

**CITY OF EUREKA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**CITY OF EUREKA  
ANNUAL FINANCIAL REPORT  
June 30, 2012**

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## **INTRODUCTORY SECTION**




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March 7, 2012

To the People of the City of Eureka  
 Represented by the Honorable Mayor and Members of City Council of the City of Eureka

Local and state statutes require that the City of Eureka issue a report on its financial position and activity following the close of each fiscal year. In addition, this report must be audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the basic financial statements of the City of Eureka for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Eureka's financial statements have been audited by Moss, Levy & Hartzheim, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Eureka for the fiscal year ended June 30, 2012, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the City of Eureka's financial statements for the fiscal year ended June 30, 2012, are fairly presented with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The audit was also designed to meet the requirements of the Federal Single Audit Act as amended in 1996, and related OMB Circular A-133, *Audits of States; Local Governments; and Non-Profit Organizations* (68 FR 38401).

GAAP for State and Local governments requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City has not presented the MD&A that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

#### PROFILE OF CITY OF EUREKA

##### General information

The City of Eureka is a charter City, incorporated as a town on April 18, 1856, under a special act of the legislature; reincorporated as a City on February 19, 1874; and incorporated under a Freeholders Charter on February 8, 1895. The City has been declared a State Historic Site because of its significance in the development of California. The city operates under a Council – Manager form of government with a five-member Council elected to four year overlapping terms, and the Mayor being elected for a four year term. The position of City Manager is filled by appointment of the Council to serve as Administrator of the Staff, and to carry out the policies of the Council. The City Attorney and City Clerk are also appointed by the Council.

The City of Eureka is located along Humboldt Bay (California's second largest deep-water port), on the Northern California coast, 280 miles north of San Francisco, and 450 miles south of Portland, Oregon. Eureka is also the county seat for the County of Humboldt. The City has an approximate population of 26,002 and its boundaries encompass 11 square miles. Extracting timber and the processing of wood byproducts, along with agriculture, fishing, tourism, and government have historically been the pillars of the local economy.

The City of Eureka provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and various recreational activities. With state-wide dissolution of the Redevelopment Agencies, the City of Eureka serves as the Successor Agency to the former Eureka Redevelopment Agency.

##### Reporting Entity and Its Services

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Eureka, including the Eureka Public Financing Authority, are also accounted for in this City's financial statements in Accordance with the Government Accounting Standards board (GASB) Statement No. 14  
*The Financial Reporting Entity.*

Eureka is a full service city with 272 authorized full-time and regular part-time personnel. This includes public safety (Police and Fire), Highways and streets, public improvements, land use, building and housing standards, culture - recreation programs, parks and recreation areas, water, harbor and sewer utilities, public transit, and administration and fiscal services.

#### Accounting System and Budgetary Control

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenue, Expenditures and Changes in Net Assets presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period.

Annual appropriated budgets are adopted for all funds of the City except agency funds. All annual appropriations lapse at fiscal year end. Any encumbrances not fully expended at year end are closed. Legally adopted budgetary appropriations are enacted by fund at the department 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 the legal appropriation level must be approved by City Council. 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. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council.

#### ECONOMIC CONDITIONS AND OUTLOOK

The growth and health of Eureka's economy can be traced to a variety of indicators.

**Retail Sales** - Shopping districts are abundant throughout the City of Eureka. There is a traditional downtown region offering over 700 retail and service related businesses. Old Town Eureka contains 150 specialty shops in a redeveloped Victoria waterfront setting. The Eureka Mall is a large center with 16 stores, and the Bayshore Mall is a regional mall with approximately 100 stores. This multitude of retail opportunities strengthens Eureka's dominance as a regional trade center and is clearly supported by the fact that the City has higher retail sales for taxable items per capita than other cities in the Humboldt County area. Sales tax for fiscal year 2011-12 decreased 4.5 percent, compared to the previous year.

**Hospitality** - The City of Eureka is a popular California tourism destination and contains approximately 40 hotels, motels and inns. The City's Transient Occupancy Tax remains a strong revenue source. Fiscal year 2011-12 revenue from TOT increased, indicating a rebound in hotel/motel occupancy, showing an increase of 7.5% over the previous year. Eureka has been designated as one of 42 Enterprise Zones in the State of California, providing existing, new, and expanding businesses with numerous economic benefits and tax incentives.

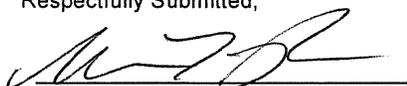
#### Long-Term Financial Planning

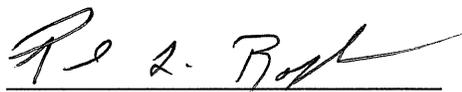
The City, in fiscal year 2012-13, expects the local economy to remain stable, but given the uncertainty in both the state and national economies, continues to monitor the situation closely in order to react and adjust in the most fiscally prudent manner. To date, Sales Tax revenues for 2012-13 are coming in slightly higher than anticipated, and sales are projected to be even stronger in fiscal 2013-2014.

#### Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Finance Department. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible manner. Finally we recognize and appreciate the work of the members of the Finance Advisory Committee.

Respectfully Submitted,

  
William T. Panos  
City Manager

  
Paul L. Rodrigues  
Finance Director

## **FINANCIAL SECTION**



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Eureka  
Eureka, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis – not presented and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, Low and Moderate Income Housing Special Revenue Fund, and the Schedule of Funding Progress – Local Employees' Retirement System on pages 71 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eureka's basic financial statements as a whole. The Introductory Section, Schedule of Revenues, Expenditures, and Changes in Funds Balance – Budget and Actual – Redevelopment Agency Debt Service Fund, Combining and Individual Fund Financial Statements for the Nonmajor Governmental Funds, Internal Service Funds, Trust and Agency Funds, Nonmajor Fund Budgetary Comparison Schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Funds Balance – Budget and Actual – Redevelopment Agency Debt Service Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Internal Service Funds, Trust and Agency Funds, and Nonmajor Fund Budgetary Comparison Schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Moss, Levy & Hartzheim*

Moss, Levy and Hartzheim, LLP  
Culver City, California  
March 22, 2013

**CITY OF EUREKA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,524,546	\$ 5,588,899	\$ 11,113,445
Cash and investments with fiscal agents		25,595,984	25,595,984
Accounts receivable	5,235,678	2,935,993	8,171,671
Interest receivable	1,276,273	16,122	1,292,395
Prepaid items	573,233	96,148	669,381
Inventory		1,663	1,663
Notes and loans receivable	10,644,290		10,644,290
Internal balances	(389,589)	389,589	
Land held for resale	524,368		524,368
Deferred charges, net of accumulated amortization		687,032	687,032
Due from RDA Successor Agency	675,979	5,146,773	5,822,752
Net pension asset	791,095		791,095
Capital assets, not being depreciated	33,938,448	24,741,807	58,680,255
Capital assets, net of accumulated depreciation	40,543,450	52,448,693	92,992,143
	<u>99,337,771</u>	<u>117,648,703</u>	<u>216,986,474</u>
<b>LIABILITIES</b>			
Accounts payable	1,344,054	1,207,089	2,551,143
Payroll and related liabilities	397,070	99,254	496,324
Deposits payable	77,159	182,644	259,803
Accrued interest payable	30,278	488,550	518,828
Claims and judgments payable	140,340		140,340
Deferred revenue	314,208	72	314,280
Noncurrent liabilities:			
Due within one year	1,878,996	1,604,987	3,483,983
Due in more than one year	516,056	41,877,433	42,393,489
	<u>4,698,161</u>	<u>45,460,029</u>	<u>50,158,190</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	73,735,755	34,636,218	108,371,973
Restricted for:			
Public safety	772,115		772,115
Streets and roads	1,148,809		1,148,809
Projects		25,595,984	25,595,984
Public health	8,376		8,376
Housing	14,809,855		14,809,855
Airport	203,019		203,019
Unrestricted	3,961,681	11,956,472	15,918,153
	<u>\$ 94,639,610</u>	<u>\$ 72,188,674</u>	<u>\$ 166,828,284</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,312,756	\$ 2,465,528	\$ 60,454	\$ -
Community development	2,091,087	180,954	869,431	
Public safety	17,199,265	853,818	591,998	
Public works	6,995,378	640,947	875,597	369,854
Parks and recreation	2,547,945	972,891		
Interest on long-term debt	585,265			
Total Governmental	<u>33,731,696</u>	<u>5,114,138</u>	<u>2,397,480</u>	<u>369,854</u>
Business-type activities:				
Water	6,027,265	6,329,690		
Wastewater	6,616,107	6,389,510		3,420,342
Harbor	1,130,664	779,144		
Building	791,204	522,817		
Transit	2,120,479	1,974,494		
Golf	12,451	22,980		
Total Business-type Activities	<u>16,698,170</u>	<u>16,018,635</u>		<u>3,420,342</u>
Total	<u>\$ 50,429,866</u>	<u>\$ 21,132,773</u>	<u>\$ 2,397,480</u>	<u>\$ 3,790,196</u>

General Revenues:

Property taxes  
Sales taxes  
Franchise fees  
Motor vehicle in-lieu, unrestricted  
Transient occupancy taxes  
Business license tax  
Investment earnings  
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets before Extraordinary Item

Extraordinary item - Gain on Transfer of Assets  
and Liabilities to RDA Successor Trust Funds

Change in Net Assets

Net assets - beginning of fiscal year

Prior period adjustments

Net Assets - beginning of fiscal year, restated

Net Assets - end of fiscal year

The notes to the basic financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,786,774)	\$ -	\$ (1,786,774)
(1,040,702)		(1,040,702)
(15,753,449)		(15,753,449)
(5,108,980)		(5,108,980)
(1,575,054)		(1,575,054)
(585,265)		(585,265)
<u>(25,850,224)</u>		<u>(25,850,224)</u>
	302,425	302,425
	3,193,745	3,193,745
	(351,520)	(351,520)
	(268,387)	(268,387)
	(145,985)	(145,985)
	10,529	10,529
	<u>2,740,807</u>	<u>2,740,807</u>
<u>(25,850,224)</u>	<u>2,740,807</u>	<u>(23,109,417)</u>
6,063,480		6,063,480
14,476,846		14,476,846
853,047		853,047
13,498		13,498
2,019,361		2,019,361
237,286		237,286
61,875	154,388	216,263
1,198,577		1,198,577
260,267	(260,267)	
<u>25,184,237</u>	<u>(105,879)</u>	<u>25,078,358</u>
<u>(665,987)</u>	<u>2,634,928</u>	<u>1,968,941</u>
<u>18,731,372</u>		<u>18,731,372</u>
<u>18,065,385</u>	<u>2,634,928</u>	<u>20,700,313</u>
76,488,123	69,483,908	145,972,031
86,102	69,838	155,940
<u>76,574,225</u>	<u>69,553,746</u>	<u>146,127,971</u>
<u>\$ 94,639,610</u>	<u>\$ 72,188,674</u>	<u>\$ 166,828,284</u>

**CITY OF EUREKA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2012**

	General	Low and Moderate Income Housing	Redevelopment Agency Low and Moderate Income Housing
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	3,953,952		
Interest receivable	1,111		
Prepaid items	238,434		
Notes and loans receivable		8,609,550	
Due from other funds	1,883,680		
Due from RDA Successor Agency	19,878		
Advances to RDA Successor Agency		656,101	
Advances to other funds			
Land held for resale		524,368	
Total Assets	<u>\$ 6,097,055</u>	<u>\$ 9,790,019</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 756,599	\$ -	\$ -
Due to other funds	1,553,496		
Deposits payable	77,009		
Payroll and related liabilities	356,395		
Deferred revenue	1,026,620	8,609,550	
Advances from other funds	34,605		
Total Liabilities	<u>3,804,724</u>	<u>8,609,550</u>	
Fund Balances:			
Nonspendable:			
Prepaid expenditures	238,434		
Restricted		1,180,469	
Unassigned	2,053,897		
Total Fund Balances	<u>2,292,331</u>	<u>1,180,469</u>	
Total Liabilities and Fund Balances	<u>\$ 6,097,055</u>	<u>\$ 9,790,019</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement

Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,570,792	\$ 3,570,792
	1,276,922	5,230,874
	8,507	9,618
	250,000	488,434
	2,034,740	10,644,290
		1,883,680
		19,878
		656,101
	34,605	34,605
		524,368
<u>\$ -</u>	<u>\$ 7,175,566</u>	<u>\$ 23,062,640</u>
\$ -	\$ 393,071	\$ 1,149,670
	706,773	2,260,269
	150	77,159
	21,565	377,960
	2,981,636	12,617,806
	13,000	47,605
	<u>4,116,195</u>	<u>16,530,469</u>
		238,434
	3,777,185	4,957,654
	(717,814)	1,336,083
	<u>3,059,371</u>	<u>6,532,171</u>
<u>\$ -</u>	<u>\$ 7,175,566</u>	<u>\$ 23,062,640</u>

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**CITY OF EUREKA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENTS OF NET ASSETS**  
**June 30, 2012**

Fund balances of governmental funds		\$ 6,532,171
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p> <p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Capital assets	\$ 150,549,421	
Less: accumulated depreciation	<u>(76,067,523)</u>	74,481,898
<p>Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>		
		(30,278)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.          (Does not include Internal Service Funds)</p>		
Compensated absences	(1,648,909)	
Capital lease payable	<u>(746,143)</u>	(2,395,052)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (net capital assets and compensated absences payable, reported above in the amount of \$1,834,356 and (\$46,048) respectively.).</p>		
		1,694,696
<p>In governmental funds, other long-term assets include accounts receivable and interest receivable on taxes and accounts receivable are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue.</p>		
		12,303,598
<p>Net pension asset was not current financial resources. Therefore, it was not reported in the Governmental Funds Balance Sheet. This amount is to be amortized in accordance with GASB No.27 and 45.</p>		
		791,095
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures:</p>		
Interest receivable on loans receivable		<u>1,261,482</u>
Net assets of governmental activities		<u>\$ 94,639,610</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2012**

	General	Low and Moderate Income Housing	Redevelopment Agency Low and Moderate Income Housing
<b>REVENUES</b>			
Taxes	\$ 17,929,150	\$ -	\$ -
Licenses, permits, and fees	941,485		
Fines and penalties	187,496		
Investment income	11,309		10,810
Intergovernmental	2,266,329		
Charges for services	4,011,430		452
Other revenues	955,279	717,669	36,387
<b>Total Revenues</b>	<b>26,302,478</b>	<b>717,669</b>	<b>47,649</b>
<b>EXPENDITURES</b>			
Current:			
General government	3,625,791		
Public safety	16,343,355		
Public works	2,187,415		
Community development	661,489		194,497
Culture and recreation	2,550,073		
Capital outlay	817,306		
Debt service:			
Principal payments	199,083		
Interest and fiscal charges	41,788		
<b>Total Expenditures</b>	<b>26,426,300</b>		<b>194,497</b>
Excess of Revenues Over (Under) Expenditures	(123,822)	717,669	(146,848)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	380,000		
Transfers out	(102,962)		
<b>Total Other Financing Sources (Uses)</b>	<b>277,038</b>		
Net Change in Fund Balances Before Special Items and Extraordinary Items	153,216	717,669	(146,848)
<b>SPECIAL ITEM</b>			
Gain/(Loss) on Transfer of Redevelopment Agency Housing Assets		462,800	(462,800)
<b>EXTRAORDINARY ITEM</b>			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds			(1,155,925)
<b>Net Changes in Fund Balances</b>	<b>153,216</b>	<b>1,180,469</b>	<b>(1,765,573)</b>
Fund Balances (Deficits), beginning of fiscal year	2,062,218		1,765,573
Prior Period Adjustments	76,897		
Fund Balances (Deficits), beginning of fiscal year, restated	2,139,115		1,765,573
<b>Fund Balances, end of fiscal year</b>	<b>\$ 2,292,331</b>	<b>\$ 1,180,469</b>	<b>\$ -</b>

The notes to the basic financial statements are an integral part of this statement

Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 2,434,104	\$ -	\$ 20,363,254
	61,023	1,002,508
	230,036	417,532
3,859	(9,562)	16,416
7,946	2,464,622	4,738,897
	124,186	4,136,068
	624,708	2,334,043
<u>2,445,909</u>	<u>3,495,013</u>	<u>33,008,718</u>
	3,097	3,628,888
	576,693	16,920,048
	958,979	3,146,394
71,468	846,368	1,773,822
		2,550,073
	2,334,580	3,151,886
106,332	21,396	326,811
74,090	644,348	760,226
<u>251,890</u>	<u>5,385,461</u>	<u>32,258,148</u>
<u>2,194,019</u>	<u>(1,890,448)</u>	<u>750,570</u>
567,031	648,202	1,595,233
(1,297,054)	(872,062)	(2,272,078)
<u>(730,023)</u>	<u>(223,860)</u>	<u>(676,845)</u>
1,463,996	(2,114,308)	73,725
<u>1,929,279</u>	<u>(5,386,648)</u>	<u>(4,613,294)</u>
<u>3,393,275</u>	<u>(7,500,956)</u>	<u>(4,539,569)</u>
(3,393,275)	10,560,327	10,994,843
		76,897
<u>(3,393,275)</u>	<u>10,560,327</u>	<u>11,071,740</u>
<u>\$ -</u>	<u>\$ 3,059,371</u>	<u>\$ 6,532,171</u>

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**CITY OF EUREKA  
RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

**NET CHANGES IN FUND BALANCES** **\$ (4,539,569)**

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

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

Capital outlay expenditures are therefore added back to fund balances	\$ 1,106,813	
Depreciation expense not reported in governmental funds	(2,853,184)	
Book value of capital assets sold	<u>(303,059)</u>	(2,049,430)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal	326,811	
Amortization of deferred charges	(14,159)	
Amortization of deferred loss on refunding	(35,467)	
Amortization of bond discount	<u>(2,419)</u>	274,766

Notes receivable issued are expenditures, and principal payments on notes receivable are a revenue in the governmental funds; however, in the government-wide statements, these transactions increase or decrease the notes receivable and accrue interest on notes receivable.

