as reported on the Statement of Activities totaled \$6,116,459. The majority of these expenses consist of the cost of debt service obligation payments of the Agency, the provision of low and moderate income housing, and general administrative support for the Agency. A summary statement of activities with comparative amounts from last fiscal year follows:

	<u>Fiscal Year Ended</u> <u>June 30, 2007</u>	<u>Fiscal Year Ended</u> <u>June 30, 2006</u>
Program revenues	\$1,230,827	\$ -
Expenses	<u>6,116,459</u>	<u>3,749,263</u>
Net program revenues over (under) expenses	(4,885,632)	(3,749,263)
General revenues and transfer to City of Eureka	<u>4,808,890</u>	<u>3,618,326</u>
Change in net assets	<u>(76,742)</u>	<u>(130,937)</u>
Net assets beginning of fiscal year	<u>420,358</u>	<u>356,224</u>
Prior Period Adjustments - Note 7	<u>3,698,952</u>	<u>195,071</u>
Net assets - beginning of fiscal year as restated	<u>4,119,310</u>	<u>551,295</u>
Net assets end of fiscal year	<u><u>\$ 4,042,568</u></u>	<u><u>\$420,358</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Based on the numbers received from the County of Humboldt, the 2007/2008 assessed value within the City's redevelopment project area is \$460,249,472. When compared to the 1974/1975 base year value of \$74,400,866 incremental growth of \$385,848,606 or 518.6% has been achieved. An estimate of tax increment revenue provided by the County indicates that Eureka Redevelopment Area will receive approximately \$4,347,192 in tax increment revenues for the 2007/2008 fiscal year. In 2006/2007, the County estimate was \$3,976,574 with the Agency actually receiving \$4,245,751 for the year. Of the \$4,347,192 currently estimated for 2007-2008, \$869,438 will be placed into the Low and Moderate Income Housing Fund and an estimated \$179,270 will be paid to the Humboldt County General Fund and Library, Humboldt Bay Water and Harbor Districts, City of Eureka, and County School Districts per the SB 211 pass-through legislation.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information in this report, or requests for additional financial information should be addressed to the Finance Director, City of Eureka, 531 K Street, Eureka, CA, 95501-1146.

EUREKA REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
June 30, 2007

		<u>Governmental Activities</u>
ASSETS:		
Cash and investments	\$	5,479,672
Taxes and accounts receivable		185,230
Interest receivable		77,221
Notes and loans receivable		5,449,285
Land held for resale		4,613,178
Deferred charges - net of accumulated amortization		738,855
Capital assets not being depreciated		4,535,162
Capital assets - net of accumulated depreciation		<u>8,873,205</u>
 Total assets		 <u>29,951,808</u>
LIABILITIES:		
Accounts payable		235,288
Compensated absences payable		14,128
Interest payable		113,057
Due in more than one year		
Advances from the City of Eureka		10,296,767
Loans payable - Eureka Public Financing Authority		<u>15,250,000</u>
 Total liabilities		 25,909,240
NET ASSETS:		
Restricted for:		
Housing		3,389,651
Unrestricted		<u>652,917</u>
 Total Net Assets	 \$	 <u><u>4,042,568</u></u>

See accompanying notes to basis financial statements

**EUREKA REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

		Program Revenue				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			Net (Expense) / Revenue and Changes in Net Assets
Community development	\$ (4,925,629)	\$ -	\$ 1,230,827	\$ -	\$	(3,694,802)
Interest on long-term debt	(1,190,830)					(1,190,830)
Total	\$ (6,116,459)	\$ -	\$ 1,230,827	\$ -		(4,885,632)
 General Revenues						
Taxes:						
Incremental property taxes						4,219,716
Homeowner's property tax relief						14,536
Use of money and property						682,780
Other						3,530
Transfers to the City of Eureka						(111,672)
Total general revenues and transfers						4,808,890
Change in net assets						(76,742)
Net assets - beginning of fiscal year						420,358
Prior period adjustments						3,698,952
Net assets - beginning of fiscal year, as restated						4,119,310
Net assets - end of fiscal year						<u>\$ 4,042,568</u>

See accompanying notes to basis financial statements

**EUREKA REDEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

	Low and Moderate Income Housing Special Revenue Fund	Redevelopment Administration Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 3,351,463	\$ 505,395	\$ 854,817	\$ 767,997	\$ 5,479,672
Taxes and accounts receivable	4,339	90	149,927	30,874	185,230
Interest receivable	40,232	6,352	3,110	27,527	77,221
Notes and loans receivable	4,998,354			450,931	5,449,285
Land held for resale				4,613,178	4,613,178
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>8,394,388</u>	\$ <u>511,837</u>	\$ <u>1,007,854</u>	\$ <u>5,890,507</u>	\$ <u>15,804,586</u>
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 6,383	\$ 49,451	\$ 175,087	\$ 4,367	\$ 235,288
Compensated absences payable		14,128			14,128
Deferred revenue -property taxes			143,611		143,611
Deferred revenue notes and loans receivable	4,998,354			450,931	5,449,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	5,004,737	63,579	318,698	455,298	5,842,312
FUND BALANCES					
Reserved for:					
Land held for resale				4,613,178	4,613,178
Low and moderate income housing	3,389,651				3,389,651
Debt service			689,156		689,156
Unreserved:					
Undesignated		448,258		822,031	1,270,289
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	3,389,651	448,258	689,156	5,435,209	9,962,274
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ <u>8,394,388</u>	\$ <u>511,837</u>	\$ <u>1,007,854</u>	\$ <u>5,890,507</u>	\$ <u>15,804,586</u>

See accompanying notes to basic financial statements

**EUREKA REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Fund Balance - Governmental Fund	\$	9,962,274
----------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of
Net Assets were different because:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds (net of accumulated depreciation)		13,408,367
---	--	------------

The assets and liabilities below are not due and payable in the current period
and therefore are not reported in the Funds:

Prepaid items - deferred charges (net of accumulated amortization)		738,855
Long-term debt		(25,546,767)
Interest payable		(113,057)

Deferred revenue is recognized in the governmental funds for taxes receivable and loans receivable which are not deferred in the governmental wide statements of net assets.		143,611
		5,449,285

Net Assets of Governmental Activities	\$	4,042,568
---------------------------------------	----	-----------

See accompanying notes to basic financial statements

**EUREKA REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007**

	Low and Moderate Income Housing Special Revenue Fund	Redevelopment Administration Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Property tax increment revenue	\$ -	\$ -	\$ 4,127,070	\$ -	\$ 4,127,070
Use of money and property	411,998	57,640	65,785	147,357	682,780
Intergovernmental			14,536		14,536
Other revenues	3,530				3,530
	<u>415,528</u>	<u>57,640</u>	<u>4,207,391</u>	<u>147,357</u>	<u>4,827,916</u>
EXPENDITURES:					
Current:					
Community development	2,011,595	942,409	95,327	42,801	3,092,132
Pass through payments			175,087		175,087
Capital outlay				1,766,707	1,766,707
Interest and fiscal charges			1,119,537		1,119,537
	<u>2,011,595</u>	<u>942,409</u>	<u>1,389,951</u>	<u>1,809,508</u>	<u>6,153,463</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,596,067)</u>	<u>(884,769)</u>	<u>2,817,440</u>	<u>(1,662,151)</u>	<u>(1,325,547)</u>
Proceeds from loans and advances			441,195		441,195
Transfers to the City of Eureka		(11,672)	(1,000,000)	(100,000)	(1,111,672)
Transfers out			(1,909,794)		(1,909,794)
Transfers in	949,453	960,341			1,909,794
	<u>949,453</u>	<u>948,669</u>	<u>(2,468,599)</u>	<u>(100,000)</u>	<u>(670,477)</u>
NET CHANGE IN FUND BALANCES	<u>(646,614)</u>	<u>63,900</u>	<u>348,841</u>	<u>(1,762,151)</u>	<u>(1,996,024)</u>
FUND BALANCES, BEGINNING OF FISCAL YEAR	7,107,327		340,315	7,768,323	15,215,965
PRIOR PERIOD ADJUSTMENTS	<u>(3,071,062)</u>	<u>384,358</u>		<u>(570,963)</u>	<u>(3,257,667)</u>
FUND BALANCES, BEGINNING OF FISCAL YEAR, AS RESTATED	<u>4,036,265</u>	<u>384,358</u>	<u>340,315</u>	<u>7,197,360</u>	<u>11,958,298</u>
FUND BALANCES, END OF FISCAL YEAR	<u>\$ 3,389,651</u>	<u>\$ 448,258</u>	<u>\$ 689,156</u>	<u>\$ 5,435,209</u>	<u>\$ 9,962,274</u>