Interest receivable	(25,301)	
Notes receivable	<u>(84,726)</u>	(110,027)

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

Interest payable	227,006	
Compensated absences	<u>(196,376)</u>	30,630

Revenues that were not collected within 60 days of the fiscal year end and did not meet the revenue recognition criteria in the Fund Financial Statements are recognized as revenue in the Government-Wide Financial Statements	254,217
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Changes in net pension asset did not require the use of current financial resources or meet revenue recognition criteria in the Fund Financial Statements and therefore are not reported in governmental funds	202,093
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Difference in the gain/loss on transfer of assets and liabilities to RDA successor trust funds between the governmental activities and the fund financial statements.	23,344,666
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. (net capital assets and compensated absences reported above in the amount of \$318,377 and \$55,547 respectively)	<u>658,039</u>
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 18,065,385**

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2012**

<b>ASSETS</b>	Enterprise Funds		
	Water	Wastewater	Harbor
<b>Current Assets:</b>			
Cash and investments	\$ 4,727,079	\$ 657,395	\$ -
Cash and investments with fiscal agents	9,638,338	15,957,646	
Accounts receivable - net	722,711	1,508,629	62,752
Interest receivable	15,454	3,342	(2,749)
Prepaid items		1,148	95,000
Inventory			
Due from other funds	1,553,496		
Total current assets	16,657,078	18,128,160	155,003
<b>Noncurrent Assets:</b>			
Deferred charges, net of accumulated amortization	487,484	199,548	
Advances to RDA Successor Agency	491,288	4,655,485	
Advances to other funds		25,748	
Total noncurrent assets	978,772	4,880,781	
<b>Capital Assets:</b>			
<b>Nondepreciable</b>			
Land	1,052,115	5,073,142	5,155,468
Construction in progress	2,436,554	10,378,465	30,347
Total nondepreciable capital assets	3,488,669	15,451,607	5,185,815
<b>Depreciable</b>			
Infrastructure	9,906,433	4,655,482	
Buildings	377,026	5,768,175	4,646,614
Improvements	5,004,225	19,974,600	10,577,025
Equipment	16,078,818	32,354,140	1,116,705
Total depreciable capital assets	31,366,502	62,752,397	16,340,344
Less accumulated depreciation	(11,922,442)	(40,346,620)	(7,406,950)
Net depreciable capital assets	19,444,060	22,405,777	8,933,394
Total capital assets, net	22,932,729	37,857,384	14,119,209
Total capital and noncurrent assets	23,911,501	42,738,165	14,119,209
Total Assets	\$ 40,568,579	\$ 60,866,325	\$ 14,274,212

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ -	\$ -	\$ 204,425	\$ 5,588,899	\$ 1,953,754
			25,595,984	
383,275	258,626		2,935,993	4,804
(1,313)	883	505	16,122	5,173
			96,148	84,799
	1,663		1,663	
			1,553,496	
<u>381,962</u>	<u>261,172</u>	<u>204,930</u>	<u>35,788,305</u>	<u>2,048,530</u>
			687,032	
			5,146,773	
<u>13,000</u>			<u>38,748</u>	
<u>13,000</u>			<u>5,872,553</u>	
		418,075	11,698,800	
	78,683	118,958	13,043,007	
	78,683	537,033	24,741,807	
			14,561,915	
		50,244	10,842,059	429,246
		243,087	35,798,937	31,236
<u>63,450</u>	<u>3,155,460</u>		<u>52,768,573</u>	<u>7,369,001</u>
63,450	3,155,460	293,331	113,971,484	7,829,483
<u>(50,478)</u>	<u>(1,558,927)</u>	<u>(237,374)</u>	<u>(61,522,791)</u>	<u>(5,995,127)</u>
<u>12,972</u>	<u>1,596,533</u>	<u>55,957</u>	<u>52,448,693</u>	<u>1,834,356</u>
<u>12,972</u>	<u>1,675,216</u>	<u>592,990</u>	<u>77,190,500</u>	<u>1,834,356</u>
<u>25,972</u>	<u>1,675,216</u>	<u>592,990</u>	<u>83,063,053</u>	<u>1,834,356</u>
<u>\$ 407,934</u>	<u>\$ 1,936,388</u>	<u>\$ 797,920</u>	<u>\$ 118,851,358</u>	<u>\$ 3,882,886</u>

(Continued)

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2012  
 (Continued)**

<b>LIABILITIES</b>	Enterprise Funds		
	Water	Wastewater	Harbor
<b>Current Liabilities:</b>			
Accounts payable	\$ 345,911	\$ 779,356	\$ 73,218
Payroll and related liabilities	31,694	48,857	8,007
Deposits payable	153,102		29,542
Due to other funds			619,305
Deferred revenue	72		
Accrued interest payable	176,442	227,943	84,165
Claims and judgments payable			
Loan payable, current portion			82,467
Bonds payable, current portion	515,000	395,000	95,000
Capital lease payable, current portion	289,243		
Compensated absences, current portion	98,029	112,532	13,687
Unamortized premium, current portion	16,643	5,237	
Deferred loss on refunding, current portion	(34,709)		
Total current liabilities	1,591,427	1,568,925	1,005,391
<b>Noncurrent Liabilities:</b>			
Capital lease payable	1,282,723		
Loan payable			1,957,890
Advances from other funds			25,748
Bonds payable	19,430,000	18,920,000	205,000
Unamortized premium	300,597	206,412	
Deferred loss on refunding	(425,189)		
Total noncurrent liabilities	20,588,131	19,126,412	2,188,638
Total Liabilities	22,179,558	20,695,337	3,194,029
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,045,905	18,530,283	11,778,852
Restricted for projects	9,638,338	15,957,646	
Unrestricted	6,704,778	5,683,059	(698,669)
Total Net Assets (Deficits)	\$ 18,389,021	\$ 40,170,988	\$ 11,080,183

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 6,467	\$ 1,608	\$ 529	\$ 1,207,089	\$ 194,384
10,598		98	99,254	19,110
			182,644	
530,068	27,534		1,176,907	
			72	
			488,550	140,340
			82,467	
			1,005,000	
			289,243	
16,490		368	241,106	46,048
			21,880	
			(34,709)	
<u>563,623</u>	<u>29,142</u>	<u>995</u>	<u>4,759,503</u>	<u>399,882</u>
			1,282,723	
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			507,009	
			(425,189)	
			41,903,181	
<u>563,623</u>	<u>29,142</u>	<u>995</u>	<u>46,662,684</u>	<u>399,882</u>
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			25,748	
			38,555,000	
			507,009	
			(425,189)	

**CITY OF EUREKA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds		
	Water	Wastewater	Harbor
Operating Revenues:			
Charges for services	\$ 6,317,554	\$ 5,286,538	\$ 669,767
Other operating revenues	12,136	1,102,972	109,377
Intergovernmental			
Total Operating Revenues	<u>6,329,690</u>	<u>6,389,510</u>	<u>779,144</u>
Operating Expenses:			
Purchase of water	1,695,956		
Maintenance and operation	2,690,603	4,133,700	624,108
Administration	234,527	311,237	22,890
Insurance costs and claims	55,594	71,733	17,801
Depreciation	730,308	1,187,984	351,894
Total Operating Expenses	<u>5,406,988</u>	<u>5,704,654</u>	<u>1,016,693</u>
Operating Income (Loss)	<u>922,702</u>	<u>684,856</u>	<u>(237,549)</u>
Non-Operating Revenues (Expenses):			
Investment income	75,739	89,342	(14,608)
Interest expense	(620,277)	(911,453)	(113,971)
Intergovernmental		3,420,342	
Total Non-Operating Revenue (Expense)	<u>(544,538)</u>	<u>2,598,231</u>	<u>(128,579)</u>
Income (Loss) Before Transfers	378,164	3,283,087	(366,128)
Transfers in			274,407
Transfers out	<u>(128,636)</u>	<u>(125,000)</u>	
Change in Net Assets	<u>249,528</u>	<u>3,158,087</u>	<u>(91,721)</u>
Net Assets (Deficits), beginning of fiscal year	18,139,493	37,012,901	11,171,904
Prior Period Adjustments			
Net Assets, beginning of fiscal year, restated	<u>18,139,493</u>	<u>37,012,901</u>	<u>11,171,904</u>
Net Assets (Deficits), end of fiscal year	<u>\$ 18,389,021</u>	<u>\$ 40,170,988</u>	<u>\$ 11,080,183</u>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities- Internal Service Funds
Building	Transit	Golf	Totals	
\$ 485,633	\$ 314,368	\$ 210	\$ 13,074,070	\$ 3,928,110
37,184		22,770	1,284,439	335,103
	1,660,126		1,660,126	
522,817	1,974,494	22,980	16,018,635	4,263,213
			1,695,956	
742,428	1,813,143	7,419	10,011,401	2,790,368
34,892		279	603,825	50,676
7,222	27,003	394	179,747	1,398,795
6,662	280,333	4,359	2,561,540	415,369
791,204	2,120,479	12,451	15,052,469	4,655,208
(268,387)	(145,985)	10,529	966,166	(391,995)
(5,568)	7,048	2,435	154,388	15,930
			(1,645,701)	
			3,420,342	
(5,568)	7,048	2,435	1,929,029	15,930
(273,955)	(138,937)	12,964	2,895,195	(376,065)
98,962			373,369	937,112
	(380,000)		(633,636)	
(174,993)	(518,937)	12,964	2,634,928	561,047
(50,534)	2,426,183	783,961	69,483,908	2,921,957
69,838			69,838	
19,304	2,426,183	783,961	69,553,746	2,921,957
<u>\$ (155,689)</u>	<u>\$ 1,907,246</u>	<u>\$ 796,925</u>	<u>\$ 72,188,674</u>	<u>\$ 3,483,004</u>

**CITY OF EUREKA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds		
	Water	Wastewater	Harbor
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers/interfund charges	\$ 6,325,571	\$ 5,999,519	\$ 758,391
Payments to suppliers and users	(3,141,787)	(2,759,533)	(469,438)
Payments to employees	(1,427,697)	(2,007,328)	(279,902)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,756,087</b>	<b>1,232,658</b>	<b>9,051</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers in (out)	(128,636)	(125,000)	274,407
Due to/from other funds	(698,343)		31,233
Advances to RDA Successor Agency	(491,288)	(4,655,485)	
Advances to/from other funds	489,806	5,155,154	
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(828,461)</b>	<b>374,669</b>	<b>305,640</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisitions of capital assets	(188,076)	(4,743,627)	
Capital grants received		3,420,342	
Interest paid	(607,088)	(775,583)	(130,389)
Principal payments - long-term debt	(772,665)	(125,000)	(168,914)
Proceeds from issuance of long-term debt	9,370,000		
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>7,802,171</b>	<b>(2,223,868)</b>	<b>(299,303)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received (charged)	77,203	90,035	(15,388)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>77,203</b>	<b>90,035</b>	<b>(15,388)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,807,000</b>	<b>(526,506)</b>	
Cash and Cash Equivalents, July 1, 2011	5,558,417	17,141,547	
<b>Cash and Cash Equivalents, June 30, 2012</b>	<b>\$ 14,365,417</b>	<b>\$ 16,615,041</b>	<b>\$ -</b>
<b>Reconciliation of Cash and Cash Equivalents To Statement of Net Assets</b>			
Cash and investments	\$ 4,727,079	\$ 657,395	\$ -
Cash and investments with fiscal agents	9,638,338	15,957,646	
<b>Total Cash and Cash Equivalents</b>	<b>\$ 14,365,417</b>	<b>\$ 16,615,041</b>	<b>\$ -</b>

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ 486,711	\$ 2,110,381	\$ 22,980	\$ 15,703,553	\$ 4,264,300
(338,824)	(1,937,892)	(2,578)	(8,650,052)	(3,546,732)
(465,305)	(35,708)	(5,049)	(4,220,989)	(1,007,580)
(317,418)	136,781	15,353	2,832,512	(290,012)
98,962	(380,000)		(260,267)	731,254
223,656	27,534		(415,920)	
			(5,146,773)	
			5,644,960	
322,618	(352,466)		(178,000)	731,254
	(78,683)	(665)	(5,011,051)	(318,377)
			3,420,342	
			(1,513,060)	
			(1,066,579)	
			9,370,000	
	(78,683)	(665)	5,199,652	(318,377)
(5,200)	6,912	2,468	156,030	15,521
(5,200)	6,912	2,468	156,030	15,521
	(287,456)	17,156	8,010,194	138,386
	287,456	187,269	23,174,689	1,815,368
\$ -	\$ -	\$ 204,425	\$ 31,184,883	\$ 1,953,754
\$ -	\$ -	\$ 204,425	\$ 5,588,899	1,953,754
			25,595,984	
\$ -	\$ -	\$ 204,425	\$ 31,184,883	\$ 1,953,754

(Continued)

**CITY OF EUREKA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2012  
 (Continued)**

	Enterprise Funds		
	Water	Wastewater	Harbor
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 922,702	\$ 684,856	\$ (237,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	730,308	1,187,984	351,894
(Increase) Decrease in Operating Assets:			
Accounts receivable	(20,413)	(389,991)	(36,007)
Prepaid expenses			(95,000)
Inventory			
Increase (Decrease) in Operating Liabilities:			
Accounts payable	104,901	(269,607)	6,299
Deposits payable	16,412		15,254
Deferred revenue	(118)		
Payroll and related liabilities	(6,185)	(841)	2,180
Claims and judgments payable			
Compensated absences	8,480	20,257	1,980
Net Cash Provided (Used) by Operating Activities	\$ 1,756,087	\$ 1,232,658	\$ 9,051

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Building	Transit	Golf	Totals	
\$ (268,387)	\$ (145,985)	\$ 10,529	\$ 966,166	\$ (391,995)
6,662	280,333	4,359	2,561,540	415,369
(36,106)	158,767		(323,750)	1,087
	21,506		(73,494)	(64,799)
	(1,478)		(1,478)	
(14,529)	(153,482)	391	(326,027)	(122,746)
			31,666	
	(22,880)		(22,998)	
(1,860)		6	(6,700)	(3,997)
				(67,384)
(3,198)		68	27,587	(55,547)
<u>\$ (317,418)</u>	<u>\$ 136,781</u>	<u>\$ 15,353</u>	<u>\$ 2,832,512</u>	<u>\$ (290,012)</u>

**CITY OF EUREKA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2012**

	Agency Fund	Trust Funds	
		Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
	Trust Holding		
<b>ASSETS</b>			
Cash and investments	\$ 170,987	\$ 51,867	\$ 5,054,956
Cash and Investments with Fiscal Agent, Restricted			1,229,856
Interest Receivable		52	12,426
Notes Receivable			37,022
Other Receivable			57,234
Deferred Charges, Net of Accumulated Amortization			388,819
Land held for resale			4,488,678
Capital Assets, Not Being Depreciated			2,046,099
Total Assets	<u>170,987</u>	<u>51,919</u>	<u>13,315,090</u>
<b>LIABILITIES</b>			
Accounts payable	1,180	19,205	32,741
Payroll payable		6	5,506
Interest payable			217,002
Due to City of Eureka			19,878
Deposits payable	169,807		
Deferred revenue			73,128
Noncurrent Liabilities:			
Due within One Year			1,311,346
Due in More than One Year			24,552,006
Total Liabilities	<u>\$ 170,987</u>	<u>19,211</u>	<u>32,014,481</u>
<b>Net Assets (Deficits)</b>			
Held in trust for pension benefits and other purposes		<u>32,708</u>	<u>(18,699,391)</u>
Total Net Assets (Deficits)		<u>\$ 32,708</u>	<u>\$ (18,699,391)</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF EUREKA  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Fiscal Year Ended June 30, 2012**

	Trust Funds	
	Fire and Police Pension Benefits Plan	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 501,000	\$ -
Investment earnings:		
Investment income	(282)	20,505
Net Assets Received upon Dissolution of Redevelopment Agency		(18,731,372)
Intergovernmental		2,003,223
Other revenue		101,180
	<u>500,718</u>	<u>(16,606,464)</u>
Total Additions		
<b>DEDUCTIONS</b>		
Benefits	479,788	
Administration		254,344
Public safety		66,935
Community development		933,037
Interest expense		937,876
	<u>479,788</u>	<u>2,192,192</u>
Total Deductions		
Changes in net assets	20,930	(18,798,656)
Net Assets - beginning of fiscal year	<u>11,778</u>	<u>99,265</u>
Net Assets (Deficits) - end of fiscal year	<u>\$ 32,708</u>	<u>\$ (18,699,391)</u>

The notes to the basic financial statements are an integral part of this statement

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Eureka have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City of Eureka was incorporated as a town on April 18, 1856, under a special act of the legislature, reincorporated as a city on February 19, 1874, and incorporated under a Freeholder's Charter on February 18, 1895. The City operates under a Council-Manager form of government and is governed by an elected mayor and five elected city council members. The City provides the following services as authorized by its charter: public safety (police and fire), streets and highways, public improvements, land use, building and housing standards, culture-recreation programs, parks and recreation areas, utilities, public transit, and administrative and fiscal services.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present financial information for the City of Eureka (the primary government) and its component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a fiscal year end of June 30. The blended component units are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

**Blended Component Units**

The following blended component units are included in the reporting entity as though they were part of the primary government. Separate financial statements for the blended component units are in file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

*EUREKA REDEVELOPMENT AGENCY*

The Eureka Redevelopment Agency was created by the City Council and given the authority and responsibility to redevelop and upgrade blighted areas of the City. The City Council also functions as the Board of the Eureka Redevelopment Agency, and these board members are therefore authorized to transact business of the Agency. The City performs all administrative, budgeting, and accounting functions of the Agency. The Agency's operations are governmental in nature and, as such, have been included in the major Low and Moderate Income Housing Fund and Redevelopment Debt Service Fund, and non-major Redevelopment Capital Projects Fund, and the Redevelopment Administration Fund, which is reported as an Internal Service Fund in the City of Eureka financial statements. The capital assets and long-term liabilities of the Agency are reported in the government-wide Statement of Net Assets. The activities of the Redevelopment Agency of the City of Eureka were transferred to the Redevelopment Successor Agency on February 1, 2012. See Note 17 for more information.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

**Blended Component Units (Continued)**

*EUREKA PUBLIC FINANCING AUTHORITY*

The City created the Eureka Public Financing Authority to sell bonds and lend the proceeds of bond issues to Eureka Redevelopment Agency. The City Council also functions as the Board of the Eureka Public Financing Authority. The City performs all administrative, budgeting, and accounting functions of the Authority.

**Joint Ventures**

*HUMBOLDT/DEL NORTE HAZARDOUS MATERIAL RESPONSE AUTHORITY*

The Hazardous Materials Response Authority was created as a separate legal entity by a joint powers agreement between the Counties of Humboldt and Del Norte, and the Cities of Eureka, Crescent City, Arcata, Blue Lake, Fortuna, Ferndale, Rio Dell, and Trinidad. The purpose of this joint venture is to pool resources of the participants to provide a united, coordinated, orderly, positive, and more effective means for aiding and assisting in the formulation, administration, implementation, and maintenance of an area-wide hazardous materials response team.

The Authority is governed by a board of directors composed of one member and an alternate appointed by each participant. The Authority adopts its own budget and has the power to incur debts, liabilities, or obligations. The City of Eureka is responsible for directing the operations of the Hazardous Materials Response Teams and for the accounting of the Authority. The Authority is recorded as a private purpose trust fund of the City. The Authority in turn reimburses the City for the costs of operation and accounting services. Upon commencement of the Authority, the participants agreed to contribute a proportionate share of the costs of operation based on population. The participants do not have an on-going equity interest in the Authority. However, the participants do share the operation costs of the Authority. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received by the Authority; property shall be divided in a manner agreed upon by the participants. Complete financial statements for the Hazardous Materials Response Authority are on file at the offices of the City of Eureka at 531 K Street, Eureka, California 95501.

*HUMBOLDT TRANSIT AUTHORITY*

The Transit Authority was created as a separate legal entity by a joint powers agreement between the County of Humboldt and the Cities of Fortuna, Eureka, Arcata, Trinidad, and Rio Dell. The governing board consists of a city council member and an alternate member appointed from each participating city, as well as two board members and up to two alternate members appointed by the Humboldt County Board of Supervisors.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

**Joint Ventures (Continued)**

*HUMBOLDT TRANSIT AUTHORITY (Continued)*

The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations. On commencement of operations of the Authority, the County contributed 50 percent of the initial equity, and the participating cities jointly contributed 50 percent based upon population data. The participants do not have an on-going equity interest in the Authority. However, the participants do share operating costs of the Authority, and the current share of the City of Eureka is 25.6 percent. At termination of the agreement, all surplus monies will be returned to the participants in proportion to the amounts received; and property shall be divided in a manner agreed upon by the parties. Complete financial statements for Humboldt Transit Authority may be obtained at the offices of the Authority at 133 V Street, Eureka, California, 95501.

*HUMBOLDT WASTE MANAGEMENT AUTHORITY*

The Humboldt Waste Management Authority was created as a separate entity by a joint powers agreement between the County of Humboldt and the Cities of Arcata, Eureka, Blue Lake, Ferndale, and Rio Dell. The governing board consists of one director and one alternate appointed by each member of the Authority. The Authority is responsible for adopting its own budget and has the power to incur debts, liabilities, or obligations.

The Authority was formed in October 1999 for the purpose of providing economical coordination of solid waste management services and efficiently and fairly assuring against potential adverse effects of past solid waste management services within the service area. It is intended that the Authority shall develop and fund programs for the (A) Siting, permitting, developing, constructing, maintaining, operating, or contracting for the construction and/or from operation of disposal sites, transfer facilities and equipment, materials recovery facilities, waste-to-energy facilities, and/or solid waste landfills; (B) preparing and implementing an Integrated Waste Management Plan and other planning documents; (C) disposal of waste generated in the incorporated and unincorporated area of the County and the granting of franchises for waste hauling; (D) planning, implementing, and supervising programs which serve all or most jurisdictions, including facilities, special wastes, and recycling market development. The general purpose also includes establishment of pooled insurance and other financial mechanisms to provide for the safe closure and long-term post-closure maintenance of the Cummings Road Sanitary Landfill (when closed). This may include ownership and/or management of the landfill during the final stages of the landfill's active life, during closure, and thereafter. Upon dissolution, the remaining assets of the Authority, after payment of or adequate provision for all debts, liabilities, and obligations of the Authority, shall be divided among the members in accordance with a unanimous agreement among them or in proportion to the total tonnage of solid waste each member caused to be delivered to the transfer facility. Financial statements may be obtained at the Humboldt Waste Management Authority, located at 1059 West Hawthorne Street, Eureka, California 95501.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities (either funds or component units) of the City are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement on Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated, also interfund services provided and used are not eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Advances to, Advances from other funds
- Transfers in, Transfers out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

**Fund financial statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

**Proprietary fund financial statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Columns representing internal service funds are also presented in these statements. However, internal service fund balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Fiduciary fund financial statements**

Fiduciary fund financial statements include a Statement of Net Assets and Statement of Changes in Net Assets. The City’s fiduciary funds are accounted for according to the nature of the fund. The City has two such funds which are accounted for using “economic resources” measurement focus and the accrual basis of accounting are the proprietary funds explained above. The one Agency fund of the City does not use or have a measurement focus.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

The government reports the following major governmental funds:

The **General fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Low and Moderate Income Housing fund** accounts for the low and moderate income housing program previously administrated by the Redevelopment Agency low and moderate income housing fund.

The **Redevelopment Agency Low and Moderate Income Housing fund** is a Redevelopment Agency Fund established pursuant to California Redevelopment Law to account for the deposit of twenty percent of tax increment revenues received by the Redevelopment Agency. The funds are to be used to increase and improve the community's supply of low and moderate income housing.