See accompanying notes to basic financial statements

**EUREKA REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances \$ (1,996,024)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSET TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	369,904
Depreciation expense not reported in governmental funds	(261,607)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Note payable proceeds	(441,195)
Repayment of debt - advances payable to City of Eureka	1,000,000

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred charges - amortization	(71,293)
---------------------------------	----------

ACCRUAL OF NON-CURRENT ITEMS

Amounts included in the Statement of Activities that do not provide the use of current financial resources are not reported as revenue in governmental funds:

Increase in long-term notes receivable	1,230,827
Property taxes	92,646

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (76,742)

See accompanying notes to basic financial statements

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Eureka Redevelopment Agency (Agency) was established in 1970 through an action of the City Council of the City of Eureka and pursuant to the Community Redevelopment laws of the State of California.

The general objectives of the Agency are to eliminate and mitigate existing and anticipated blight within the project area. These objectives are to be attained by the development, or encouragement thereof, of residential and commercial facilities in the project areas.

The Agency is an integral part of the City of Eureka and, accordingly, the accompanying component unit financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

C. Major Funds

Governmental Accounting Standards Board (GASB) Statement No 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or greater than ten percent of the fund-type total and five percent of the grand total. The Agency has determined that all its funds are major funds.

The Agency reported the following major governmental funds in the accompanying financial statements:

Low and Moderate Income Housing Special Revenue Fund- This fund accounts for the portion of City and County tax increment funds received for redevelopment related purposes and set aside for low-and-moderate income housing.

Redevelopment Administration Fund – This fund accounts for the operating costs of the Agency. It is supported by transfers from the Debt Service Fund.

Capital Projects Fund – This fund accounts for redevelopment project capital outlays.

Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting(Continued)

for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency’s policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. Accounting Policies

Revenue

The Agency’s primary source of revenue is property taxes, referred to in the accompanying component unit financial statements as “incremental property taxes”. Property taxes allocated to the Agency are computed in the following manner.

- a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment plan are allocated to the Agency; all taxes on the “frozen” assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on the bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and Federal government, interest income, and the issuance of Agency debt.

Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Humboldt levies, bills, and collects property taxes for the Agency, the County

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property Taxes(Continued)

remits the entire amount collected including interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10 respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

F. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for all governmental funds of the Agency. Appropriations include amounts encumbered at fiscal year end, and these encumbrances are not appropriated in the following fiscal years. All annual appropriations lapse at fiscal year-end. Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers, and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at less than the legal appropriation level may be made by management.

Project length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

Budgetary basis financial statements include non-GAAP revenues and expenditures. Non-GAAP expenditures include encumbrances.

G. Encumbrances

Under encumbrance accounting, purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in the Special Revenue Fund and Capital Projects Fund. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered and unexpended appropriations lapse at fiscal year end, except for capital projects.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash and Investments

The Agency pools cash and investments for most funds. Cash and investments not pooled include loan proceeds held by a trustee, and other amounts required to be segregated by bond indenture or other regulations.

Cash includes not only currency on hand, but deposits in the City’s cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash with trustee includes unpooled cash and both restricted and unrestricted cash and money market funds held by fiscal agents.

Investments include unpooled investments in securities and certificates of deposit having original maturities greater than three months. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments, including those in the Agency’s cash and investment pool, are stated at fair value.

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk due to change in interest rates.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items.

J. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is recorded on a straight-line, half-year convention basis over estimated useful lives of the assets as follows:

Building	30-40 years
Improvements other than buildings	15-50 years
Machinery and equipment	3-20 years

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Advances from City of Eureka

Advances from City of Eureka are loans made by the City for construction of improvements and other projects of the Agency project area. These advances are to be repaid by the Agency's debt service fund, using tax increment revenues.

L. Long-Term Obligation

Government-wide Financial Statements: Long-term debt and other long-term obligations are reported as liabilities in the primary government's governmental activity.

Fund Financial Statements: The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets.

M. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Rather interest expense is simply recorded when it is due or paid.

N. Interfund Transactions

Interfund transactions include transactions among funds of the Agency. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers.

O. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt: This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Assets(Continued)

Restricted Net Assets: This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets: This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

P. Fund Balances – Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Q. Land Held for Resale

The Agency has purchased parcels of land for redevelopment in order to develop or redevelop blighted properties within the city limits of Eureka. Such land parcels are accounted for at the lower of cost, estimated net realizable value, or agreed-upon sales price if a disposition agreement has been made with a developer.

R. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	<u>\$5,479,672</u>
 Total cash and investments	 <u>\$5,479,672</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash and investments pooled with the City of Eureka	\$5,060,921
Investments	<u>418,751</u>
Total cash and investments	<u>\$5,479,672</u>

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment of One Issuer
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
State of California Local Agency Investment Fund (State Pool)	N/A	\$40,000,000	None
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements(Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment of One Issuer
Certificates of Deposit with Banks and Savings & Loans	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months or Less	13- 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool	\$ 418,751	\$ 418,751	\$ -	\$ -	\$ -	\$ -	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency's investments (including investments held by bond trustees) include no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 418,751	N/A	\$ -	\$ -	\$ -	\$ -	\$ 418,751

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer. The Agency has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Agency pools its cash with the City of Eureka including deposits accounts.

As of June 30, 2007, the Agency had no investments that were held by the same broker-dealer (counterparty) that was used by the Agency to buy securities.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

See the City of Eureka's Comprehensive Annual Financial Report for more information relating to custodial credit risk for amounts reported as cash and investments pooled with the City of Eureka.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasury of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – NOTES RECEIVABLE

The Agency loans funds to individuals and businesses to assist in the Agency's purpose; to eliminate blight in the project areas. These notes have various interest rates and maturity dates.

Notes receivable at June 30, 2007 consisted of the following:

Low and Moderate Income Housing Fund	\$4,998,354
Capital Project Fund	<u>450,931</u>
Total	<u>\$5,449,285</u>

These notes are noncurrent and are offset by deferred revenue.

\$561,950 of loans in the Low and Moderate Income Housing Fund represent deferred housing set-aside payments owed to the Low and Moderate Fund by the Debt Service Fund. This is being repaid as tax increment is received annually (\$100,000).

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – INTERFUND ACTIVITY

Transfers

The Agency transfers funds from the Debt Service Fund to the Low and Moderate Housing Fund for its required 20% contribution of tax increment money and to the Redevelopment Administration Fund for operating costs.