The **Redevelopment Agency Debt Service fund** accounts for three project areas of the Agency. The project areas are: Century III Phase I; Century III Phase II; and Eureka Tomorrow. Tax increment revenues are used to: repay City advances, to repay loans from the Eureka Public Financing Authority, for the Low and Moderate Income Housing Fund, twenty percent set aside required by state law, and for other legitimate redevelopment activities, such as administration and tax collection fees.

The government reports the following major proprietary funds:

The **Water** fund is used to account for the operation and maintenance of the City's water utility. Revenues are primarily user charges. Rates are set periodically by the City Council.

The **Wastewater** fund is used to account for the operation and maintenance of the City's sewer utility.

The **Harbor** fund is used for administration and operation of the Humboldt Bay Harbor.

The **Building** fund is used for administration of construction regulation programs, building code enforcement, and public information programs.

The **Transit** fund is used for administration and operation of the Eureka Transit System and Dial-a-Ride/Lift program, as well as the City's share of a county-wide transit system.

The **Golf** fund is used for the administration of the Municipal Golf Course.

Additionally, the government reports the following fund types:

**Governmental Fund Types**

The **Special Revenue Funds** are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

Governmental Fund Types (Continued)

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations.

Proprietary Fund Type

Internal service funds account for data processing, fleet management services, risk management, and redevelopment administration to other departments or agencies of the government on a cost reimbursement basis. Transactions for interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Fiduciary Fund Type

The pension trust fund accounts for the activities of the public safety employee's retirement system, which accumulates resources for pension benefit payments to qualified public safety employees.

The private-purpose trust fund accounts for the activities of the Humboldt Del Norte Hazard Materials Response Authority and the Redevelopment Agency Successor Agency.

The Agency Fund is used to account for funds received and held by the City in a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**Recognition of Interest Liability**

Interest expenditures on long-term debt within governmental funds are recognized when payment is due. Proprietary fund interest expense is recognized as the liability is incurred.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

**Use of Estimates**

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

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Under provisions of the City's investment policy, the City may invest in any instruments authorized by Section 53601 of the California Government Code.

The City 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 as to change in interest rates.

Monies held by bond trustees are invested, as followed by California Government Code Section 53601 (1), in accordance with the provisions of the respective bond indentures involved.

During the fiscal year, the City may have held Structured Notes. Structured Notes are debt securities (other than Asset-backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and government-sponsored enterprises such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). These securities could be called prior to maturity, depending on changes in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents, including cash with fiscal agents.

**2. Receivables and payables**

**Advances to other funds**

For governmental fund types, noncurrent portions of long term interfund loans receivable are equally offset by a restricted fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long term interfund loans receivable are considered "available spendable resources".

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**3. Inventory and prepaid items**

Inventories of supplies are expensed when purchased because the amounts are not considered to be material. Inventory of land held for resale is valued at the lower of cost or net realizable value. Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

**4. Restricted Assets**

Fiscal agents acting on behalf of the city hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation, or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution, or bond indenture.

**Use of Restricted and Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**5. Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 including infrastructure. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Water system	20-50 years
Sewer system	15-50 years
Buildings	30-50 years
Improvements-not buildings	20-40 years
Machinery and equipment	3-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included infrastructure acquired or constructed in the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping, and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type funds as part of the asset cost. For the fiscal year ended June 30, 2012, no interest was capitalized.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. Long-Term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Net Assets and Fund Balance**

Net Assets and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**8. Net Assets and Fund Balance (Continued)**

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**9. Property Taxes**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, liabilities, and net assets or equity (Continued)**

**9. Property Taxes (Continued)**

Property Valuations – are established by the Assessor of the County of Humboldt for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The County of Humboldt levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County of Humboldt. The Teeter Plan authorizes the Auditor/Controller of the County of Humboldt to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of Humboldt remits tax monies to the City in three installments as follows:

50 percent remitted in December  
45 percent remitted in April  
5 percent remitted in June

**E. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 64 - Derivative Instruments: Application of Hedge Accounting Termination Provisions.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. New Accounting Pronouncements (Continued)**

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, (*Derivative Instruments: Application of Hedge Accounting Termination Provisions.*) This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.**

The governmental funds balance sheet includes a reconciliation between fund balance of total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. Each element of the reconciliation is explained in detail on the face of the statement.

**b. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. Each element of the reconciliation is explained in detail on the face of the statement.

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Annual appropriated budgets are adopted for all funds of the City. Appropriations include amounts encumbered at fiscal year-end as these encumbrances are not reappropriated in the following year. 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 the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**A. Budgetary information (Continued)**

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 financial statements include revenues and expenditures which are presented in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP).

Formal budgetary integration is employed as a management control device. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year-end commitments will be re-appropriated and honored during the subsequent year.

**B. Excess of expenditures over appropriations.**

There was an excess of expenditures over appropriations in the Environmental Programs Special Revenue Fund in the amount of \$22,038.

There was an excess of expenditures over appropriations in the Special Police Special Revenue Fund in the amount of \$134,299.

There was an excess of expenditures over appropriations in the Parking Special Revenue Fund in the amount of \$8,162.

**C. Deficit fund equity/net asset**

Major funds

The Building Enterprise fund had a deficit net asset balance of \$155,689 as of June 30, 2012. This is a result of higher receivable activity in the past two fiscal years because of increased enforcement there was a corresponding increase in write-offs in fiscal year 2011-12.

Nonmajor funds

The Habitat Acquisition and Restoration Special Revenue Fund had a deficit balance at June 30, 2012 of \$150,896. The deficit balance is due primarily to a 10% retainer held by the state on a grant for the Palco Marsh restoration project. The deficit balance will be substantially reversed as the State releases the retained funds.

The Demolition Projects Special Revenue Fund had a deficit balance at June 30, 2012 of \$566,918. The negative balance will be mitigated by increasing the subsidy from the General Fund in the subsequent fiscal year.

Internal Service fund

The Risk Management Internal Service Fund had a deficit balance at June 30, 2012 of \$51,609. The deficit is due to the City incurring costs in advance of receiving revenue.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	\$ 11,113,445	\$ 5,277,810	\$ 16,391,255
Restricted cash and investments	25,595,984	1,229,856	26,825,840
<b>Total Cash and Investments</b>	<b>\$ 36,709,429</b>	<b>\$ 6,507,666</b>	<b>\$ 43,217,095</b>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 8,745
Deposits with financial institutions	1,412,991
Investments	41,795,359
<b>Total Cash and Investments</b>	<b>\$ 43,217,095</b>

**A. Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City of Eureka (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City'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 City, rather than the general provisions of the California government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in 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
Corporate Medium Term Notes	5 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

**B. 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 City'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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Certificates of Deposit with Banks and Savings & Loans	None	None	None
United States Treasury Obligations	None	None	None
United States Government Sponsored Enterprise Securities	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
State of California Local Agency Investment Fund (State Pool)	None	None	None

**C. 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 City 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 flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Over 60 Months</u>
Money Market Funds	\$ 231,101	\$ 231,101	\$ -	\$ -	\$ -
Federal Agency Securities	5,613,114	903,373	2,002,119	2,707,622	
State Investment Pool	2,167,656	2,167,656			
Certificates of Deposit	1,517,347	1,517,347			
Commercial Paper	780,230	780,230			
Negotiable Certificates of Deposit	155,000	155,000			
Corporate Medium Term Notes	2,613,014	384,224	496,042	1,732,748	
U.S. Treasury Notes	1,892,056	158,100	803,909	930,047	
Held by Bond Trustees:					
Money Market Funds	26,515,374	26,515,374			
State Investment Pool	310,467	310,467			
Total	<u>\$ 41,795,359</u>	<u>\$ 33,122,872</u>	<u>\$ 3,302,070</u>	<u>\$ 5,370,417</u>	<u>\$ -</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

**D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

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

**E. Disclosures 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 City'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
Money Market Funds	\$ 231,101	N/A	\$ -	\$ 231,101	\$ -	\$ -	\$ -
Federal Agency Securities	5,613,114	N/A			5,238,344	374,770	
State Investment Pool	2,167,656	N/A					2,167,656
Certificates of Deposit	1,517,347	N/A					1,517,347
Commercial Paper	780,230	N/A			6,055	774,175	
Negotiable Certificates of Deposit	155,000	N/A				155,000	
Corporate Medium Term Notes	2,613,014	N/A			623,374	1,989,640	
U.S. Treasury Notes	1,892,056	N/A			1,892,056		
Held by Bond Trustees:							
Money Market Funds	26,515,374	N/A		26,515,374			
State Investment Pool	310,467	N/A					310,467
<b>Total</b>	<b>\$ 41,795,359</b>		<b>\$ -</b>	<b>\$ 26,746,475</b>	<b>\$ 7,759,829</b>	<b>\$ 3,293,585</b>	<b>\$ 3,995,470</b>

**F. Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are 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 City investments.

The City has no specific Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, business type activities, fiduciary funds, major funds, non-major funds in the aggregate, etc.)

**G. 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 City'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

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 CASH AND INVESTMENTS (Continued)**

G. Custodial Credit Risk(Continued)

the government 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, \$933,407 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required by the California Government Code. As of June 30, 2012, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Securities	\$ 5,613,114
Commercial Paper	780,230
Corporate Medium Term Notes	2,613,014
U.S. Treasury Notes	1,892,056
Negotiable Certificates of Deposit	155,000
Money Market Funds	231,101

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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 5 RECEIVABLES**

Receivables as of fiscal year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Totals</u>
Governmental Funds:			
General	\$ 3,953,952	\$ 1,111	\$ 3,955,063
Nonmajor Governmental Funds	1,276,922	8,507	1,285,429
Total - Governmental Funds	<u>\$ 5,230,874</u>	<u>\$ 9,618</u>	<u>\$ 5,240,492</u>

Governmental funds report deferred revenues in connection with receivables for revenues and notes and loans that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2012 the various components of deferred revenue are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 5 RECEIVABLES (Continued)**

Deferred Revenue:

Fund:

General	\$ 1,026,620
Low & Moderate Income Housing	8,609,550
Nonmajor Governmental Funds	<u>2,981,636</u>
Total Deferred Revenues	<u><u>\$12,617,806</u></u>

Receivables as of fiscal year end for the government's individual enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts	Accrued Interest	Totals
Enterprise Funds:			
Water	\$ 722,711	\$ 15,454	\$ 738,165
Wastewater	1,508,629	3,342	1,511,971
Harbor	62,752	(2,749)	60,003
Building	383,275	(1,313)	381,962
Transit	258,626	883	259,509
Golf		505	505
Total - Enterprise Funds	<u><u>\$ 2,935,993</u></u>	<u><u>\$ 16,122</u></u>	<u><u>\$ 2,952,115</u></u>

Receivables of the Water and Wastewater funds are reported net of nominal uncollectible accounts in the amount of \$20,339 and \$12,021 respectively.

**Notes and Loans Receivable**

The following schedule summarizes notes and loans receivable as of June 30, 2012:

Low and Moderate Income Housing Fund Notes Receivable	\$ 8,609,550
Housing Special Revenue Fund Loans Receivable	<u>2,034,740</u>
Total Notes Receivable, Governmental Funds	<u><u>\$ 10,644,290</u></u>

These notes and loans represent amounts loaned to individuals and businesses to assist in the elimination of blight and/or assist in purchasing or rehabilitation of residences or businesses.

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash. The composition of interfund balances as of June 30, 2012 is as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**A. Due to/ from other fund**

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Habitat Acquisition and Restoration Special Revenue Fund	\$ 150,524
	Nonmajor Demolition Projects Special Revenue Fund	556,249
	Major Harbor Enterprise Fund	619,305
	Major Building Enterprise Fund	530,068
	Major Transit Enterprise Fund	27,534
		<u>1,883,680</u>
Major Water Enterprise Fund	General Fund	<u>1,553,496</u>
		<u>\$ 3,437,176</u>

**B. Advances to/from other funds**

During 1994-95 the General Fund borrowed \$199,930 from the Housing special revenue fund, for payment of a lease obligation. The City is repaying the advance over a twenty-year period with interest. The outstanding balance as of June 30, 2012 was \$34,605.

The Harbor fund borrowed \$53,408 in 2000 from the Wastewater fund to complete the Public Marina/Boat Basin Capital Project and is repaying this advance over a fifteen year period. The outstanding balance as of June 30, 2012 was \$25,748.

During the fiscal year 2010, the Demolition projects fund borrowed \$13,000 from the building fund to cover abatement work. The outstanding balance as of June 30, 2012 was \$13,000.

Receivable Funds	Payable Funds	Amount
Nonmajor Housing Fund	General Fund	\$ 34,605
Major Wastewater Enterprise Fund	Major Harbor Enterprise Fund	25,748
Major Building Enterprise Fund	Nonmajor Demolition Projects	<u>13,000</u>
		<u>\$ 73,353</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**C. Interfund transfers**

Interfund transfers are made on a routine basis for project expenditures and interfund debt service payments.

Transfers In	Transfers Out	Amount
General Fund	Major Transit Enterprise Fund	\$ 380,000
Major Building Enterprise Fund	General Fund	98,962
Nonmajor Special Police Fund	General Fund	4,000
Major Redevelopment Agency Debt Service Fund	Nonmajor Redevelopment Agency Capital Projects Fund	567,031
Nonmajor Public Financing Authority Debt Service Fund	Major Redevelopment Agency Debt Service Fund	339,171
	Nonmajor Redevelopment Agency Capital Projects Fund	305,031
Major Harbor Enterprise Fund	Major Redevelopment Agency Debt Service Fund	274,407
Equipment Operations Internal Service Fund	Major Water Enterprise Fund	128,636
	Major Wastewater Enterprise Fund	125,000
Redevelopment Administration Internal Service Fund	Major Redevelopment Agency Debt Service Fund	683,476
		<u>\$ 2,905,714</u>

**NOTE 7 CAPITAL ASSETS**

A summary of changes in the Governmental Activities capital assets at June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Reductions	Transfers	Transfers to RDA Successor	Balance at June 30, 2012
Capital assets, not being depreciated:						
Land	\$ 3,692,899	\$ -	\$ -	\$ -	\$ -	\$ 3,692,899
Infrastructure	23,922,864					23,922,864
Construction in progress	8,718,143	423,637	(129,883)	(940,259)	(1,985,748)	6,085,890
Artwork	150,000			86,795		236,795
Total capital assets, not being depreciated	<u>36,483,906</u>	<u>423,637</u>	<u>(129,883)</u>	<u>(853,464)</u>	<u>(1,985,748)</u>	<u>33,938,448</u>
Capital assets, being depreciated:						
Buildings	16,281,539		(22,791)			16,258,748
Improvements other than buildings	14,995,266		(11,163)			14,984,103
Machinery and equipment	14,365,858	497,432	(1,930,874)	303,159		13,235,575
Infrastructure	71,468,636	185,744	(74,338)	552,505		72,132,547
Total capital assets being depreciated	<u>117,111,299</u>	<u>683,176</u>	<u>(2,039,166)</u>	<u>855,664</u>		<u>116,610,973</u>
Less accumulated depreciation for:						
Buildings	(6,047,888)	(335,019)	12,588	250,557		(6,119,762)
Improvements other than buildings	(2,016,244)	(321,488)		(253,882)		(2,591,614)
Machinery and equipment	(11,322,886)	(625,865)	1,810,864	1,125		(10,136,762)
Infrastructure	(55,691,111)	(1,570,812)	42,538			(57,219,385)
Total accumulated depreciation	<u>(75,078,129)</u>	<u>(2,853,184)</u>	<u>1,865,990</u>	<u>(2,200)</u>		<u>(76,067,523)</u>
Total capital assets being depreciated, net	<u>42,033,170</u>	<u>(2,170,008)</u>	<u>(173,176)</u>	<u>853,464</u>		<u>40,543,450</u>
Governmental activities capital assets, net	<u>\$78,517,076</u>	<u>\$ (1,746,371)</u>	<u>\$ (303,059)</u>	<u>\$ -</u>	<u>\$ (1,985,748)</u>	<u>\$ 74,481,898</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 599,169
Public safety	370,914
Public works	1,883,101
Total depreciation expense - governmental activities	<u>\$ 2,853,184</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Reductions	Transfers and Adjustments	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 11,698,800	\$ -	\$ -	\$ -	\$ 11,698,800
Construction in progress	8,190,427	4,852,580			13,043,007
Total capital assets, not being depreciated	<u>19,889,227</u>	<u>4,852,580</u>			<u>24,741,807</u>
Capital assets, being depreciated:					
Buildings	10,842,059				10,842,059
Improvements other than buildings	35,786,696			12,241	35,798,937
Machinery and equipment	52,681,648	158,471	(59,305)	(12,241)	52,768,573
Infrastructure	14,561,915				14,561,915
Total capital assets being depreciated	<u>113,872,318</u>	<u>158,471</u>	<u>(59,305)</u>		<u>113,971,484</u>
Less accumulated depreciation for:					
Buildings	(5,285,210)	(254,029)			(5,539,239)
Improvements other than buildings	(19,143,340)	(633,182)			(19,776,522)
Machinery and equipment	(32,852,501)	(1,316,880)	59,305		(34,110,076)
Infrastructure	(1,739,505)	(357,449)			(2,096,954)
Total accumulated depreciation	<u>(59,020,556)</u>	<u>(2,561,540)</u>	<u>59,305</u>		<u>(61,522,791)</u>
Total capital assets being depreciated, net	<u>54,851,762</u>	<u>(2,403,069)</u>			<u>52,448,693</u>
Business-type activities capital assets, net	<u>\$ 74,740,989</u>	<u>\$ 2,449,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,190,500</u>

Depreciation was charged to business – type activities as follows:

Business-type Activities:	
Water	\$ 730,308
Wastewater	1,187,984
Harbor	351,894
Building	6,662
Transit	280,333
Golf	4,359
Total depreciation expense - business-type activities	<u>\$ 2,561,540</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 8 OPERATING LEASES**

The City leases (as lessee) equipment and real estate under operating leases, which are not, in the aggregate, material.

The City leases (as lessor) various office facilities & buildings, hangar facilities, tidelands & docks, and the golf course under operating leases to various entities and individuals. Total revenues from these leases for fiscal year ending June 30, 2012 were \$247,061. From this same period, the contingent rentals totaled \$94,437.

**NOTE 9 LONG-TERM DEBT**

**A. Changes in long-term debt**

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Prior Period Adjustments	Additions	Reductions	Transfer to RDA Successor	Balance at June 30, 2012	Due Within One Year
<b>Governmental Activities:</b>							
Revenue Bonds Payable							
2003 Tax Allocation Revenue Bonds	\$ 15,250,000	\$ -	\$ -	\$ -	\$ (15,250,000)	\$ -	\$ -
2010 Lease Revenue Bonds Series A	4,960,000				(4,960,000)		
2010 Lease Revenue Bonds Series B	4,235,000				(4,235,000)		
Total Bonds Payable	24,445,000				(24,445,000)		
Bond Discount	(119,077)			2,419	116,658		
Deferred Loss on Refunding	(324,269)			35,467	288,802		
Compensated Absences	1,508,080		1,090,298	(949,469)		1,648,909	1,648,909
Capital Leases	975,827	(9,205)		(220,479)		746,143	230,087
California Infrastructure Bank Loan	1,796,136			(106,332)	(1,689,804)		
Total	\$ 28,281,697	\$ (9,205)	\$ 1,090,298	\$ (1,238,394)	\$ (25,729,344)	\$ 2,395,052	\$ 1,878,996

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
<b>Business-type Activities:</b>					
Series 2002B CSCDA Revenue Bonds	\$ 2,860,000	\$ -	\$ (115,000)	\$ 2,745,000	\$ 120,000
Series 2003A CSCDA Revenue Bonds	3,160,000		(125,000)	3,035,000	130,000
Series 2005C CSCDA Revenue Bonds	6,605,000		(330,000)	6,275,000	345,000
Series 2006A CSCDA Revenue Bonds	1,605,000		(50,000)	1,555,000	50,000
Wastewater Revenue Bonds Series 2011	16,280,000			16,280,000	265,000
Water Revenue Bonds Series 2012		9,370,000		9,370,000	
CA Muni Harbor Improvements Revenue Bonds	390,000		(90,000)	300,000	95,000
Total Bonds Payable	30,900,000	9,370,000	(710,000)	39,560,000	1,005,000
Bond Premium	378,443	167,381	(16,935)	528,889	21,880
Deferred Loss on Refunding	(494,607)		34,709	(459,898)	(34,709)
Compensated Absences	213,519	234,215	(206,628)	241,106	241,106
Capital Lease	1,849,631		(277,665)	1,571,966	289,243
Intergovernmental Loan Payable	2,119,271		(78,914)	2,040,357	82,467
Total	\$ 34,966,257	\$ 9,771,596	\$ (1,255,433)	\$ 43,482,420	\$ 1,604,987

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 LONG-TERM DEBT (Continued)**

**B. Capital Leases**

**Governmental activities**

During fiscal year 2005-06, the City entered into a capital lease for the purchase and furnishings of a fire truck, with a maximum value of \$425,000. The new lease also refunds the remaining portion of the old fire truck lease in the amount of \$77,241. The first payment on the new lease was made on July 15, 2008. As of June 30, 2012, the balance of this lease is \$158,028.