Transfers in and out of funds for the fiscal year ended June 30, 2007 are as follows:

	Transfers out	Transfers in
Low and Moderate Income Housing Fund	\$ -	\$ 949,453
Redevelopment Administration Fund		960,341
Debt Service Fund	1,909,794	
	\$ 1,909,794	\$ 1,909,794

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actually historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

The capitalization threshold adopted by the Agency is \$5,000 for furniture, fixtures, improvements, and equipment, and \$50,000 for infrastructure.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – CAPITAL ASSETS(Continued)

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	July 1, 2006 Balance	Additions	Deletions/ Transfers	June 30, 2007 Balance
Capital assets, not being depreciated:				
Land	\$ 1,615,512	\$ -	\$ -	\$ 1,615,512
Construction in progress	2,919,650	369,904	(2,958,804)	330,750
Total capital assets, not being depreciated	<u>4,535,162</u>	<u>369,904</u>	<u>(2,958,804)</u>	<u>1,946,262</u>
Capital assets, being depreciated:				
Buildings	1,031,472		17,760	1,049,232
Improvements	8,734,513		2,941,044	11,675,557
Total capital assets, being depreciated	<u>9,765,985</u>		<u>2,958,804</u>	<u>12,724,789</u>
Less accumulated depreciation for:				
Buildings	(24,334)	(68,230)		(92,564)
Improvements	(976,744)	(193,377)		(1,170,121)
Total accumulated depreciation	<u>(1,001,078)</u>	<u>(261,607)</u>		<u>(1,262,685)</u>
Total capital assets, being depreciated, net	<u>8,764,907</u>	<u>(261,607)</u>	2,958,804	11,462,104
Capital assets, net	<u>\$ 13,300,069</u>	<u>\$ 108,297</u>	<u>\$ -</u>	<u>\$ 13,408,366</u>

Depreciation is charged to community development expense in the Statement of Activities.

NOTE 6 – LONG-TERM DEBT

A. Long-term Debt Activity

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2007	Amount due within one year
Loans Payable - Eureka Public Financing Authority	\$ 15,250,000	\$ -	\$ -	\$ -	\$ 15,250,000	\$ -
Advances Payable – City Of Eureka	<u>14,270,166</u>	<u>441,195</u>	<u>(1,000,000)</u>	<u>(3,414,594)</u>	<u>10,296,767</u>	
Total	<u>\$ 29,520,166</u>	<u>\$ 441,195</u>	<u>\$ (1,000,000)</u>	<u>\$ (3,414,594)</u>	<u>\$ 25,546,767</u>	<u>\$ -</u>

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 – LONG-TERM DEBT(Continued)

B. Loans Payable to Eureka Public Financing Authority

2003 Tax Allocation Revenue Refunding Bonds were issued by the Eureka Public Financing Authority (Authority) in the amount of \$15,250,000. Of the total bonds issued, \$13,140,000 were for refunding the Authority’s outstanding 1993 Tax Allocation Revenue Bonds, and the remaining amount was to finance new activities of the Agency, a fund reserve account, and to pay the costs of issuing the bonds.

Interest rates on this issue of bonded indebtedness vary from 4.0% to 4.8%. The bond issue matures in annual increments with maturity dates on November 1 of each year from 2012 through 2023.

These bonds are secured by a first lien on the pledge of all of the amounts payable by the Agency to the Authority pursuant to loan agreements between the Agency and the Authority, and other revenues specified in the indenture. Each loan agreement is secured by a first pledge of and lien upon all of the moneys held in the Reserve Account established with respect to the related loan. These bonds are payable solely from the revenues discussed in this paragraph and are not secured by the general taxing power of the City of Eureka.