During fiscal year 2006-07, the City entered into a capital lease for major building renovations at City Hall with a maximum value of \$1,195,000. As of June 30, 2012, the balance of this lease is \$542,934.

During fiscal year 2008-09, the City entered into a capital lease for parking meters, with a maximum value of \$107,266. As of June 30, 2012, the balance of this lease is \$45,181.

These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of June 30, 2012, the total balance for all capital leases related to governmental activities is \$746,143.

**Business-type activities**

During fiscal year 2006-07, the City entered into a capital lease agreement for an Automated Water Metering System with a maximum value of \$2,853,500. Annual installments of \$354,794 begin December 19, 2007 through December 19, 2016 at an interest rate of 4.17%. As of June 30, 2012, the balance of this lease is \$1,571,966.

The following is a schedule of the future minimum lease payments under these capital leases

Fiscal Year Ending June 30,	Governmental Activities Amount	Business-type Activities Amount
2013	\$ 262,500	\$ 354,794
2014	262,500	354,794
2015	151,564	354,794
2016	151,563	354,794
2017		354,794
Minimum lease payments	828,127	1,773,970
Less amount representing interest	(81,984)	(202,004)
Present value of minimum lease payments	<u>\$ 746,143</u>	<u>\$ 1,571,966</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 LONG-TERM DEBT (Continued)**

**C. Intergovernmental Loan**

**Business-type activities**

On September 26, 1996, the City and Redevelopment Agency jointly entered into a loan and operation contract with the California Department of Boating and Waterways for the purpose of repairing and refurbishing the Eureka Boat Basin. The loan of \$2,750,000 is payable at 4.5% interest over 30 years. The outstanding balance as of June 30, 2012 was \$2,040,357. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 82,467	\$ 91,816	\$ 174,283
2014	86,177	88,105	174,282
2015	90,055	84,227	174,282
2016	94,107	80,175	174,282
2017	98,342	75,940	174,282
2018-2022	562,212	309,198	871,410
2023-2027	700,617	170,793	871,410
2028-2029	326,380	22,192	348,572
	<u>\$ 2,040,357</u>	<u>\$ 922,446</u>	<u>\$ 2,962,803</u>

**D. Revenue Bonds**

**Business-type activities**

1973 Municipal Harbor Improvement Bonds due in annual installments of \$35,000 to \$105,000 through July 1, 2014; interest at 6.75%. Used to build a fish plant and dock facilities in Humboldt Bay, these bonds are payable exclusively from the revenues of an enterprise comprising the City's municipal harbor, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2012 was \$300,000. Future minimum debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 95,000	\$ 17,044	\$ 112,044
2014	100,000	10,463	110,463
2015	105,000	3,544	108,544
	<u>\$ 300,000</u>	<u>\$ 31,051</u>	<u>\$ 331,051</u>

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2002B principal amount of \$3,625,000, due in annual installments through April 1, 2028; interest rates at 4.00% to 5.25%. Proceeds were used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2012 was \$2,745,000. Future debt service requirements to maturity are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 LONG-TERM DEBT (Continued)**

**D. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

Fiscal Year Ending June 30,	Series 2002B CSCDA Revenue Bonds		
	Principal	Interest	Total
2013	\$ 120,000	\$ 134,417	\$ 254,417
2014	125,000	129,286	254,286
2015	130,000	123,868	253,868
2016	135,000	118,237	253,237
2017	140,000	111,728	251,728
2018-2022	810,000	441,050	1,251,050
2023-2027	1,045,000	205,432	1,250,432
2028	240,000	6,300	246,300
<b>Totals</b>	<b>\$ 2,745,000</b>	<b>\$ 1,270,318</b>	<b>\$ 4,015,318</b>

CSCDA Wastewater Revenue Bonds (Pooled Financing Program), Series 2003A principal amount of \$4,040,000 due in annual installments through April 1, 2029; interest rates at 2.00% to 5.25%. Proceeds were used to finance various Wastewater Utility projects. These bonds are payable exclusively from the revenues of the City's Wastewater Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2012 was \$3,035,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2003A CSCDA Revenue Bonds		
	Principal	Interest	Total
2013	\$ 130,000	\$ 134,299	\$ 264,299
2014	130,000	130,171	260,171
2015	135,000	125,763	260,763
2016	140,000	121,018	261,018
2017	145,000	115,940	260,940
2018-2022	815,000	481,796	1,296,796
2023-2027	1,050,000	247,790	1,297,790
2028-2029	490,000	23,514	513,514
<b>Totals</b>	<b>\$ 3,035,000</b>	<b>\$ 1,380,291</b>	<b>\$ 4,415,291</b>

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2005C principal amount of \$8,110,000, due in annual installments through April 1, 2026; interest rates at 2.60% to 5.00%. Proceeds were used to advance refund the City's CSCDA 2000A Water and Wastewater Revenue Bonds. These bonds are payable exclusively from the City's Water Utility and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2012 was \$6,275,000. Future debt service requirements to maturity are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 LONG-TERM DEBT (Continued)**

**D. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

Fiscal Year Ending June 30,	Series 2005C CSCDA Revenue Bonds		
	Principal	Interest	Total
2013	\$ 345,000	\$ 274,061	\$ 619,061
2014	355,000	261,983	616,983
2015	365,000	249,109	614,109
2016	380,000	235,323	615,323
2017	395,000	220,594	615,594
2018-2022	2,230,000	831,370	3,061,370
2023-2026	2,205,000	227,125	2,432,125
Totals	<u>\$ 6,275,000</u>	<u>\$ 2,299,565</u>	<u>\$ 8,574,565</u>

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2006A principal amount of \$1,795,000, due in annual installments through April 1, 2032; interest rates at 3.00% to 5.00%. Proceeds were used to finance various Water System Projects. The bonds are payable solely from the revenue of the City's Water Utilities and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The outstanding balance as of June 30, 2012 was \$1,555,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Series 2006A CSCDA Revenue Bonds		
	Principal	Interest	Total
2013	\$ 50,000	\$ 67,857	\$ 117,857
2014	55,000	65,985	120,985
2015	55,000	63,957	118,957
2016	55,000	61,860	116,860
2017	60,000	59,631	119,631
2018-2022	335,000	259,683	594,683
2023-2027	420,000	172,628	592,628
2028-2032	525,000	61,315	586,315
Totals	<u>\$ 1,555,000</u>	<u>\$ 812,916</u>	<u>\$ 2,367,916</u>

The Wastewater Revenue Bonds, Series 2011 were issued in the amount of \$16,280,000, due in annual installments through October 1, 2041; interest rates at 2.00% to 5.00%. The purpose of this issue was to finance capital improvements including but not limited to the acquisition, construction and improvement of 1.5 miles of interceptor sewer piping and connections along the floor of the Martin Slough Valley, a pumping station, and approximately 1.6 miles of sewer force main piping from the pumping station to the City's wastewater treatment plant. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Wastewater System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2012 was \$16,280,000. Future debt service requirements to maturity are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 LONG-TERM DEBT (Continued)**

**D. Revenue Bonds (Continued)**

**Business-type activities (Continued)**

Fiscal Year Ending June 30,	Wastewater Revenue Bonds Series 2011		
	Principal	Interest	Total
2013	\$ 265,000	\$ 772,806	\$ 1,037,806
2014	270,000	766,106	1,036,106
2015	280,000	757,856	1,037,856
2016	290,000	747,856	1,037,856
2017	300,000	736,056	1,036,056
2018-2022	1,715,000	3,457,321	5,172,321
2023-2027	2,210,000	2,971,910	5,181,910
2028-2032	2,805,000	2,372,604	5,177,604
2033-2037	3,565,000	1,608,375	5,173,375
2038-2042	4,580,000	595,500	5,175,500
Totals	<u>\$ 16,280,000</u>	<u>\$ 14,786,390</u>	<u>\$ 31,066,390</u>

The Water Revenue Bonds, Series 2012 were issued in the amount of \$9,370,000, due in annual installments through October 1, 2042; interest rates at 4.00% to 5.00%. The purpose of this issue was to finance the cost of improvements to the Water System of the City. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. The bonds are payable solely from the revenue of the City's Water System Revenues and are secured by a lien and pledge of such revenues. The outstanding balance as of June 30, 2012 was \$9,370,000. Future debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Water Revenue Bonds Series 2012		
	Principal	Interest	Total
2013	\$ -	\$ 337,480	\$ 337,480
2014		424,800	424,800
2015		424,800	424,800
2016		424,800	424,800
2017		424,800	424,800
2018-2022		2,124,000	2,124,000
2023-2027		2,124,000	2,124,000
2028-2032	1,585,000	1,984,425	3,569,425
2033-2037	3,075,000	1,428,450	4,503,450
2038-2042	3,835,000	648,250	4,483,250
2043	875,000	19,825	894,825
Totals	<u>\$ 9,370,000</u>	<u>\$ 10,365,630</u>	<u>\$ 19,735,630</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 LONG-TERM DEBT (Continued)**

The annual requirements to amortize outstanding bonded indebtedness as of June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Business-type				Total
	CSCDA Bonds	Wastewater Revenue Bonds	Water Revenue Bonds	Harbor Bonds	
2013	\$ 645,000	\$ 265,000	\$ -	\$ 95,000	\$ 1,005,000
2014	665,000	270,000		100,000	1,035,000
2015	685,000	280,000		105,000	1,070,000
2016	710,000	290,000			1,000,000
2017	740,000	300,000			1,040,000
2018-2022	4,190,000	1,715,000			5,905,000
2023-2027	4,720,000	2,210,000			6,930,000
2028-2032	1,255,000	2,805,000	1,585,000		5,645,000
2033-2037		3,565,000	3,075,000		6,640,000
2038-2042		4,580,000	3,835,000		8,415,000
2043			875,000		875,000
	<u>\$ 13,610,000</u>	<u>\$ 16,280,000</u>	<u>\$ 9,370,000</u>	<u>\$ 300,000</u>	<u>\$ 39,560,000</u>

**E. Compensated Absences**

Employees may accumulate up to 30 days of vacation leave, except management employees, who may accumulate up to 44 days. Employees may accumulate an indefinite amount of sick leave. Vacation leave accrues at a rate determined by the employee's years of service and whether they work an 8-hour or 24-hour shift. The number of hours that accrue per month varies from 8 to 22. Vacation leave vests as it is accrued and unused vacation leave is payable upon retirement or termination. Compensation hours (executive leave) accrue for management and mid-management at 9 and 6 days per year, respectively. Compensation hours also accrue for police, fire and other specified employees in lieu of cash payments for overtime. A liability has been created to account for the accrued vacation and compensation leave in the government-wide financial statements. The City has in past liquidated compensated leave in the general fund and all the proprietary funds. Vested vacation pay is expensed as earned in the proprietary fund types. The City's liability for earned vacation and compensation pay consisted of the following amounts as of June 30, 2012:

Governmental Funds	\$ 1,602,861
Internal Service Funds	46,048
Subtotal Governmental Activities	<u>1,648,909</u>
Business-type Funds	241,106
Total	<u>\$ 1,890,015</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 OTHER INFORMATION**

**A. Risk Management**

The City of Eureka is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City participates in a public entity risk pool for workers' compensation, general liability and property insurance coverage. During fiscal year 2011-12 there were no significant reductions in insurance coverage.

**B. Risk Pool Arrangements**

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

REMIF programs do not insure the City's losses resulting from events which occurred prior to the March 1, 1993, the date on which the City became an associate member of REMIF.

The City of Eureka participates in the following three REMIF programs:

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Eureka self-insures for the first \$25,000 of each loss and pays 100% of all losses incurred under \$25,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity's deductible amount. Participating cities then share in the next \$25,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$9,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation – Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Eureka is self-insured for the first \$10,000 of each loss and pays 100% of all losses incurred under \$10,000. The City does not share or pay for losses of other cities under \$10,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 10 OTHER INFORMATION (Continued)**

**B. Risk Pool Arrangements (Continued)**

Property Insurance – The City participates in REMIF’s property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Eureka has a deductible level of \$10,000 and a coverage limit of \$60,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2012:

Total Assets	\$ 18,010,735
Total Liabilities	14,429,297
Total Net Assets	3,581,438
Total Revenues	8,854,620
Total Expenses	8,805,881
Increase in Net Assets	48,739
Total Long-Term Debt	11,120,116

**Other Insurance Programs**

The City maintains the following programs for exposure to losses which are not covered by REMIF:

General Liability Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrues its share of general liability based on an analysis of past experience.

The City self-insures for \$100,000 per occurrence. The City’s excess coverage is \$1,000,000 per occurrence with \$5,000,000 annual general aggregate coverage on the primary policy.

The total excess liability provides \$10,000,000 coverage per occurrence or in the aggregate annually.

Worker’s Compensation Insurance – Losses incurred after February 28, 1993, are covered by REMIF, as described in Paragraph A above. For losses incurred prior to March 1, 1993, the City accrued workers’ compensation liability based on an actuarial evaluation of claims, which was accomplished during the year ended June 30, 1996. The City self-insures claims up to \$90,000 during the first payment year following the date of the accident, \$50,000 during the second payment year, and \$40,000 during the third and each subsequent payment year following the date of the accident resulting in injury. Excess worker’s compensation insurance coverage is maintained with a limit of \$2,000,000 to protect against catastrophic losses.

Group Health and Benefits – On August 1, 2002 the City terminated a self-insured group health and benefit program for its employees and eligible dependents. The self-insured group health and benefits “tail” claims were paid through June 30, 2003. City employees choose from a number of benefit plans (dental, health, vision, life insurance, long-term disability, 125 plan medical and/or dependent care) available to them through the City using the monthly fringe benefit contribution from the City. Each plan requires an employee deductible amount and pays benefit percentages that vary depending on plan carrier.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 11 CLAIMS ADJUSTMENTS**

The City maintains an internal service fund to account for general liability insurance, worker's compensation insurance, and group health and benefits insurance. The primary source of revenue for this fund consists of charges for services to the other funds of the City of Eureka. Claims liabilities are based on the requirements of Governmental Accounting Standards Board Statement Nos. 10 and 30, which require that claims liabilities, including IBNR (incurred but not reported claims), be based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends and any other factors that would modify past experience. Claims liabilities include specific, incremental claim adjustment expenditures/expenses. Expenditures/expenses and liabilities may be estimated through a case by case review of all claims, the application of historical experience to the outstanding claims, or a combination of these methods. Estimates of IBNR losses are based on historical experience. Claims liability has not been accrued for risks of losses which have been transferred to the public entity risk pool (REMIF).

The following schedule presents changes in accrued claims payable for the fiscal years ended June 30, 2012 and June 30, 2011:

	General Liability Insurance	Worker's Compensation Insurance	Total
Accrued claims payable, June 30, 2010	\$ 154,178	\$ 77,599	\$ 231,777
Provision for insured events payments	659,969	498,620	1,158,589
Payments made to public entity risk pool	(660,587)	(435,572)	(1,096,159)
Direct payments made by the City	(43,678)	(42,805)	(86,483)
Accrued claims payable, June 30, 2011	<u>109,882</u>	<u>97,842</u>	<u>207,724</u>
Provision for insured events payments	504,837	317,540	822,377
Payments made to public entity risk pool	(723,978)	(408,994)	(1,132,972)
Direct payments made by the City	<u>(37,469)</u>	<u>(37,469)</u>	<u>(37,469)</u>
Accrued claims payable, June 30, 2012	<u><u>\$ (109,259)</u></u>	<u><u>\$ (31,081)</u></u>	<u><u>\$ (140,340)</u></u>

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Local Employees' Retirement System (LERS):**

**Plan description**

The City of Eureka (City) is the administrator of the Fire and Police Pension Benefits Plan (Plan), which is a single-employer public employee retirement system (LERS) originally established by the City in accordance with the City charter and state statutes for the benefit of its employees. This plan was formally terminated June 30, 1984, when its only remaining participants were retired members and employees who did not elect to be covered by the state public employees' retirement system at August 24, 1969. The last active member retired in 1988.

Members of the Plan were given credit for service from their date of hire to the date of the Plan termination. Active and retired members were given a one-time election to receive, in lieu of other benefits promised under the Plan, a single-sum payment. The buy-out during fiscal year 1984-85 totaled \$9,513,214. There have been no additional buy-out payments since 1985.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Local Employees' Retirement System (LERS) (Continued):**

**Plan description (Continued)**

LERS is included as part of the primary government of the City and is included in the City's financial statements as a fiduciary fund. As of June 30, 2012, LERS membership consisted of 14 police and fire retirees and beneficiaries currently receiving benefits. Under LERS, after twenty-five years or more of service, in the aggregate, or upon reaching the age of sixty-five years, each covered employee was entitled to receive a yearly pension, in semi-monthly installments, equal to one-half the amount of salary attached to the rank which he/she may have held in the Fire or Police Department. Any employee who had not worked the full period of twenty-five years before reaching the age of sixty-five was entitled to have the amount of pension prorated according to the number of years worked in proportion to the period of twenty-five years of active service required for the pension provision.

Basis of Accounting – The City of Eureka LERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due. Benefit payments are recognized when due and payable in accordance with the terms of the plan.

**Summary of significant accounting policies and plan asset matters**

Methods Used to Value Investments – Investments are reported at fair value. Cash and Cash equivalents are reported at cost, which approximates fair value (see also Note 1, Section I). Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported as estimated fair value.

**Contributions required and contributions made**

The City's Municipal Code, Title III, Chapter 34, assigns the authority to establish and amend benefits provisions of the Plan to the City Council.

Funding Policy – Actuarial determined funding policy provides for recommended period employer contributions for a projected forty-year cash flow under a thirty-year funding policy. During the last 5 fiscal years, contributions were not made in accordance with actuarially determined requirements. During the fiscal year 2006-07, contributions from the General Fund were made to cover benefits on a "pay as you go" basis. No contributions were made during the fiscal year 2007-08. During the fiscal years 2009-10, 2010-11, and 2011-12, contributions from the General Fund were made to cover benefits on a "pay as you go" basis. All administrative costs are financed by the City.

Annual Pension Cost and Net Pension Obligation – The City's annual pension cost and net pension obligation to LERS for the 2011-12 fiscal year was as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Local Employees' Retirement System (LERS) (Continued):**

**Contributions required and contributions made (Continued)**

Annual required contribution	\$ (24,914)
Interest on net pension obligation	(35,452)
Adjustments to annual required contribution	58,969
Annual pension cost	<u>(1,397)</u>
Contributions made	<u>(200,696)</u>
Increase (decrease) in net pension obligation	(202,093)
Net pension obligation (assets), beginning of fiscal year	<u>(589,002)</u>
Net pension obligation (assets), end of fiscal year	<u><u>\$ (791,095)</u></u>

The annual required contribution for the fiscal year 2011-12 was determined as part of the June 30, 2012, actuarial review using the entry age normal cost method, with the determination of the initial unfunded actuarial liability as of June 30, 1988, and amortizing that value over the remaining portion of thirty years, with such thirty year period beginning with the date of the initial funding method at July 1, 1975. The unfunded actuarial liability is being amortized as a level dollar of projected payroll.

The actuarial assumptions included: (a) Rate of return on the investment of present and future assets of six percent per year, (b) projected salary increases of four percent per year attributable to inflation, and; (c) post-retirement mortality rates based on the 1971 Group Annuity Mortality Table, with a five-year setback for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

There was a material change in actuarial method for the fiscal year 1997-98 used to determine the Net Pension Obligation. The major change in the calculations dealt with the actuarial required contribution (ARC) for each of the years prior to 1997. The prior number was calculated with the recommended annual contributions being used as the ARC. Such recommended amounts amortized all gains and losses over a period that ends on June 30, 2013. The 2008-09 calculations were based on the required contributions under the entry age normal cost method, with the initial unfunded liability amortized over a period of forty years starting on July 1, 1974, actuarial experience gains and losses amortized over fifteen years from the date of recognition, and gains and losses created due to a change in actuarial assumptions amortized over thirty years. The June 30, 2012 actuarial valuation bases the calculations on the entry age normal cost method, with the initial unfunded liability amortized over a thirty year period starting on July 1, 1975, actuarial experience gains and losses being amortized over fifteen years, and gains and losses created due to a change in actuarial assumptions being amortized over thirty years. Except for the change in amortization of the initial unfunded liability from forty to thirty years noted above, there were no other material changes in the actuarial assumptions or benefit provisions.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)**

**Local Employees' Retirement System (LERS) (Continued):**

**Three year trend information**

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	\$ 8,496	100.00%	\$ (421,056)
2011	32,750	100.00%	(589,002)
2012	(1,397)	100.00%	(791,095)

**Funded Status — Most Recent Actuarial Valuation**

According to the Plan's June 30, 2012 actuarial valuation, total actuarial assets of \$51,919 represented 1.3% of the total actuarial accrued liabilities of \$4,020,040 as of June 30, 2012. Additionally, total unfunded actuarial liabilities were \$3,968,121 at June 30, 2012 according to the valuation. For multiyear trend information, please refer to the schedules of funding progress in the supplementary information section of these financial statements. As noted in GASB Statement No. 50, this reference to the schedules of funding progress does not represent or imply incorporation of the schedules of funding progress into notes to the financial statements.

**Public Employees' Retirement System (PERS)**

**Plan description**

The City of Eureka contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state statute and Ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**Annual Required Contribution**

The City is required to contribute at an actuarially determined rate; the current rate is 21.65% for miscellaneous employees and 38.205% for safety employees for the fiscal year ended June 30, 2012 of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City, due to a collective bargaining agreement, also has a legal obligation to contribute 8% (9% for safety employees) of each participant's annual covered salary. The City's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,211,028, \$4,523,703, and \$3,353,516 respectively, and were equal to required contributions for each fiscal year.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 13 DEFERRED COMPENSATION PLANS**

The City offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 as follows:

Full-time employees

This plan is available to all City full-time employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Part-time employees

This plan covers part-time employees, who in lieu of paying FICA, contribute 7.5 percent of their earnings as retirement benefits.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City deducts deferred compensation from employee compensation and forwards it to the Plan's administrator on a semi-monthly basis. The City amended its plan in order to conform to the amendments of the Internal Revenue Code. The amendments provide that the assets of the Plan shall be held for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted for any other purposes. The City has little administrative involvement, does not have custody of the assets, and does not perform the investing function. In addition, the City has no liability for any losses that may be incurred by the Plan.

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves.

**NOTE 15 SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, City management has reviewed all known events that have occurred after June 30, 2012, and through March 22, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

**NOTE 16 NET ASSETS AND FUND BALANCES**

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

**a. Net Assets**

Net assets are divided into three classifications under GASB Statement No. 34. These classifications apply only to net assets as determined at the government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 NET ASSETS AND FUND BALANCES (Continued)**

**a. Net Assets (Continued)**

*Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

*Unrestricted* describes the portion of net assets which is not restricted as to use.

The government-wide statement of net assets reports \$16,824,551 of restricted net assets, of which \$0 is restricted by enabling legislation.

**b. Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Low/Moderate Income Housing	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenditures	\$ 238,434	\$ -	\$ -	\$ 238,434
Total Nonspendable	<u>238,434</u>			<u>238,434</u>
<u>Restricted for:</u>				
Housing		1,180,469	1,639,178	2,819,647
Law enforcement			772,115	772,115
Public health			8,376	8,376
Road improvements			1,148,809	1,148,809
Airport			203,019	203,019
Debt service			5,688	5,688
Total Restricted		<u>1,180,469</u>	<u>3,777,185</u>	<u>4,957,654</u>
Unassigned:	2,053,897		(717,814)	1,336,083
Total Fund Balances	<u>\$2,292,331</u>	<u>\$ 1,180,469</u>	<u>\$ 3,059,371</u>	<u>\$6,532,171</u>

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Eureka that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government.

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

Total extraordinary (gain)loss reported in governmental fund – increase to net assets of the Successor Agency Trust Funds	\$ 4,613,294
Capital assets recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	1,985,748
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	398,930
Bond discounts reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	116,658
Deferred loss on refunding reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	288,802
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(26,134,804)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)	<u>\$ (18,731,372)</u>

Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Transfers from RDA	Additions	Reductions	Balance at June 30, 2012
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 1,985,748	\$ 60,351	\$ -	\$ 2,046,099
Total capital assets, not being depreciated	\$ -	\$ 1,985,748	\$ 60,351	\$ -	\$ 2,046,099

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at June 30, 2011	Transfers from RDA	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
Governmental Activities:						
Revenue Bonds Payable						
2003 Tax Allocation Revenue Bonds	\$ -	\$ 15,250,000	\$ -	\$ -	\$ 15,250,000	\$ 1,000,000
2010 Lease Revenue Bonds Series A		4,960,000			4,960,000	115,000
2010 Lease Revenue Bonds Series B		4,235,000			4,235,000	45,000
Total Bonds Payable		24,445,000			24,445,000	1,160,000
Bond Discount		(116,658)		1,726	(114,932)	(4,144)
Deferred Loss on Refunding		(288,802)		25,333	(263,469)	(60,800)
Compensated Absences			106,949		106,949	106,949
California Infrastructure Bank Loan		1,689,804			1,689,804	109,341
Total	\$ -	\$ 25,729,344	\$ 106,949	\$ 27,059	\$ 25,863,352	\$ 1,311,346

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Intergovernmental Loan**

**California Infrastructure Bank Loan (I-Bank)**

On February 1, 2008, the Eureka Redevelopment Agency (Agency) entered into an agreement with I-Bank to borrow \$2,000,000 at 2.83% to construct C Street Market Square.

Loan proceeds are disbursed to the Agency as capital costs are incurred and submitted. Annual principal payments and semi-annual interest payments are due through November 2024. The agency will be credited for interest on undisbursed proceeds at 2.83%. A loan initiation fee of \$17,000 is being amortized over the seventeen years of the loan. The amount outstanding as of June 30, 2012 was \$1,689,804.

The following is the debt service schedule:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 109,341	\$ 46,271	\$ 155,612
2014	112,435	43,133	155,568
2015	115,617	39,906	155,523
2016	118,889	36,588	155,477
2017	122,254	33,176	155,430
2018-2022	665,167	111,220	776,387
2023-2026	446,101	19,169	465,270
	<u>\$ 1,689,804</u>	<u>\$ 329,463</u>	<u>\$ 2,019,267</u>

**Revenue Bonds**

2003 Tax Allocation Revenue Refunding Bonds, issued by Eureka Public Financing Authority (Authority), in the amount of \$15,250,000. The bond issue consisted of the following: \$15,250,000 serial bonds carrying interest rates of 4.00% to 4.80% and maturing in annual increments of \$1,000,000 to \$1,600,000 with maturity dates of November 1 each year from 2012 through 2023. The outstanding balance as of June 30, 2012 was \$15,250,000.

These bonds are secured by a first lien on and pledge of all the amounts payable by the Agency and 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 on the incremental tax revenues received by the Agency from redevelopment project areas. Each loan is additionally secured by a first and exclusive pledge of and lien upon all of the money 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.

Future minimum debt service requirements to maturity are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Revenue Bonds (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,000,000	\$ 658,343	\$ 1,658,343
2014	1,040,000	617,543	1,657,543
2015	1,085,000	575,042	1,660,042
2016	1,125,000	528,031	1,653,031
2017	1,175,000	478,043	1,653,043
2018-2022	6,695,000	1,547,546	8,242,546
2023-2024	3,130,000	151,537	3,281,537
	<u>\$ 15,250,000</u>	<u>\$ 4,556,085</u>	<u>\$ 19,806,085</u>

The Eureka Public Financing Authority also issued two series of bonds in January 2010.

The 2010 Lease Revenue Bonds, Series A (Taxable) were issued in the amount of \$4,960,000. The purpose of this issue was to pay off an advance owed to the City of Eureka's General Fund in the amount of \$3,584,373. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 5.5% to 8.0%. The bond issue matures in annual increments with maturity dates on November 1 of each year from 2012 through 2032, the termination date of the Eureka Redevelopment Agency (Agency) at which time the remaining balance becomes due. The bonds were issued with \$89,468 discount. The outstanding balance as of June 30, 2012 was \$4,960,000.

The 2010 Lease Revenue Bonds, Series B (Tax Exempt) were issued in the amount of \$4,235,000. The purpose of this issue was to finance the costs of certain public capital improvements within the Redevelopment project area to include improvements to the Boardwalk with the construction of the C Street Market Square and the Fishermen's Terminal Building. A portion of the proceeds will also be used to repay a note payable from the Eureka Redevelopment Agency to the City of Eureka Wastewater Fund. The balance of the proceeds was used to pay the cost of issuing the bonds and to set up reserves for near term interest and future debt service payments. Interest rates on this issue of bond indebtedness vary from 2.25% to 5.875%. The bond issue matures in annual increments with maturity dates on November 1 of each fiscal year from 2012 through 2037, the termination date of the agency, at which time the remaining balance becomes due. The outstanding balance as of June 30, 2012 was \$4,235,000.

Future minimum debt service requirements to maturity are as follows:

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Revenue Bonds (Continued)**

Fiscal Year Ending June 30,	Series A Bonds		Series B Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 115,000	\$ 367,512	\$ 45,000	\$ 237,280	\$ 160,000	\$ 604,792
2014	120,000	361,050	45,000	236,155	165,000	597,205
2015	125,000	354,312	50,000	234,724	175,000	589,036
2016	135,000	347,162	50,000	232,974	185,000	580,136
2017	140,000	338,550	50,000	231,011	190,000	569,561
2018-2022	860,000	1,525,313	295,000	1,116,954	1,155,000	2,642,267
2023-2027	1,225,000	1,145,488	385,000	1,027,132	1,610,000	2,172,620
2028-2032	1,790,000	560,000	510,000	901,666	2,300,000	1,461,666
2033-2037	450,000	18,000	2,805,000	488,066	3,255,000	506,066
Totals	<u>\$ 4,960,000</u>	<u>\$ 5,017,387</u>	<u>\$ 4,235,000</u>	<u>\$ 4,705,962</u>	<u>\$ 9,195,000</u>	<u>\$ 9,723,349</u>

**Due to and from City of Eureka**

Receivable Funds	Payable Funds	Amount
General Fund	Private Purpose Trust Fund	\$ 19,878

**Advances to/from City of Eureka**

Due to the State SERAF payment requirement during fiscal year 2010, the Redevelopment Agency Debt Service Fund had insufficient cash to make the payment. Borrowing from the Redevelopment Low and Moderate Housing Special Revenue Fund was authorized by State SERAF legislation. The fund will repay the Housing Fund by June 2016. The outstanding balance as of June 30, 2012 was \$656,101.

The Redevelopment Agency Debt Service Fund borrowed \$429,069 from the Water Fund for water redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2012 was \$491,288.

The Redevelopment Agency Debt Service Fund borrowed \$6,013,622 from the Wastewater Fund for wastewater redevelopment project costs. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. The outstanding balance as of June 30, 2012 was \$4,655,485.

Receivable Funds	Payable Funds	Amount
Major Low and Moderate Income Housing Fund	Successor Agency Debt Service Fund	\$ 656,101
Major Water Enterprise Fund	Successor Agency Debt Service Fund	491,288
Major Wastewater Enterprise Fund	Successor Agency Debt Service Fund	4,655,485
		<u>\$ 5,802,874</u>

**CITY OF EUREKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 17 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)**

**Interfund transfers**

Transfers In	Transfers Out	Amount
Successor Agency Housing Fund	Successor Agency Debt Service Fund	\$ 298,051

**NOTE 18 SPECIAL ITEM**

On February 1, 2012, all the assets except cash and investments from the former Redevelopment Agency Low and Moderate Income Housing fund were transferred to the City Low and Moderate Income Housing Fund. The transfer in an amount of \$462,800 was reported as a special item in the accompanying statement of revenues, expenditures, and changes in fund balances.

**NOTE 19 PRIOR PERIOD ADJUSTMENTS**

	Government-wide Statements	General Fund
Reason for adjustments		
Overstatement of capital leases payable	\$ 9,205	\$ -
Understatement of accounts receivable	27,390	27,390
Overstatement of accounts payable	49,507	49,507
	\$ 86,102	\$ 76,897
	Government-wide Statements	Building Enterprise Fund
Reason for adjustments		
Understatement of accounts receivable	\$ 69,838	\$ 69,838
	\$ 69,838	\$ 69,838

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EUREKA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 18,561,700	\$ 18,561,700	\$ 17,929,150	\$ (632,550)
Licenses, permits, and fees	941,200	941,200	941,485	285
Fines and penalties	24,000	24,000	187,496	163,496
Investment income			11,309	11,309
Intergovernmental	2,985,114	2,985,114	2,266,329	(718,785)
Charges for services	3,778,985	3,778,985	4,011,430	232,445
Other revenues	140,035	137,905	955,279	817,374
Total Revenues	<u>26,431,034</u>	<u>26,428,904</u>	<u>26,302,478</u>	<u>(126,426)</u>
<b>Expenditures:</b>				
General government-				
Council	98,303	98,303	90,726	7,577
Mayor	27,702	27,702	23,071	4,631
City Manager	310,303	310,303	330,487	(20,184)
City Clerk	202,007	219,100	239,005	(19,906)
Human Resources	414,991	414,991	310,481	104,510
Finance	722,386	705,400	712,919	(7,519)
City Attorney	303,790	393,790	317,134	76,656
Non-departmental	1,359,851	1,374,851	1,601,968	(227,117)
Public safety-				
Police	11,066,466	11,099,403	9,910,167	1,189,236
Fire	6,289,126	6,300,493	6,433,188	(132,695)
Public works-				
Engineering	487,841	493,653	565,164	(71,511)
Maintenance	1,657,759	1,657,759	1,622,251	35,508
Community development	537,326	670,021	661,489	8,532
Culture and recreation	2,636,169	2,652,524	2,550,073	102,451
Capital outlay	774,487	1,154,083	817,306	336,777
Debt service -				
Principal payments	199,083	199,084	199,083	1
Interest and fiscal charges	38,430	56,936	41,788	15,148
Total Expenditures	<u>27,126,020</u>	<u>27,828,396</u>	<u>26,426,300</u>	<u>1,402,096</u>
Excess of revenues over (under) expenditures	<u>(694,986)</u>	<u>(1,399,492)</u>	<u>(123,822)</u>	<u>1,275,670</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in			380,000	380,000
Transfers out	(102,962)	(102,962)	(102,962)	
Total Other Financing Sources (Uses)	<u>(102,962)</u>	<u>(102,962)</u>	<u>277,038</u>	<u>380,000</u>
Net changes in fund balance	<u>(797,948)</u>	<u>(1,502,454)</u>	<u>153,216</u>	<u>1,655,670</u>
Fund Balance, beginning of fiscal year	2,062,218	2,062,218	2,062,218	
Prior Period Adjustments			76,897	76,897
Fund Balance, beginning of fiscal year, restated	<u>2,062,218</u>	<u>2,062,218</u>	<u>2,139,115</u>	<u>76,897</u>
Fund Balance, end of fiscal year	<u>\$ 1,264,270</u>	<u>\$ 559,764</u>	<u>\$ 2,292,331</u>	<u>\$ 1,732,567</u>

**CITY OF EUREKA**  
**REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income	\$ 7,500	\$ 10,810	\$ 10,810	\$ -
Charges for services	15,000	452	452	
Other revenues	125,500	36,387	36,387	
Total Revenues	148,000	47,649	47,649	
<b>Expenditures:</b>				
Current:				
Community development	470,169	194,497	194,497	
Total Expenditures	470,169	194,497	194,497	
Excess of Revenues Over (Under) Expenditures	(322,169)	(146,848)	(146,848)	
Net changes in fund balance Before Special Item and Extraordinary Item	(322,169)	(146,848)	(146,848)	
<b>SPECIAL ITEM</b>				
Gain/(Loss) on Transfer of Redevelopment Agency Housing Assets			(462,800)	(462,800)
<b>EXTRAORDINARY ITEM</b>				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds	971,554	488,755	(1,155,925)	(1,644,680)
Net Changes in Fund Balances	649,385	341,907	(1,765,573)	(2,107,480)
Fund Balance, beginning of fiscal year	1,765,573	1,765,573	1,765,573	
Fund Balance, end of fiscal year	<u>\$ 2,414,958</u>	<u>\$ 2,107,480</u>	<u>\$ -</u>	<u>\$ (2,107,480)</u>

**CITY OF EUREKA**  
**LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other revenues	\$ -	\$ -	\$ 717,669	\$ 717,669
Total Revenues			717,669	717,669
Net changes in fund balance Before Special Item			717,669	717,669
<b>SPECIAL ITEM</b>				
Gain/(Loss) on Transfer of Redevelopment Agency Housing Assets			462,800	462,800
Net Changes in Fund Balances			1,180,469	1,180,469
Fund Balance, beginning of fiscal year				
Fund Balance, end of fiscal year	\$ -	\$ -	\$ 1,180,469	\$ 1,180,469

**CITY OF EUREKA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA)/(AAL)	Annual Covered Payroll	UAAL as a Percentage of Covered payroll
6/30/1996	\$ 1,500,695	\$ 6,955,634	\$ 5,454,939	21.6%	N/A	N/A
6/30/1997	1,486,314	6,851,822	5,365,508	21.7%	N/A	N/A
6/30/1998	1,477,862	7,013,672	5,535,810	21.1%	N/A	N/A
6/30/1999	1,177,209	6,883,361	5,706,152	17.1%	N/A	N/A
6/30/2000	1,271,710	6,178,799	4,907,089	20.6%	N/A	N/A
6/30/2001	1,426,952	6,078,866	4,651,914	23.5%	N/A	N/A
6/30/2002	1,521,478	6,648,840	5,127,362	22.9%	N/A	N/A
6/30/2003	1,310,755	6,517,915	5,207,160	20.1%	N/A	N/A
6/30/2004	1,253,920	5,749,458	4,495,538	21.8%	N/A	N/A
6/30/2005	875,905	5,599,704	4,723,799	15.6%	N/A	N/A
6/30/2006	904,323	4,985,969	4,081,646	18.1%	N/A	N/A
6/30/2007	1,284,477	4,806,301	3,521,524	26.7%	N/A	N/A
6/30/2008	849,471	4,959,400	4,109,929	17.1%	N/A	N/A
6/30/2009	634,937	4,740,136	4,105,199	13.4%	N/A	N/A
6/30/2010	348,920	4,926,194	4,577,274	7.1%	N/A	N/A
6/30/2011	15,016	4,682,353	4,667,337	0.3%	N/A	N/A
6/30/2012 *	51,919	4,020,040	3,968,121	1.3%	N/A	N/A

\* Actuarial review and update based on the June 30, 2012 actuarial valuation date.

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
1996	\$ 590,693	85%
1997	590,693	69%
1998	616,275	69%
1999	616,275	24%
2000	556,724	90%
2001	556,724	90%
2002	607,686	68%
2003	607,686	74%
2004	571,992	74%
2005	(123,022)	100%
2006	(163,025)	100%
2007	(121,366)	100%
2008	(88,525)	100%
2009	(31,650)	100%
2010	8,496	100%
2011	14,660	100%
2012	(24,914)	100%

**CITY OF EUREKA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS - Local Employees' Retirement System (LERS)**  
**(Continued)**

Information as of the latest actuarial valuation follows:

Valuation date	6/30/2012
Actuarial cost method	Entry Age
Amortization method	Straight Line Amortization – Closed
Remaining amortization period	30 year period beginning with the date of initial funding method (7/1/1975)
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	4.0%

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**CITY OF EUREKA**  
**REDEVELOPMENT AGENCY DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 2,434,104	\$ 2,434,104	\$ -
Investment income	3,859	3,859	
Intergovernmental	7,946	7,946	
<b>Total Revenues</b>	<b>2,445,909</b>	<b>2,445,909</b>	
<b>Expenditures:</b>			
Current:			
Community development	71,467	71,468	(1)
Debt service:			
Principal payments	106,332	106,332	
Interest and fiscal charges	61,592	74,090	(12,498)
<b>Total Expenditures</b>	<b>239,391</b>	<b>251,890</b>	<b>(12,499)</b>
Excess of Revenues Over (Under) Expenditures	2,206,518	2,194,019	(12,499)
<b>Other Financing Sources (Uses):</b>			
Transfers in	567,031	567,031	
Transfers out	(1,022,647)	(1,297,054)	(274,407)
<b>Total Other Financing Sources (Uses)</b>	<b>(455,616)</b>	<b>(730,023)</b>	<b>(274,407)</b>
Net changes in fund balance Before Extraordinary Item	1,750,902	1,463,996	(286,906)
<b>EXTRAORDINARY ITEM</b>			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds	488,755	1,929,279	1,440,524
<b>Net Changes in Fund Balances</b>	<b>2,239,657</b>	<b>3,393,275</b>	<b>1,153,618</b>
Fund Balance, beginning of fiscal year	(3,393,275)	(3,393,275)	
Fund Balance, end of fiscal year	<b>\$ (1,153,618)</b>	<b>\$ -</b>	<b>\$ 1,153,618</b>

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**NONMAJOR GOVERNMENTAL FUNDS**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Special Revenue Funds** are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government. The Special Revenue Funds of the City are:

- **Gas Tax/State Highway Funds** – These funds are required by state law to account for gas tax monies allocated by the State. Taxes levied by the State on gasoline and other motor fuels are allocated among cities, counties, and the State. The funds can be used for street and road expenditures, as defined by state law. Occasionally, other street and road related grants are receipted into these funds. Other revenues include State Highway funds traded for Federal ISTEA funds (per California Senate Bill 1435). The funds can be used for the same purposes as gas tax funds (see above). Under SB 45, the State Transportation Improvement Plan provides funding for approved local street projects. Revenues are derived from both state and federal funds. Revenue received from CalTrans through the sale of property to fund projects that provide congestion relief for travel through the City is also allocated here. These funds are also used to account for revenue received from the State for the purpose of street and highway pavement maintenance, rehabilitation, and reconstruction of necessary associated facilities such as drainage and traffic devices.