As of June 30, 2007, the outstanding balance on these tax allocation revenue bonds and corresponding loan was \$15,250,000. The annual requirements to amortize the outstanding bonded indebtedness are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 678,342	\$ 678,342
2009		678,342	678,342
2010		678,342	678,342
2011		678,342	678,342
2012		678,342	678,342
2013-2017	5,425,000	2,857,000	8,282,000
2018-2022	6,695,000	1,547,544	8,242,544
2023-2024	3,130,000	151,538	3,281,538
	<u>\$ 15,250,000</u>	<u>\$ 7,947,792</u>	<u>\$ 23,197,792</u>

C. Advances Payable to the City of Eureka

The City of Eureka and the Eureka Redevelopment Agency have entered into various agreements whereby the City will advance funds to the Agency to undertake certain projects.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 – LONG-TERM DEBT (Continued)

C. Advances Payable to the City of Eureka(Continued)

The advances are to be repaid including interest (at varying rates) when funds are available from net tax increment revenues.

NOTE 7 – PRIOR PERIOD ADJUSTMENTS

The Agency recorded the following prior period adjustments in the fund statements:

Low and Moderate Income Housing Special Revenue Fund – (\$3,085,545)

This represents the total of long-term notes receivable recorded as part of fund balance at June 30, 2006. During the current fiscal year, the Agency decided to carry these items as deferred revenue rather than as reserved fund balance and so the prior period adjustment removes the amount from beginning fund balance.

Low and Moderate Income Housing Special Revenue Fund - \$14,483

This represents a liability on the balance sheet as of June 30, 2006. It was the result of an accrual that should have been reversed. The liability was removed from the balance sheet and beginning fund balance was increased by the amount.

Redevelopment Administration Special Revenue Fund - \$417,186

In previous years this fund was not included in the financial statements of the Eureka Redevelopment Agency. This fund did exist to provide administrative operational support for redevelopment activities and was funded by payments made by the Redevelopment Debt Service Fund. The fund was reported as an internal service fund of the City of Eureka, the entity in which the Eureka Redevelopment Agency appears as a blended component unit. Because the activities accounted for in the Redevelopment Administration Fund are solely for the benefit of the Eureka Redevelopment Agency, it is now being included in the Eureka Redevelopment Agency financial statements as a special revenue fund. The prior period adjustment represents the beginning fund balance based on the prior year ending balance of the fund as it appeared in the City of Eureka financial statements.

Redevelopment Administration Special Revenue Fund – (\$32,828)

In a prior year, wages that should have been paid from this fund were paid from a fund of the City of Eureka. This reduction in beginning balance accounts for the correction of that error.

Capital Projects Fund – (\$570,963)

This represents the total of long-term notes receivable recorded as part of fund balance at June 30, 2006. During the current fiscal year, the Agency decided to carry these items as deferred revenue rather than as reserved fund balance and so the prior period adjustment removes the amount from beginning fund balance.

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – PRIOR PERIOD ADJUSTMENTS (Continued)

The Agency recorded the following prior period adjustments in the entity-wide statements:

Redevelopment Administration Special Revenue Fund - \$417,186
 Redevelopment Administration Special Revenue Fund – (\$32,828)

Low and Moderate Income Housing Special Revenue Fund – (\$3,085,545)
 Capital Projects Fund – (\$570,963)

Low and Moderate Income Housing Special Revenue Fund - \$14,483

These adjustments to the fund beginning balance were backed out of the entity-wide prior period adjustment total because this amount was already adjusted to entity-wide net assets in a prior period.

Capital Projects Fund – (\$100,000)

This amount represents a change in the beginning balance of a long-term note receivable that was moved out of equity on the fund statement in the current year prior period adjustment, but was already adjusted to entity-wide net assets in a prior period.

\$3,414,594 - This amount represents a reduction in Advances payable to the City of Eureka due to correction of a calculation error that was detected during the year.

The table below recaps the prior period adjustments for the fund statement and entity-wide statement presentations.