- **Habitat Acquisition and Restoration Fund** – This fund is used to account for grants and other funds restricted or designated specially for acquisition, restoration, or mitigation projects approved by the City.

- **Environmental Programs Fund** – Revenues to this fund are restricted by law for implementation of various environmental programs throughout the City, particularly solid waste source reduction.

- **Special Police Funds** – These funds are used to account for revenues from several programs which are restricted as to use for police programs. These include drug asset forfeitures, vehicle theft funds, the State supplemental law enforcement services program, traffic offender funds, abandoned vehicle abatement funds, and the California law enforcement equipment program fund.

- **Parking Fund** – Revenues to this fund consist primarily of parking fees and fines that are used for the maintenance of parking lots, signs, meters and enforcement activities.

- **Capital Improvements Fund** – Revenues to this fund include state and federal grants and transfers from other City funds designated by Council action to be used for specified capital maintenance/improvement projects.

- **Demolition Projects Fund** – Revenues to this fund consist primarily of transfers from the General Fund and are to be used for abatement actions authorized by the Municipal Code or by the Uniform Building Code.

- **Airport Fund** – Revenues to this fund are restricted by law for maintenance and capital improvements at the Eureka Municipal Airport.

- **Special Fire Funds** – These funds receive revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, and grants and response charges to operate the Hazmat response team.

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### SPECIAL REVENUE FUNDS (CONTINUED)

- **Housing Fund** – This fund is used to account for all housing funds of the City, including: the proceeds of Community Development Block grants, as required by federal regulations; reimbursement of block grant economic development loans (“program income”); rental rehabilitation state grant funds; Home Investment Partnership Program (HOME) for loans of federal and state grant funds; and local housing to operate as a revolving loan fund. Funding sources for the housing loan programs include grants and loan repayments.
- **Redevelopment Agency Housing Fund** – This is a Redevelopment Agency Fund established pursuant to California Redevelopment Law to account for the deposit of twenty percent of tax increment revenues received by the Redevelopment Agency. The funds are to be used to increase and improve the community’s supply of low and moderate income housing.

### CAPITAL PROJECTS FUNDS

**Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The Capital Projects Funds of the City are:

- **Successor Agency Redevelopment Agency Capital Projects fund** – This fund is used to account for capital improvements of the former Redevelopment Agency which are financed by proceeds of tax allocation bonds, bank loans, and City advances. The Agency has three capital project areas: Century III Phase I; Century III Phase II; and Eureka Tomorrow.
- **Redevelopment Agency Capital Projects Fund** – This fund is used to account for capital improvements of the Redevelopment Agency which are financed by proceeds of tax allocation bonds, bank loans, and City advances. The Agency has three capital project areas: Century III Phase I; Century III Phase II; and Eureka Tomorrow.

### DEBT SERVICE FUND

**Debt Service Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations. The Debt Service Fund of the City is:

- **Public Financing Authority Fund** – This fund was established to repay principal and interest of the tax allocation bonds issued by the Eureka Public Financing Authority. Debt service payments are made from the proceeds of loan repayments from the Eureka Redevelopment Agency.

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**CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2012**

	Special Revenue Funds					
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking	Capital Improvements
<b>Assets</b>						
Cash and investments	\$ 1,012,151	\$ -	\$ 2,002	\$ 166,295	\$ 63,558	\$ 215,213
Accounts receivable	81,613	277,817	8,272	128,254		21,898
Interest receivable	2,499	(372)	27	542	155	540
Prepaid items				250,000		
Notes and loans receivable						
Advances to other funds						
<b>Total Assets</b>	<u>\$ 1,096,263</u>	<u>\$ 277,445</u>	<u>\$ 10,301</u>	<u>\$ 545,091</u>	<u>\$ 63,713</u>	<u>\$ 237,651</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 57,960	\$ -	\$ 1,388	\$ 21,252	\$ 5,389	\$ 120,028
Due to other funds		150,524				
Deposits payable						
Payroll and related liabilities	7,117		537	10,289	2,935	
Deferred revenue		277,817		32,261		
Advances from other funds						
<b>Total Liabilities</b>	<u>65,077</u>	<u>428,341</u>	<u>1,925</u>	<u>63,802</u>	<u>8,324</u>	<u>120,028</u>
<b>Fund Balances:</b>						
Restricted	1,031,186		8,376	481,289	55,389	117,623
Unassigned		(150,896)				
<b>Total Fund Balances (Deficits)</b>	<u>1,031,186</u>	<u>(150,896)</u>	<u>8,376</u>	<u>481,289</u>	<u>55,389</u>	<u>117,623</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,096,263</u>	<u>\$ 277,445</u>	<u>\$ 10,301</u>	<u>\$ 545,091</u>	<u>\$ 63,713</u>	<u>\$ 237,651</u>

Special Revenue Funds				Capital Projects Fund			Public Financing Authority Debt Service	Total Nonmajor Governmental Funds
Demolition Projects	Airport	Special Fire	Housing	Redevelopment Agency Housing	Successor Agency Redevelopment Agency Capital Projects	Redevelopment Agency Capital Projects		
\$ -	\$ 227,573	\$ 236,637	\$ 1,641,681	\$ -	\$ -	\$ -	\$ 5,682	\$ 3,570,792
573,532	2,975	290	182,271					1,276,922
	563	593	3,954				6	8,507
			2,034,740					250,000
			34,605					2,034,740
								34,605
<u>\$ 573,532</u>	<u>\$ 231,111</u>	<u>\$ 237,520</u>	<u>\$ 3,897,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,688</u>	<u>\$ 7,175,566</u>
\$ 18,819	\$ 27,994	\$ 1,468	\$ 138,773	\$ -	\$ -	\$ -	\$ -	\$ 393,071
556,249			150					706,773
	98	615	(26)					150
552,382			2,119,176					21,565
13,000								2,981,636
								13,000
<u>1,140,450</u>	<u>28,092</u>	<u>2,083</u>	<u>2,258,073</u>					<u>4,116,195</u>
	203,019	235,437	1,639,178				5,688	3,777,185
(566,918)								(717,814)
(566,918)	203,019	235,437	1,639,178				5,688	3,059,371
<u>\$ 573,532</u>	<u>\$ 231,111</u>	<u>\$ 237,520</u>	<u>\$ 3,897,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,688</u>	<u>\$ 7,175,566</u>

**CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds					
	Gas Tax/ State Highway	Habitat Acquisition and Restoration	Environmental Programs	Special Police	Parking	Capital Improvements
<b>REVENUES</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ 61,023	\$ -
Fines and penalties				133,109	96,927	
Investment income	52	(1,008)	70	3,302	586	1,376
Intergovernmental	1,125,112	74,797	46,174	211,429		509,935
Charges for services	8,645			39,650	173	
Other revenues	63,616		33,888	246,675		61,438
<b>Total Revenues</b>	<b>1,197,425</b>	<b>73,789</b>	<b>80,132</b>	<b>634,165</b>	<b>158,709</b>	<b>572,749</b>
<b>EXPENDITURES</b>						
Current:						
General government						
Public safety				432,945	86,236	
Public works	624,386	161,386	84,023		41,347	
Community development						
Capital outlay	1,181,303			61,281		449,940
Debt service:						
Principal payments					21,396	
Interest and fiscal charges					3,591	
<b>Total Expenditures</b>	<b>1,805,689</b>	<b>161,386</b>	<b>84,023</b>	<b>494,226</b>	<b>152,570</b>	<b>449,940</b>
Excess of Revenues Over (Under) Expenditures	(608,264)	(87,597)	(3,891)	139,939	6,139	122,809
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				4,000		
Transfers out						
<b>Total Other Financing Sources (Uses)</b>				<b>4,000</b>		
Net changes in fund balances Before Extraordinary Item	(608,264)	(87,597)	(3,891)	143,939	6,139	122,809
<b>EXTRAORDINARY ITEM</b>						
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds						
<b>Net Changes in Fund Balances</b>	<b>(608,264)</b>	<b>(87,597)</b>	<b>(3,891)</b>	<b>143,939</b>	<b>6,139</b>	<b>122,809</b>
Fund Balances (Deficits), beginning of fiscal year	1,639,450	(63,299)	12,267	337,350	49,250	(5,186)
Fund Balances (Deficits), end of fiscal year	<u>\$ 1,031,186</u>	<u>\$ (150,896)</u>	<u>\$ 8,376</u>	<u>\$ 481,289</u>	<u>\$ 55,389</u>	<u>\$ 117,623</u>

Special Revenue Funds				Capital Projects Fund			Public Financing Authority Debt Service	Total Nonmajor Governmental Funds
Demolition Projects	Airport	Special Fire	Housing	Redevelopment Agency Housing	Successor Agency Redevelopment Agency Capital Projects	Redevelopment Agency Capital Projects		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,023
571	2,694	2,995	24,351			2,624	(47,175)	230,036
	10,000		487,175					(9,562)
	210	75,339	169					2,464,622
34,460	12,762	202	171,667					124,186
								624,708
35,031	25,666	78,536	683,362			2,624	(47,175)	3,495,013
			3,097					3,097
	47,837	57,512						576,693
			846,274			94		958,979
166,697		552				474,807		846,368
								2,334,580
							640,757	21,396
								644,348
166,697	47,837	58,064	849,371			474,901	640,757	5,385,461
(131,666)	(22,171)	20,472	(166,009)			(472,277)	(687,932)	(1,890,448)
							644,202	648,202
						(872,062)		(872,062)
						(872,062)	644,202	(223,860)
(131,666)	(22,171)	20,472	(166,009)			(1,344,339)	(43,730)	(2,114,308)
				(61,567)	(4,727,330)	(597,751)		(5,386,648)
(131,666)	(22,171)	20,472	(166,009)	(61,567)	(4,727,330)	(1,942,090)	(43,730)	(7,500,956)
(435,252)	225,190	214,965	1,805,187	61,567	4,727,330	1,942,090	49,418	10,560,327
\$ (566,918)	\$ 203,019	\$ 235,437	\$ 1,639,178	\$ -	\$ -	\$ -	\$ 5,688	\$ 3,059,371

**CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Gas Tax / State Highway			Habitat Acquisition and Restoration		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income		52	52		(1,008)	(1,008)
Intergovernmental	2,299,577	1,125,112	(1,174,465)	75,000	74,797	(203)
Charges for services	5,000	8,645	3,645			
Other revenues	16,200	63,616	47,416			
<b>Total Revenues</b>	<b>2,320,777</b>	<b>1,197,425</b>	<b>(1,123,352)</b>	<b>75,000</b>	<b>73,789</b>	<b>(1,211)</b>
<b>Expenditures:</b>						
Current:						
General government						
Public safety						
Public works	629,671	624,386	5,285	424,879	161,386	263,493
Community development						
Capital outlay	2,705,094	1,181,303	1,523,791			
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>3,334,765</b>	<b>1,805,689</b>	<b>1,529,076</b>	<b>424,879</b>	<b>161,386</b>	<b>263,493</b>
Excess of Revenues Over (Under) Expenditures	(1,013,988)	(608,264)	405,724	(349,879)	(87,597)	262,282
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
Net changes in fund balances Before Extraordinary Item	(1,013,988)	(608,264)	405,724	(349,879)	(87,597)	262,282
<b>EXTRAORDINARY ITEM</b>						
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds						
<b>Net Changes in Fund Balances</b>	<b>(1,013,988)</b>	<b>(608,264)</b>	<b>405,724</b>	<b>(349,879)</b>	<b>(87,597)</b>	<b>262,282</b>
Fund Balances (Deficits), beginning of fiscal year	1,639,450	1,639,450		(63,299)	(63,299)	
<b>Fund Balances (Deficits), end of fiscal year</b>	<b>\$ 625,462</b>	<b>\$ 1,031,186</b>	<b>\$ 405,724</b>	<b>\$ (413,178)</b>	<b>\$ (150,896)</b>	<b>\$ 262,282</b>

Environmental Programs			Special Police			Parking		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,020	\$ 61,023	\$ (4,997)
			81,159	133,109	51,950	106,000	96,927	(9,073)
650	70	(580)		3,302	3,302		586	586
31,300	46,174	14,874	104,487	211,429	106,942			
			32,000	39,650	7,650	1,160	173	(987)
8,500	33,888	25,388	208,357	246,675	38,318			
40,450	80,132	39,682	426,003	634,165	208,162	173,180	158,709	(14,471)
			355,206	432,945	(77,739)	83,698	86,236	(2,538)
61,985	84,023	(22,038)				35,723	41,347	(5,624)
			4,721	61,281	(56,560)			
						21,401	21,396	5
						3,586	3,591	(5)
61,985	84,023	(22,038)	359,927	494,226	(134,299)	144,408	152,570	(8,162)
(21,535)	(3,891)	17,644	66,076	139,939	73,863	28,772	6,139	(22,633)
			4,000	4,000				
			4,000	4,000				
(21,535)	(3,891)	17,644	70,076	143,939	73,863	28,772	6,139	(22,633)
(21,535)	(3,891)	17,644	70,076	143,939	73,863	28,772	6,139	(22,633)
12,267	12,267		337,350	337,350		49,250	49,250	
\$ (9,268)	\$ 8,376	\$ 17,644	\$ 407,426	\$ 481,289	\$ 73,863	\$ 78,022	\$ 55,389	\$ (22,633)

(Continued)

**CITY OF EUREKA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

	Capital Improvements			Demolition Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income		1,376	1,376		571	571
Intergovernmental	625,000	509,935	(115,065)			
Charges for services						
Other revenues	(32,800)	61,438	94,238	550,569	34,460	(516,109)
<b>Total Revenues</b>	<u>592,200</u>	<u>572,749</u>	<u>(19,451)</u>	<u>550,569</u>	<u>35,031</u>	<u>(515,538)</u>
<b>Expenditures:</b>						
Current:						
General government						
Public safety						
Public works						
Community development						
Capital outlay	1,085,848	449,940	635,908	312,000	166,697	145,303
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>1,085,848</u>	<u>449,940</u>	<u>635,908</u>	<u>312,000</u>	<u>166,697</u>	<u>145,303</u>
Excess of Revenues Over (Under) Expenditures	<u>(493,648)</u>	<u>122,809</u>	<u>616,457</u>	<u>238,569</u>	<u>(131,666)</u>	<u>(370,235)</u>
<b>Other Financing Sources</b> <b>(Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
Net changes in fund balances Before Extraordinary Item	(493,648)	122,809	616,457	238,569	(131,666)	(370,235)
<b>EXTRAORDINARY ITEM</b> Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds						
Net Changes in Fund Balances	(493,648)	122,809	616,457	238,569	(131,666)	(370,235)
Fund Balances (Deficits), beginning of fiscal year	(5,186)	(5,186)		(435,252)	(435,252)	
Fund Balances (Deficits), end of fiscal year	<u>\$ (498,834)</u>	<u>\$ 117,623</u>	<u>\$ 616,457</u>	<u>\$ (196,683)</u>	<u>\$ (566,918)</u>	<u>\$ (370,235)</u>

Airport			Special Fire			Housing		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,000	2,694	(1,306)	4,900	2,995	(1,905)	40,150	24,351	(15,799)
10,000	10,000	-				888,233	487,175	(401,058)
	210	210	79,908	75,339	(4,569)		169	169
12,600	12,762	162		202	202	124,667	171,667	47,000
26,600	25,666	(934)	84,808	78,536	(6,272)	1,053,050	683,362	(369,688)
						5,296	3,097	2,199
54,984	47,837	7,147	84,583	57,512	27,071			
				552	(552)	1,306,167	846,274	459,893
54,984	47,837	7,147	84,583	58,064	26,519	1,311,463	849,371	462,092
(28,384)	(22,171)	6,213	225	20,472	20,247	(258,413)	(166,009)	92,404
(28,384)	(22,171)	6,213	225	20,472	20,247	(258,413)	(166,009)	92,404
(28,384)	(22,171)	6,213	225	20,472	20,247	(258,413)	(166,009)	92,404
225,190	225,190		214,965	214,965		1,805,187	1,805,187	
\$ 196,806	\$ 203,019	\$ 6,213	\$ 215,190	\$ 235,437	\$ 20,247	\$ 1,546,774	\$ 1,639,178	\$ 92,404

**CITY OF EUREKA  
NONMAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012  
(Continued)**

	Redevelopment Agency - Housing			Successor Agency Redevelopment Agency - Capital Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties						
Investment income						
Intergovernmental						
Charges for services						
Other revenues						
<b>Total Revenues</b>						
<b>Expenditures:</b>						
Current:						
General government						
Public safety						
Public works						
Community development						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
<b>Total Expenditures</b>						
Excess of Revenues Over (Under) Expenditures						
<b>Other Financing Sources (Uses):</b>						
Transfers in						
Transfers out						
<b>Total Other Financing Sources (Uses)</b>						
Net changes in fund balances Before Extraordinary Item						
<b>EXTRAORDINARY ITEM</b>						
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		(61,567)	(61,567)		(4,727,330)	(4,727,330)
<b>Net Changes in Fund Balances</b>		(61,567)	(61,567)		(4,727,330)	(4,727,330)
Fund Balances (Deficits), beginning of fiscal year	61,567	61,567		4,727,330	4,727,330	
Fund Balances (Deficits), end of fiscal year	\$ 61,567	\$ -	\$ (61,567)	\$ 4,727,330	\$ -	\$ (4,727,330)

Redevelopment Agency Capital Projects			Public Financing Authority Debt Service		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,624	2,624			(47,175)	(47,175)
<u>2,624</u>	<u>2,624</u>			<u>(47,175)</u>	<u>(47,175)</u>
96	94	2			
513,269	474,807	38,462			
			1,930,503	640,757	1,289,746
<u>513,365</u>	<u>474,901</u>	<u>38,464</u>	<u>1,930,503</u>	<u>640,757</u>	<u>1,289,746</u>
<u>(510,741)</u>	<u>(472,277)</u>	<u>38,464</u>	<u>(1,930,503)</u>	<u>(687,932)</u>	<u>1,242,571</u>
			1,622,042	644,202	(977,840)
<u>(872,062)</u>	<u>(872,062)</u>		<u>1,622,042</u>	<u>644,202</u>	<u>(977,840)</u>
(1,382,803)	(1,344,339)	38,464	(308,461)	(43,730)	264,731
	<u>(597,751)</u>	<u>(597,751)</u>			
<u>(1,382,803)</u>	<u>(1,942,090)</u>	<u>(559,287)</u>	<u>(308,461)</u>	<u>(43,730)</u>	<u>264,731</u>
<u>1,942,090</u>	<u>1,942,090</u>		<u>49,418</u>	<u>49,418</u>	
<u>\$ 559,287</u>	<u>\$ -</u>	<u>\$ (559,287)</u>	<u>\$ (259,043)</u>	<u>\$ 5,688</u>	<u>\$ 264,731</u>

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**INTERNAL SERVICE FUNDS**

## 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, 2012**

<b>ASSETS</b>	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
<b>Current assets:</b>					
Cash and investments	\$ 1,474,084	\$ 133,391	\$ 346,279	\$ -	\$ 1,953,754
Accounts receivable - net		4,804			4,804
Interest receivable	3,575	585	1,013		5,173
Prepaid items		84,799			84,799
<b>Total current assets</b>	<b>1,477,659</b>	<b>223,579</b>	<b>347,292</b>		<b>2,048,530</b>
<b>Capital Assets:</b>					
<b>Depreciable</b>					
Buildings	429,246				429,246
Improvements	31,236				31,236
Equipment	6,546,438		822,563		7,369,001
<b>Total depreciable capital assets</b>	<b>7,006,920</b>		<b>822,563</b>		<b>7,829,483</b>
Less accumulated depreciation	(5,261,368)		(733,759)		(5,995,127)
<b>Total capital assets, net</b>	<b>1,745,552</b>		<b>88,804</b>		<b>1,834,356</b>
<b>Total Assets</b>	<b>3,223,211</b>	<b>223,579</b>	<b>436,096</b>		<b>3,882,886</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	32,527	134,848	27,009		194,384
Claims and judgments payable		140,340			140,340
Compensated absences	34,804		11,244		46,048
Payroll and related liabilities	12,626		6,484		19,110
<b>Total current liabilities</b>	<b>79,957</b>	<b>275,188</b>	<b>44,737</b>		<b>399,882</b>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	1,745,552		88,804		1,834,356
Unrestricted	1,397,702	(51,609)	302,555		1,648,648
<b>Total Net Assets (Deficits)</b>	<b>\$ 3,143,254</b>	<b>\$ (51,609)</b>	<b>\$ 391,359</b>	<b>\$ -</b>	<b>\$ 3,483,004</b>