	Fund Statements	Entity-wide statements
<u>Prior Period Adjustments</u>		
Redevelopment Administration Fund beginning balance	\$417,186	\$417,186
Adjust prior year for wages	(32,828)	(32,828)
Adjust Note Receivable out of equity	(3,085,545)	
Adjust Note Receivable out of equity	(570,963)	
Remove liability that should have been reversed in prior year	14,483	
Adjust Note Receivable for prior year		(100,000)
Correction to balance in Advances payable to City of Eureka		3,414,594
	\$3,257,667	\$3,698,952

EUREKA REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Employees paid by the Redevelopment Administration Special Revenue fund are employees of the City of Eureka. These employees are participants in the State of California PERS. Full disclosure on the City's PERS plan, including actuarial information and other data required by GASB No.27, appears in the financial statements of the City of Eureka

NOTE 9 – COMMITMENTS AND CONTINGENCIES

There are certain claims against the Agency which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

NOTE 10 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Agency reported excess expenditures over appropriations in the amount of \$52,087 in the pass through payments in the debt service fund.

NOTE 11 – NET ASSETS

Restricted net assets on the Statement of Net Assets are for low and moderate income housing. These restricted assets are not restricted by enabling legislation (California Health and Safety Code).

**EUREKA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 63,000	\$ 63,000	\$ 411,998	\$ 348,998
Other revenues			3,530	3,530
Total revenues	<u>63,000</u>	<u>63,000</u>	<u>415,528</u>	<u>352,528</u>
EXPENDITURES:				
Current				
Low & moderate income housing operations	<u>2,186,509</u>	<u>3,169,059</u>	<u>2,011,595</u>	<u>(1,157,464)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,123,509)</u>	<u>(3,106,059)</u>	<u>(1,596,067)</u>	<u>1,509,992</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>788,750</u>	<u>949,253</u>	<u>949,453</u>	<u>200</u>
NET CHANGE IN FUND BALANCE	<u>(1,334,759)</u>	<u>(2,156,806)</u>	<u>(646,614)</u>	<u>1,510,192</u>
FUND BALANCE, BEGINNING OF FISCAL YEAR	7,107,327	7,107,327	7,107,327	
PRIOR PERIOD ADJUSTMENTS			<u>(3,071,062)</u>	<u>(3,071,062)</u>
FUND BALANCE, BEGINNING OF FISCAL YEAR, AS RESTATED	<u>7,107,327</u>	<u>7,107,327</u>	<u>4,036,265</u>	<u>(3,071,062)</u>
FUND BALANCE, END OF FISCAL YEAR	<u>\$ 5,772,568</u>	<u>\$ 4,950,521</u>	<u>\$ 3,389,651</u>	<u>\$ (1,560,870)</u>

**EUREKA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT ADMINISTRATION FUND
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	GAAP Basis
	Original	Final			
REVENUES:					
Use of money and property	\$ 2,000	\$ 2,000	\$ 57,640	\$ 55,640	\$ 57,640
Charges for services	1,233,512	1,233,512	960,341	(273,171)	
Total revenues	<u>1,235,512</u>	<u>1,235,512</u>	<u>1,017,981</u>	<u>(217,531)</u>	<u>57,640</u>
EXPENDITURES:					
Current					
Administration	<u>1,010,388</u>	<u>1,117,095</u>	<u>942,409</u>	<u>(174,686)</u>	<u>942,409</u>
Total Expenditures	<u>1,010,388</u>	<u>1,117,095</u>	<u>942,409</u>	<u>(174,686)</u>	<u>942,409</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>225,124</u>	<u>118,417</u>	<u>75,572</u>	<u>(42,845)</u>	<u>\$ (884,769)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					960,341
Transfers out		<u>(43,900)</u>	<u>(11,672)</u>	<u>32,228</u>	<u>(11,672)</u>
Total Other Financing Sources (Uses)		<u>(43,900)</u>	<u>(11,672)</u>	<u>32,228</u>	<u>948,669</u>
NET CHANGE IN FUND BALANCE	225,124	74,517	63,900	(10,617)	63,900
FUND BALANCE, BEGINNING OF FISCAL YEAR	<u>417,186</u>	<u>417,186</u>	<u>417,186</u>		<u>417,186</u>
PRIOR PERIOD ADJUSTMENTS			<u>(32,828)</u>	<u>(32,828)</u>	<u>(32,828)</u>
FUND BALANCE, BEGINNING OF FISCAL YEAR, AS RESTATED	417,186	417,186	384,358	(32,828)	384,358
FUND BALANCE, END OF FISCAL YEAR	<u>\$ 642,310</u>	<u>\$ 491,703</u>	<u>\$ 448,258</u>	<u>\$ (43,445)</u>	<u>\$ 448,258</u>