**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**

	Equipment Operations	Risk Management	Information Technology Operations	Redevelopment Administration	Totals
Operating Revenues:					
Charges for services	\$ 1,708,982	\$ 1,294,071	\$ 925,057	\$ -	\$ 3,928,110
Other operating revenues		38,833	1,908	294,362	335,103
<b>Total Operating Revenues</b>	<b>1,708,982</b>	<b>1,332,904</b>	<b>926,965</b>	<b>294,362</b>	<b>4,263,213</b>
Operating Expenses:					
Maintenance and operation	1,254,531	104,923	777,814	653,100	2,790,368
Administration				50,676	50,676
Insurance costs and claims	22,609	1,376,186			1,398,795
Depreciation	368,859		46,510		415,369
<b>Total Expenses</b>	<b>1,645,999</b>	<b>1,481,109</b>	<b>824,324</b>	<b>703,776</b>	<b>4,655,208</b>
Operating Income (Loss)	62,983	(148,205)	102,641	(409,414)	(391,995)
Non-Operating Revenues (Expenses)					
Investment income (loss)	14,096	(1,547)	3,377	4	15,930
<b>Total Non-Operating Revenues/(Exp)</b>	<b>14,096</b>	<b>(1,547)</b>	<b>3,377</b>	<b>4</b>	<b>15,930</b>
Income (Loss) Before Transfers	77,079	(149,752)	106,018	(409,410)	(376,065)
Transfers in	253,636			683,476	937,112
Change in Net Assets	330,715	(149,752)	106,018	274,066	561,047
Net Assets (Deficits), beginning of fiscal year	2,812,539	98,143	285,341	(274,066)	2,921,957
Net Assets(Deficits), end of fiscal year	<b>\$ 3,143,254</b>	<b>\$ (51,609)</b>	<b>\$ 391,359</b>	<b>\$ -</b>	<b>\$ 3,483,004</b>

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**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Equipment Operations</u>	<u>Risk Management</u>
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,708,982	\$ 1,328,666
Payments to suppliers and users	(766,014)	(1,647,073)
Payments to employees	(530,553)	
Net Cash Provided (Used) by Operating Activities	<u>412,415</u>	<u>(318,407)</u>
Cash Flows from Non-capital Financing Activities:		
Transfers from other fund	<u>253,636</u>	
Net Cash Provided by Non-capital Financing Activities	<u>253,636</u>	
Cash Flows from Capital and Related Financing Activities:		
Acquisitions of capital assets/ adjustments	<u>(287,618)</u>	
Net Cash Used by Capital and Related Financing Activities	<u>(287,618)</u>	
Cash Flows from Investing Activities:		
Interest received (charged)	<u>13,582</u>	<u>(1,101)</u>
Net Cash Provided (Used) by Investing Activities	<u>13,582</u>	<u>(1,101)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	392,015	(319,508)
Cash and Cash Equivalents, July 1, 2011	<u>1,082,069</u>	<u>452,899</u>
Cash and Cash Equivalents, June 30, 2012	<u><u>\$ 1,474,084</u></u>	<u><u>\$ 133,391</u></u>
Cash and Investments on Combining Statement of Net Assets	<u><u>\$ 1,474,084</u></u>	<u><u>\$ 133,391</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 62,983	\$ (148,205)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	368,859	
(Increase) Decrease in Operating Assets:		
Accounts receivable		(4,238)
Prepaid expenses		(64,799)
Increase (Decrease) in Operating Liabilities:		
Claims and judgments payable		(67,384)
Accounts payable	(20,692)	(33,781)
Compensated absences	(143)	
Payroll and related liabilities	1,408	
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 412,415</u></u>	<u><u>\$ (318,407)</u></u>

Information Technology Operations	Redevelopment Administration	Totals
\$ 926,965	\$ 299,687	\$ 4,264,300
(588,175)	(545,470)	(3,546,732)
(245,188)	(231,839)	(1,007,580)
<u>93,602</u>	<u>(477,622)</u>	<u>(290,012)</u>
	<u>477,618</u>	<u>731,254</u>
	<u>477,618</u>	<u>731,254</u>
<u>(30,759)</u>		<u>(318,377)</u>
<u>(30,759)</u>		<u>(318,377)</u>
<u>3,036</u>	<u>4</u>	<u>15,521</u>
<u>3,036</u>	<u>4</u>	<u>15,521</u>
65,879		138,386
<u>280,400</u>		<u>1,815,368</u>
<u>\$ 346,279</u>	<u>\$ -</u>	<u>\$ 1,953,754</u>
<u>\$ 346,279</u>	<u>\$ -</u>	<u>\$ 1,953,754</u>
\$ 102,641	\$ (409,414)	(391,995)
46,510		415,369
	5,325	1,087
		(64,799)
		(67,384)
(58,039)	(10,234)	(122,746)
726	(56,130)	(55,547)
1,764	(7,169)	(3,997)
<u>\$ 93,602</u>	<u>\$ (477,622)</u>	<u>\$ (290,012)</u>

## **FIDUCIARY FUNDS**

## FIDUCIARY FUNDS

Fiduciary fund are used to account for the receipt and disbursements of various taxes, deposits, deductions, and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations. Fiduciary fund financial statements include a statement of net assets and statement of changes in net assets.

The Fiduciary Funds are used to account for assets held by the City as an agent for other governmental units.

- **Hazardous Material Response Authority Fund** – This fund receives revenues from the Hazardous Materials (Hazmat) Authority, the General Fund, grants and response charges to operate the Hazmat response team.

Private-Purpose Trust Funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor Agency.

- **Successor Agency Administration Fund** – This fund was established to account for administrative services provided by the City to the former Redevelopment Agency.

- **Successor Agency Housing Fund** – This is a former Redevelopment Agency Fund established pursuant to California Redevelopment Law to account for the deposit of twenty percent of tax increment revenues received by the Redevelopment Agency. The funds are to be used to increase and improve the community's supply of low and moderate income housing.

- **Successor Agency Capital Project Fund** – This fund was established to account for the capital improvements of the former Redevelopment Agency which are financed by proceeds of tax allocation bonds and City advances.

- **Successor Agency Debt Service Fund** – This fund are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the former Redevelopment Agency.

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**CITY OF EUREKA**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
For the Fiscal Year Ending June 30, 2012

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Housing	Successor Agency Capital Project	Successor Agency Debt Service	Totals
<b>Assets:</b>						
Cash and Investments	\$ 93,230	\$ -	\$ 647,106	\$ 309,719	\$ 4,004,901	\$ 5,054,956
Cash and Investments with Fiscal Agent, Restricted				452,798	777,058	1,229,856
Interest Receivable	236	216	1,659	934	9,381	12,426
Notes Receivable				37,022		37,022
Other Receivable	7,630	2,050	2,478	45,076		57,234
Deferred Charges, Net of Accumulated Amortization					388,819	388,819
Land held for resale				4,488,678		4,488,678
Capital Assets, Not Being Depreciated				2,046,099		2,046,099
<b>Total Assets</b>	<b>101,096</b>	<b>2,266</b>	<b>651,243</b>	<b>7,380,326</b>	<b>5,180,159</b>	<b>13,315,090</b>
<b>Liabilities:</b>						
Accounts Payable		18,248	7,215	7,278		32,741
Payroll payable		2,720	2,778	8		5,506
Interest Payable					217,002	217,002
Due to City of Eureka		19,878				19,878
Advance from City of Eureka					5,802,874	5,802,874
Deferred revenue	7,630			65,498		73,128
Noncurrent Liabilities:						
Due within One Year		106,949			1,204,397	1,311,346
Due in More than One Year					24,552,006	24,552,006
<b>Total Liabilities</b>	<b>7,630</b>	<b>147,795</b>	<b>9,993</b>	<b>72,784</b>	<b>31,776,279</b>	<b>32,014,481</b>
<b>Net Assets:</b>						
Unrestricted	93,466	(145,529)	641,250	7,307,542	(26,596,120)	(18,699,391)
<b>Total Net Assets (Deficits)</b>	<b>\$ 93,466</b>	<b>\$ (145,529)</b>	<b>\$ 641,250</b>	<b>\$ 7,307,542</b>	<b>\$ (26,596,120)</b>	<b>\$ (18,699,391)</b>

**CITY OF EUREKA**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2012

	Hazardous Material Response Authority	Successor Agency Administration	Successor Agency Housing	Successor Agency Capital Project	Successor Agency Debt Service	Totals
<b>Additions:</b>						
Investment Revenue	\$ -	\$ (853)	\$ 3,316	\$ 834	\$ 17,208	\$ 20,505
Net Assets Received upon Dissolution of Redevelopment Agency		32,757	1,184,734	7,310,830	(27,259,693)	(18,731,372)
Intergovernmental	61,136				1,942,087	2,003,223
Other Revenue		76,911	24,269			101,180
Total Additions	<u>61,136</u>	<u>108,815</u>	<u>1,212,319</u>	<u>7,311,664</u>	<u>(25,300,398)</u>	<u>(16,606,464)</u>
<b>Deductions:</b>						
Administration		254,344				254,344
Public safety	66,935					66,935
Community Development			869,120	4,122	59,795	933,037
Interest Expense					937,876	937,876
Total Deductions	<u>66,935</u>	<u>254,344</u>	<u>869,120</u>	<u>4,122</u>	<u>997,671</u>	<u>2,192,192</u>
Change in Net Assets before Transfers	(5,799)	(145,529)	343,199	7,307,542	(26,298,069)	(18,798,656)
Transfers in			298,051			298,051
Transfers out					(298,051)	(298,051)
Change in Net Assets	(5,799)	(145,529)	641,250	7,307,542	(26,596,120)	(18,798,656)
Net Assets, beginning of fiscal year	<u>99,265</u>					<u>99,265</u>
Net Assets (Deficits), end of fiscal year	<u>\$ 93,466</u>	<u>\$ (145,529)</u>	<u>\$ 641,250</u>	<u>\$ 7,307,542</u>	<u>\$ (26,596,120)</u>	<u>\$ (18,699,391)</u>

**AGENCY FUND**

**CITY OF EUREKA  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Fiscal Year Ended June 30, 2012**

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<b><u>Trust Holding Fund</u></b>				
<u>Assets:</u>				
Cash and investments	\$ 162,309	\$ 28,826	\$ 20,148	\$ 170,987
Total Assets	<u>\$ 162,309</u>	<u>\$ 28,826</u>	<u>\$ 20,148</u>	<u>\$ 170,987</u>
<u>Liabilities:</u>				
Accounts payable	\$ 395	\$ 9,380	\$ 8,595	\$ 1,180
Deposits payable	161,914	19,446	11,553	169,807
Total Liabilities	<u>\$ 162,309</u>	<u>\$ 28,826</u>	<u>\$ 20,148</u>	<u>\$ 170,987</u>

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## **STATISTICAL SECTION**

**CITY OF EUREKA, CALIFORNIA**  
STATISTICAL SECTION TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012

	Page
Financial Trends	102-107
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	108-114
<p>These schedules contain information to help the reader assess the City's ability to generate revenues. Property taxes, sales tax, state motor vehicle in lieu tax, intergovernmental revenue and charges for services are the City's most significant revenue sources.</p>	
Debt Capacity	115-122
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	123-124
<p>These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.</p>	
Operating Information	125-131
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

**City of Eureka, California**  
**Net Assets By Component**  
**June 30, 2012**  
*Last Ten Fiscal Years*

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 73,735,755	\$ 51,594,125	\$ 51,063,708	\$ 58,614,367	\$ 59,572,311	\$ 59,992,180	\$ 60,629,251	\$ 60,192,828	\$ 36,214,745	\$ 36,643,076
Restricted for:										
Capital Projects (2)			6,509,829							
Public Safety (2)	772,115	601,565		222,458	312,457	360,547	570,045	574,056		
Streets and Roads (2)	1,148,809	1,639,450		2,042,478	1,366,470	615,192	946,963	516,970		
Public Health (3)	8,376	12,267								
Special Projects			478,013				200,142	246,177		
Community Redevelopment	14,809,855	15,884,648	16,783,354	15,914,014	14,722,787	13,564,799	11,838,556	10,998,844		
Community Development		6,669,420								
Debt Service			4,471,878		18,000			1,924,389	1,968,932	14,557,054
Airport (2)	203,019	225,190		241,392	224,943	203,584	190,628	180,333		
Unrestricted	3,961,681	(138,542)	(2,420,313)	845,387	1,785,784	3,213,134	1,370,238	1,749,006	17,485,042	4,367,432
<b>Total governmental activities net assets</b>	<b>\$ 94,639,610</b>	<b>\$ 76,488,123</b>	<b>\$ 76,886,469</b>	<b>\$ 77,880,096</b>	<b>\$ 78,002,752</b>	<b>\$ 77,949,436</b>	<b>\$ 75,745,823</b>	<b>\$ 76,382,603</b>	<b>\$ 55,668,719</b>	<b>\$ 55,567,562</b>
% change from prior year	23.73%	-0.52%	-1.28%	-0.16%	0.07%	2.91%	-0.83%	37.21%	0.18%	N/A (1)
<b>Business-Type Activities:</b>										
Invested in Capital Assets, Net of Related Debt	\$ 34,636,218	\$ 40,495,614	\$ 59,594,461	\$ 58,603,096	\$ 59,101,682	\$ 58,399,172	\$ 56,739,394	\$ 56,367,517	51,425,885	45,486,207
Restricted for:										
Capital Projects	25,595,984	6,118,838	5,506,810	10,355,814	2,127,767	2,612,843	3,946,317	3,495,336		-
Debt Service			191,731				521,417	1,219,444	7,244,903	14,945,702
Special Projects			686,093							
Unrestricted	11,956,472	22,869,456	3,859,139	2,924,239	10,170,448	10,276,472	12,415,222	8,256,882	9,694,358	11,410,647
<b>Total Business-type Activities Net Assets</b>	<b>\$ 72,188,674</b>	<b>\$ 69,483,908</b>	<b>\$ 69,838,234</b>	<b>\$ 71,883,149</b>	<b>\$ 71,399,897</b>	<b>\$ 71,288,487</b>	<b>\$ 73,622,350</b>	<b>\$ 69,339,179</b>	<b>\$ 68,365,146</b>	<b>\$ 71,842,556</b>
% change from prior year	3.89%	-0.51%	-2.84%	0.68%	0.16%	-3.17%	6.18%	1.42%	-4.84%	N/A (2)
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	\$ 108,371,973	\$ 92,089,739	\$ 110,658,169	\$ 117,217,463	\$ 118,673,993	\$ 118,391,352	\$ 117,368,645	\$ 116,560,345	\$ 87,640,630	\$ 82,129,283
Restricted for:										
Capital Projects (2)	25,595,984	6,118,838	12,016,639							
Public Safety (2)	772,115	601,565	0	222,458	312,457	360,547	570,045	574,056		
Streets and Roads (2)	1,148,809	1,639,450	0	2,042,478	1,366,470	615,192	946,963	516,970		
Public Health (3)	8,376	12,267								
Special Projects			1,164,106	10,355,814	2,127,767	2,612,843	4,146,459	3,741,513		
Community Redevelopment	14,809,855	15,884,648	16,783,354	15,914,014	14,722,787	13,564,799	11,838,556	10,998,844		
Community Development		6,669,420								
Debt Service			4,663,609		18,000		521,417	3,143,833	9,213,835	29,502,756
Airport (2)	203,019	225,190	0	241,392	224,943	203,584	190,628	180,333	0	0
Unrestricted	15,918,153	22,730,914	1,438,826	3,769,626	11,956,232	13,489,606	13,785,460	10,005,888	27,179,400	15,778,079
<b>Total Primary Government Net Assets</b>	<b>\$ 166,828,284</b>	<b>\$ 145,972,031</b>	<b>\$ 146,724,703</b>	<b>\$ 149,763,245</b>	<b>\$ 149,402,649</b>	<b>\$ 149,237,923</b>	<b>\$ 149,368,173</b>	<b>\$ 145,721,782</b>	<b>\$ 124,033,865</b>	<b>\$ 127,410,118</b>
% change from prior year	14.29%	-0.51%	-2.03%	0.24%	0.11%	-0.09%	2.50%	17.49%	-2.65%	N/A (2)

(1) This schedule reports using the accrual basis of accounting.

(2) Public Safety, Streets and Roads, and Airport are all included in the Capital Projects category in fiscal year 2010.

(3) Category added for fiscal year 2011.

(4) Reporting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City, as is the case with several special revenue funds restricted to the purposes of the fund.

(5) See Schedule 2 for changes in net assets from year to year.

City of Eureka, California  
Changes in Net Assets  
June 30, 2012  
Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
<i>Governmental Activities:</i>										
General Government	\$ 4,312,756	\$ 4,353,283	\$ 3,948,020	\$ 4,783,555	\$ 4,635,673	\$ 3,681,651	\$ 3,530,892	\$ 3,509,992	\$ 3,692,654	\$ 3,798,232
Public Safety	17,199,265	16,181,737	13,954,934	13,984,279	12,662,643	11,583,891	11,715,731	10,688,693	10,331,006	10,260,034
Community Development	2,091,087	4,733,321	2,787,902	4,105,920	3,909,922	4,606,187	3,198,428	3,614,988	2,517,447	2,943,947
Community Services								67,087	132,253	118,050
Parks and Recreation	2,547,945	2,288,725	2,115,173	2,384,666	2,445,431	2,472,534	1,997,492	1,852,558	1,262,761	1,198,403
Public Works	6,995,378	6,186,286	6,358,368	3,219,875	3,383,320	5,025,214	2,631,869	2,580,587	2,684,340	3,760,811
Interest on Long-term Debt	585,265	1,613,024	1,385,114	1,235,223	1,958,961	2,007,686	1,998,632	1,088,993	1,811,098	748,497
Unallocated Depreciation (9)				2,236,926	2,199,036	2,065,839	1,789,798	1,728,090	-	-
<b>Total Governmental Activities Expenses</b>	<b>33,731,696</b>	<b>35,356,376</b>	<b>30,549,511</b>	<b>31,950,444</b>	<b>31,194,986</b>	<b>31,443,002</b>	<b>26,862,842</b>	<b>25,130,988</b>	<b>22,431,559</b>	<b>22,827,974</b>
<i>Business-type Activities:</i>										
Water	6,027,265	5,488,885	5,178,222	4,597,300	4,377,659	4,304,934	3,643,896	3,562,419	3,936,017	3,000,990
Wastewater	6,616,107	6,217,621	5,958,382	5,454,659	5,467,779	5,323,328	4,755,559	4,847,871	5,187,671	3,946,192
Harbor	1,130,664	1,051,246	1,124,184	1,159,840	1,165,873	1,324,716	1,103,056	1,157,822	1,219,715	1,192,850
Building	791,204	569,063	567,019	613,222	593,859	562,867	472,560	461,251	410,449	372,014
Transit	2,120,479	1,850,309	1,825,016	1,748,801	1,953,606	1,801,921	1,692,494	1,433,596	1,687,429	1,602,904
Golf	12,451	17,953	13,920	21,887	25,800	21,205	17,066	38,597	49,254	35,392
<b>Total Business-type Activities Expenses</b>	<b>16,698,170</b>	<b>15,195,077</b>	<b>14,666,743</b>	<b>13,595,709</b>	<b>13,584,576</b>	<b>13,338,971</b>	<b>11,684,631</b>	<b>11,501,556</b>	<b>12,490,535</b>	<b>10,150,342</b>
<b>Total Primary Government Expenses</b>	<b>\$ 50,429,866</b>	<b>\$ 50,551,453</b>	<b>\$ 45,216,254</b>	<b>\$ 45,546,153</b>	<b>\$ 44,779,562</b>	<b>\$ 44,781,973</b>	<b>\$ 38,547,473</b>	<b>\$ 36,632,544</b>	<b>\$ 34,922,094</b>	<b>\$ 32,978,316</b>
<b>Program Revenues</b>										
<i>Governmental Activities:</i>										
<i>Charges for Services</i>										
General Government	\$ 2,465,528	\$ 2,703,298	\$ 1,598,159	\$ 1,560,185	\$ 656,584	\$ 1,702,342	\$ 1,292,354	\$ 1,259,081	\$ 1,593,827	\$ 1,319,050
Public Safety	853,818	956,618	1,071,152	991,146	783,418	609,765	558,071	777,853	622,035	700,595
Community Development	180,954	204,143	514,814	122,917	640,538	445,116	156,886	84,768	76,441	29,777
Community Services (5)								54,244	35,837	53,280
Parks and Recreation	972,891	711,415	569,360	556,282	525,158	446,885	570,242	333,192	407,539	306,215
Public Works	640,947	951,437	750,499	135,798	109,145	106,727	64,931	56,074	36,615	32,886
Operating Grants and Contributions	2,397,480	4,161,544	335,636	2,126,731	2,397,762	2,021,282	1,845,142	5,519,557	1,775,335	2,251,821
Capital Grants and Contributions	369,854	1,317,677	2,208,338	3,441,840	2,275,470	1,939,634	1,798,449	4,171,641	3,350,372	1,134,902
<b>Total Governmental Activities Program Revenues</b>	<b>7,881,472</b>	<b>11,006,132</b>	<b>7,047,958</b>	<b>8,934,899</b>	<b>7,388,075</b>	<b>7,271,751</b>	<b>6,286,075</b>	<b>12,256,410</b>	<b>7,898,001</b>	<b>5,828,526</b>
<i>Business-type Activities:</i>										
<i>Charges for Services</i>										
Water	6,329,690	5,564,933	5,300,379	5,259,568	4,937,339	5,280,355	5,140,318	4,546,235	3,928,744	3,385,867
Wastewater	6,389,510	5,465,754	4,909,320	4,447,298	4,916,158	4,668,237	4,748,497	3,717,501	3,477,421	3,127,043
Harbor	779,144	624,569	540,785	670,275	650,154	560,880	608,903	554,924	507,927	490,872
Building	522,817	496,274	642,815	384,634	512,065	394,603	462,135	461,590	497,176	350,216
Transit	1,974,494	2,058,568	2,374,688	1,713,283	1,925,780	1,508,536	1,301,965	1,399,672	265,502	215,124
Golf	22,980	23,187	26,861	22,378	24,015	19,780	37,862	53,342	52,692	55,934
Capital Grants and Contributions		241,400							1,109,640	984,825
Capital Grants and Contributions	3,420,342		542,493		127,651	890,000	272,728	729,167		462,613
<b>Total Business-type Activities Program Revenues</b>	<b>19,438,977</b>	<b>14,474,685</b>	<b>14,337,341</b>	<b>12,497,436</b>	<b>13,093,162</b>	<b>13,322,391</b>	<b>12,572,408</b>	<b>11,462,431</b>	<b>9,839,102</b>	<b>9,072,494</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 27,320,449</b>	<b>\$ 25,480,817</b>	<b>\$ 21,385,299</b>	<b>\$ 21,432,335</b>	<b>\$ 20,481,237</b>	<b>\$ 20,594,142</b>	<b>\$ 18,858,483</b>	<b>\$ 23,718,841</b>	<b>\$ 17,737,103</b>	<b>\$ 14,901,020</b>