**EUREKA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Incremental property tax	\$ 3,936,757	\$ 3,936,757	\$ 4,127,070	\$ 190,313
Use of money and property	30,740	30,740	65,785	35,045
Intergovernmental	6,996	6,996	14,536	7,540
Total Revenues	3,974,493	3,974,493	4,207,391	232,898
EXPENDITURES:				
Current:				
Redevelopment operations	90,000	101,500	95,327	(6,173)
Pass through payments	123,000	123,000	175,087	52,087
Debt Service:				
Interest and fiscal charges	2,209,312	2,227,654	1,119,537	(1,108,117)
Total Expenditures	2,422,312	2,452,154	1,389,951	(1,062,203)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,552,181	1,522,339	2,817,440	1,295,101
OTHER FINANCING SOURCES (USES)				
Proceeds from advances and loans			(558,805)	(558,805)
Transfers out	(5,152,091)	(5,312,594)	(1,909,794)	3,402,800
Total Other Financing Sources (Uses)	(5,152,091)	(5,312,594)	(2,468,599)	2,843,995
NET CHANGE IN FUND BALANCE	(3,599,910)	(3,790,255)	348,841	4,139,096
FUND BALANCE, BEGINNING OF FISCAL YEAR	340,315	340,315	340,315	-
FUND BALANCE, END OF FISCAL YEAR	\$ (3,259,595)	\$ (3,449,940)	\$ 689,156	\$ 4,139,096

**EUREKA REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 54,100	\$ 54,100	\$ 147,357	\$ 93,257
Total Revenues	<u>54,100</u>	<u>54,100</u>	<u>147,357</u>	<u>93,257</u>
EXPENDITURES:				
Current				
Redevelopment agency operations		214,537	42,801	171,736
Capital outlay	<u>2,213,458</u>	<u>2,767,650</u>	<u>1,766,707</u>	<u>1,000,943</u>
Total Expenditures	<u>2,213,458</u>	<u>2,982,187</u>	<u>1,809,508</u>	<u>1,172,679</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,159,358)</u>	<u>(2,928,087)</u>	<u>(1,662,151)</u>	<u>1,265,936</u>
OTHER FINANCIAL SOURCES (USES)				
Transfers to the City of Eureka	(100,000)	(100,000)	(100,000)	
Transfers in	<u>4,363,341</u>	<u>4,363,341</u>		<u>(4,363,341)</u>
Total Other Financing Sources (uses)	<u>4,263,341</u>	<u>4,263,341</u>	<u>(100,000)</u>	<u>(4,363,341)</u>
NET CHANGE IN FUND BALANCE	<u>2,103,983</u>	<u>1,335,254</u>	<u>(1,762,151)</u>	<u>(3,097,405)</u>
FUND BALANCE, BEGINNING OF FISCAL YEAR	7,768,323	7,768,323	7,768,323	
PRIOR PERIOD ADJUSTMENTS			<u>(570,963)</u>	<u>(570,963)</u>
FUND BALANCE, BEGINNING OF FISCAL YEAR RESTATED	<u>7,768,323</u>	<u>7,768,323</u>	<u>7,197,360</u>	<u>(570,963)</u>
FUND BALANCE, END OF FISCAL YEAR	<u>\$ 9,872,306</u>	<u>\$ 9,103,577</u>	<u>\$ 5,435,209</u>	<u>\$ (3,668,368)</u>