**City of Eureka, California**  
**Changes in Net Assets**  
**June 30, 2012**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net (Expenses)/Revenues (3)</b>										
<i>Governmental Activities</i>	\$ (25,850,224)	\$ (24,350,244)	\$ (23,501,553)	\$ (23,015,545)	\$ (23,806,911)	\$ (24,171,251)	\$ (20,576,767)	\$ (12,874,578)	\$ (14,533,558)	\$ (16,999,448)
<i>Business-type Activities</i>	2,740,807	(720,392)	(329,402)	(1,098,273)	(491,414)	(16,580)	887,777	(39,125)	(2,651,433)	(1,077,848)
<b>Total Primary Government Net (Expenses)</b>	<u>\$ (23,109,417)</u>	<u>\$ (25,070,636)</u>	<u>\$ (23,830,955)</u>	<u>\$ (24,113,818)</u>	<u>\$ (24,298,325)</u>	<u>\$ (24,187,831)</u>	<u>\$ (19,688,990)</u>	<u>\$ (12,913,703)</u>	<u>\$ (17,184,991)</u>	<u>\$ (18,077,296)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
<i>Governmental Activities:</i>										
Taxes										
Property Taxes	\$ 6,063,480	\$ 8,572,335	\$ 6,539,634	\$ 6,767,867	\$ 6,015,229	\$ 5,891,831	\$ 5,135,206	\$ 4,551,056	\$ 4,543,445	\$ 4,091,267
Sales Taxes	8,894,475	9,312,779	7,820,946	8,411,860	9,863,454	9,767,022	9,278,077	9,612,899	8,398,120	7,928,212
Transient Occupancy Tax	2,019,361	1,877,436	2,032,584	1,817,628	1,742,728	1,587,382	1,463,487	1,424,250	1,603,794	1,299,239
Transaction & Use Tax (7) (10)	5,582,371	2,688,403	1,628,022	382,389						
Utility User's Tax (4)			(5,437)	1,171,659	1,454,764	1,334,370	1,518,672	1,023,073	1,021,831	901,599
Business License Tax	237,286	239,577	274,377	262,680	268,092	279,589	243,106	211,039	256,636	246,107
Permits and Franchise Tax	853,047	851,300	837,157	904,913	848,153	820,889	747,954	702,987	709,087	660,916
Investment Income	61,875	427,100	362,666	1,130,512	1,619,030	2,000,148	1,561,018	1,582,007	234,169	1,028,574
Gain on Sale of Capital Asset		113,636			1,153					
Disposal of Capital Asset					(68,860)					
Motor Vehicle In-lieu, unrestricted (6)	13,498	124,558	2,152,526	2,095,742	2,007,793	1,908,795	1,907,041			
Other Taxes (8)			506,881							
Miscellaneous	1,198,577	401,704	624,645	626,772	186,373	263,469	270,050	536,224	146,685	117,105
Transfers	260,267	(470,067)	(478,335)	(466,675)	(180,710)	(270,630)	(2,602,206)	(317,010)	(155,596)	(98,175)
Extraordinary Item - Loss on Transfer of Assets & Liabilities to RDA Successor Trust Funds	18,731,372									
<b>Total Governmental Activities</b>	<u>43,915,609</u>	<u>24,138,761</u>	<u>22,295,666</u>	<u>23,105,347</u>	<u>23,757,199</u>	<u>23,582,865</u>	<u>19,522,405</u>	<u>19,326,525</u>	<u>16,758,171</u>	<u>16,174,844</u>
<i>Business-type Activities:</i>										
Investment Income	154,388		333,083	622,839	487,928	513,009	742,297	696,148	368,894	585,081
Gain on sale of Capital Asset		225,015		5,573						
Miscellaneous			438	455,251	11,021				457,676	-
Transfers	(260,267)	470,067	478,335	466,675	180,710	270,630	2,602,206	317,010	155,596	98,175
<b>Total Business-type Activities</b>	<u>(105,879)</u>	<u>695,082</u>	<u>811,856</u>	<u>1,550,338</u>	<u>679,659</u>	<u>783,639</u>	<u>3,344,503</u>	<u>1,013,158</u>	<u>982,166</u>	<u>683,256</u>
<b>Total Primary Government</b>	<u>\$ 43,809,730</u>	<u>\$ 24,833,843</u>	<u>\$ 23,107,522</u>	<u>\$ 24,655,685</u>	<u>\$ 24,436,858</u>	<u>\$ 24,366,504</u>	<u>\$ 22,866,908</u>	<u>\$ 20,339,683</u>	<u>\$ 17,740,337</u>	<u>\$ 16,858,100</u>
<b>Change in Net Assets</b>										
<i>Governmental Activities</i>										
	\$ 18,065,385	\$ (211,483)	\$ (1,205,887)	\$ 89,802	\$ (49,712)	\$ (588,386)	\$ (1,054,362)	\$ 6,451,947	\$ 2,224,613	\$ (824,604)
<i>Business-type Activities</i>										
	2,634,928	(25,310)	482,454	452,065	188,245	767,059	4,232,280	974,033	(1,669,267)	(394,592)
<b>Total Primary Government</b>	<u>\$ 20,700,313</u>	<u>\$ (236,793)</u>	<u>\$ (723,433)</u>	<u>\$ 541,867</u>	<u>\$ 138,533</u>	<u>\$ 178,673</u>	<u>\$ 3,177,918</u>	<u>\$ 7,425,980</u>	<u>\$ 555,346</u>	<u>\$ (1,219,196)</u>

- (1) This schedule reports using the accrual basis of accounting.
- (2) Expenses include allocated indirect expenses.
- (3) Net (expenses) is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parenthesis are net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parenthesis are net revenues, meaning that program revenues were more than sufficient to cover expenditures.
- (4) On November 7, 2006, City voters approved a four year extension of the Utility User's Tax @ 3% through June 30, 2011, with the cap increased to \$2,000 from \$1,000 effective July 1, 2007.
- (5) Community Services was formerly part of the Engineering Department and is now included in the Public Works Division.
- (6) Motor Vehicle In-Lieu Tax is derived from an annual fee paid by automobile owners registering their vehicles with the State of California Department of Motor Vehicles in lieu of local property tax. The tax rate is two percent (2%) of the market value of the vehicle. In the past, this revenue was included in Property Taxes for reporting purposes.
- (7) On November 4, 2008 City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented on April 1, 2009 and the Utility User's Tax was discontinued.
- (8) Category added for fiscal year 2010.
- (9) Unallocated depreciation for fiscal year 2010 is included with other expense categories with the majority being in Public Works.
- (10) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for five years.

City of Eureka, California  
Fund Balances, Governmental Funds  
June 30, 2012  
Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Fund</b>										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 735,715
Parking			28,000	28,000	28,000	28,000	28,000			
Prepaid Items	238,434	5,879	40,343	36,551	24,829	17,655	8,993	18,987		
Advances				3,509,275	4,571,015	4,854,076	4,721,175	6,134,287	5,953,846	5,753,594
Land Held for Resale								371,000		
Unreserved/Unassigned	2,053,897	2,056,339	2,227,128	357,337	1,012,166	974,547	2,130,331	2,365,536	1,821,466	1,769,583
<b>Total General Fund</b>	<b>2,292,331</b>	<b>2,062,218</b>	<b>2,295,471</b>	<b>3,931,163</b>	<b>5,636,010</b>	<b>5,874,278</b>	<b>6,888,499</b>	<b>8,889,810</b>	<b>7,775,312</b>	<b>8,258,892</b>
<b>All Other Governmental Funds</b>										
Reserved for:										
Encumbrances			179,830							877,619
Notes and Loans Receivable							6,162,818	6,177,479	7,400,461	7,957,687
Fire Tower (2)			14,287							
Debt Service (2)			829,896							
Capital Projects (2)			3,641,982							
Law Enforcement (3)	772,115	601,565								
Public Health (3)	8,376	12,267								
Road Improvements (3)	1,148,809	1,639,450								
Airport (3)	203,019	225,190								
Debt Service (3)	5,688	49,418								
Housing (3)	1,180,469	6,669,420								
Low/Moderate Income Housing/Housing Advances	1,639,178	3,632,327	4,441,812	1,058,713	1,927,176	3,389,651	4,021,782	3,455,052		
Land Held for Resale			63,944	77,237	89,690	101,355	122,520	122,520	132,109	171,769
Land Acquisition			211,388	4,913,351	4,613,178	4,613,178	4,613,178	4,417,745	6,121,179	6,121,179
Unreserved, reported in:										
Special Revenue Funds			4,664,137	4,406,101	2,846,285	1,726,163	2,592,983	1,930,413	4,705,084	(5,967,103)
Capital Projects Funds			46,567		133,883	822,031	2,584,182	2,263,729	715,974	750,000
Debt Service Funds		(3,393,275)	(5,041,261)	(8,035,800)	(8,321,041)	(9,607,392) 3	(13,912,294)	(10,777,361)	(7,616,707)	100
Other Governmental Funds	(717,814)	(503,737)								
<b>Total Other Governmental Funds</b>	<b>4,239,840</b>	<b>8,932,625</b>	<b>9,052,582</b>	<b>2,419,602</b>	<b>1,289,171</b>	<b>1,044,986</b>	<b>6,185,169</b>	<b>7,589,577</b>	<b>11,458,100</b>	<b>10,098,857</b>
<b>Total Governmental Funds</b>	<b>\$ 6,532,171</b>	<b>\$ 10,994,843</b>	<b>\$ 11,348,053</b>	<b>\$ 6,350,765</b>	<b>\$ 6,925,181</b>	<b>\$ 6,919,264</b>	<b>\$ 13,073,668</b>	<b>\$ 16,479,387</b>	<b>\$ 19,233,412</b>	<b>\$ 18,357,749</b>
<b>% change from prior year</b>	-40.59%	-3.11%	78.69%	-8.29%	0.09%	-47.07%	-20.67%	-14.32%	4.77%	N/A

(1) This schedule reports using the modified accrual basis of accounting

(2) Category added for fiscal year 2010.

(3) Category added for fiscal year 2011.

**City of Eureka, California**  
**Changes in Fund Balance**  
**Governmental Funds**  
**June 30, 2012**  
*Last Ten Fiscal Years*

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>REVENUES</b>										
Taxes	\$ 20,363,254	\$ 20,683,188	\$ 17,770,206	\$ 18,883,237	\$ 19,506,211	\$ 18,431,298	\$ 17,882,638	\$ 16,250,410	\$ 15,823,826	\$ 14,466,424
Licenses, Permits and Fees	1,002,508	998,156	959,829	904,913	848,153	820,889	829,070	735,055	709,087	660,916
Fines and Penalties	417,532	407,856	372,359	269,986	409,635	176,083	210,893	243,118		
Investment Income	16,416	131,972	752,838	697,452	1,372,724	1,752,598	1,538,316	1,913,284	281,148	1,028,574
Intergovernmental	4,738,897	7,294,876	5,230,818	5,198,346	5,385,743	4,281,889	5,225,567	9,499,106	5,125,707	3,386,723
Charges for Services	4,136,068	4,816,242	3,501,967	3,550,311	3,328,071	3,423,401	2,435,122	2,567,514	2,772,294	2,441,803
Other Revenues	2,334,043	1,330,671	1,012,883	620,842	242,422	250,039	372,319	973,951	146,685	117,105
<b>Total Revenues</b>	<b>33,008,718</b>	<b>35,662,961</b>	<b>29,600,900</b>	<b>30,125,087</b>	<b>31,092,959</b>	<b>29,136,197</b>	<b>28,493,925</b>	<b>32,182,438</b>	<b>24,858,747</b>	<b>22,101,545</b>
% change from prior year	-7.44%	20.48%	-1.74%	-3.11%	6.72%	2.25%	-11.46%	29.46%	12.48%	N/A (2)
<b>EXPENDITURES</b>										
Current:										
General Government	3,628,888	3,836,207	2,875,677	4,156,256	4,054,890	3,650,520	3,533,578	3,428,993	3,368,805	3,582,501
Public Safety	16,920,048	15,740,199	13,993,430	13,280,688	12,152,997	12,367,339	11,565,775	10,763,419	10,211,207	9,591,711
Public Works	3,146,394	2,570,916	3,328,618	2,903,711	3,055,382	2,992,935	2,573,899	2,446,156	2,611,024	2,756,161
Community Development	1,773,822	3,483,826	4,045,524	4,055,656	4,615,290	4,822,158	3,336,827	4,048,648	2,773,493	1,402,737
Community Services								88,934	83,793	73,374
Culture and Recreation	2,550,073	2,258,357	2,006,956	2,150,235	2,221,695	2,334,103	1,911,252	1,713,643	1,166,998	1,022,687
Capital Outlay	3,151,886	5,610,463	4,909,814	1,982,474	2,461,930	4,758,090	4,220,936	9,003,905	3,646,216	1,248,745
Debt Service:										
Principal	326,811	314,679	303,018	175,690	161,287	148,183	505,753	93,588	599,408	660,000
Interest and fiscal charges	760,226	1,536,134	1,217,704	1,169,101	1,899,939	1,857,798	1,909,017	1,768,234	1,590,388	1,892,764
Cost of Issuance			257,200							
<b>Total Expenditures</b>	<b>32,258,148</b>	<b>35,350,781</b>	<b>32,937,941</b>	<b>29,873,811</b>	<b>30,623,410</b>	<b>32,931,126</b>	<b>29,557,037</b>	<b>33,355,520</b>	<b>26,051,332</b>	<b>22,230,680</b>
% change from prior year	-8.75%	7.33%	10.26%	-2.45%	-7.01%	11.42%	-11.39%	28.04%	17.19%	N/A (2)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>750,570</b>	<b>312,180</b>	<b>(3,337,041)</b>	<b>251,276</b>	<b>469,549</b>	<b>(3,794,929)</b>	<b>(1,063,112)</b>	<b>(1,173,082)</b>	<b>(1,192,585)</b>	<b>(129,135)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers from Other Funds	1,595,233	7,503,599	11,020,178	3,229,150	1,537,155	1,527,976	7,723,228	5,327,364	2,516,250	2,040,107
Transfers to Other Funds	(2,272,078)	(8,673,666)	(12,503,315)	(4,546,625)	(2,612,967)	(1,786,935)	(10,325,434)	(5,644,374)	(2,623,635)	(3,125,114)
Proceeds from Long Term Debt		574,641	9,817,465						15,250,000	
Sale of Capital Assets		116,899		17,550	13,000					
Proceeds from Loans and Advances				290,692	507,594	1,119,079	399,946			
Payment to Refunded Bond Escrow Agent									(13,900,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(676,845)</b>	<b>(478,527)</b>	<b>8,334,328</b>	<b>(1,009,233)</b>	<b>(555,218)</b>	<b>860,120</b>	<b>(2,202,260)</b>	<b>(317,010)</b>	<b>1,242,615</b>	<b>(1,085,007)</b>
Extraordinary Item - Gan/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds	(4,613,294)									
<b>Net Change in Fund Balance</b>	<b>\$ (4,539,569)</b>	<b>\$ (166,347)</b>	<b>\$ 4,997,287</b>	<b>\$ (757,957)</b>	<b>\$ (85,669)</b>	<b>\$ (2,934,809)</b>	<b>\$ (3,265,372)</b>	<b>\$ (1,490,092)</b>	<b>\$ 50,030</b>	<b>\$ (1,214,142)</b>
Debt Service as a Percentage of Non-capital Expenditures	3.62%	5.73%	6.70%	5.15%	7.27%	6.66%	9.53%	7.65%	9.77%	11.63%

(1) This schedule reports using the modified accrual basis of accounting

**City of Eureka, California**  
**Tax Revenues by Source**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Occupancy</u>	<u>Utility User (2)</u>	<u>Transaction and Use Tax (3)</u>	<u>Business License</u>	<u>Other</u>
2003	\$ 4,009,344	\$ 7,928,212	\$ 1,299,239	\$ 901,599	\$ -	\$ 246,004	\$ 103
2004	4,380,272	8,480,791	1,603,794	1,021,831		256,528	109
2005	4,440,184	9,173,399	1,424,250	1,023,073		237,678	132
2006	5,486,195	9,278,077	1,434,084	1,349,496		215,849	142
2007	5,421,915	9,832,534	1,587,382	1,334,370		279,589	95
2008	6,015,229 (4)	9,863,454 (5)	1,742,728	1,454,764		268,092	136
2009	6,767,867 (6)	8,411,860	1,817,628	1,171,659	382,389	262,680	82
2010	6,539,634 (3)	7,820,946	2,032,584	(5,437)	1,628,022	274,377	11
2011	8,572,335	9,312,779	1,877,436	-	2,688,403 (7)	239,577	31
2012	6,063,480	8,894,475	2,019,361	-	5,582,371 (7)	237,286	-
Change 2003-2012	51.23%	12.19%	55.43%	-100.00%	N/A	-3.54%	-100.00%

(1) This schedule reports using the modified accrual basis of accounting.

(2) On November 7, 2006, City voters approved a four year extension of the Utility User's Tax @ 3% through June 30, 2011 with the cap increased to \$2,000 from \$1,000 effective July 1, 2007.

(3) On November 4, 2008, City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented on April 1, 2009 at which time the Utility User's Tax was discontinued.

(4) Includes \$394,405 in deferred property taxes from FY 2006-07.

(5) Includes public safety sales tax and sales tax received through State and County pools.

(6) Includes \$292,261 in retro-active unitary \$1.00 rate apportionments to the Eureka Redevelopment Agency for FY 2005-06 through FY 2007-08.

(7) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for 5 years.

**City of Eureka, California**  
**Sales Tax by Category**  
**June 30, 2012**  
*Last Ten Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Fiscal Year 2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Consumer Goods	\$ 2,422,040	\$ 2,672,493	\$ 2,951,526	\$ 2,996,894	\$ 3,064,228	\$ 3,016,448	\$ 2,811,224	\$ 2,795,733	\$ 2,846,891	\$ 2,848,952
Autos and Transportation	1,772,859	1,702,753	1,681,786	1,742,420	1,788,420	1,671,628	1,261,457	1,265,065	1,385,153	1,508,155
Building and Construction	655,839	816,929	892,664	959,297	965,817	883,059	713,867	727,961	689,080	724,208
Fuel and Service Stations	680,361	695,613	715,058	969,667	967,886	971,471	784,340	754,419	886,917	944,898
Business and Industry	624,625	637,784	670,563	825,003	917,243	445,028	769,706	727,129	711,572	649,664
Restaurants and Hotels	547,372	569,020	593,252	632,568	644,371	711,783	617,506	653,545	643,051	669,422
Food and Drugs	438,105	419,872	416,626	423,273	433,697	608,934	503,271	484,066	479,149	479,222
<b>Total</b>	<u>\$ 7,141,201</u>	<u>\$ 7,514,464</u>	<u>\$ 7,921,475</u>	<u>\$ 8,549,122</u>	<u>\$ 8,781,662</u>	<u>\$ 8,308,351</u>	<u>\$ 7,461,371</u>	<u>\$ 7,407,918</u>	<u>\$ 7,641,813</u>	<u>\$ 7,824,521</u>
City direct sales tax rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00% (4)	1.00%	1.50% (5)	1.50%

(1) Under California Revenue and Taxation Code Section 7056, disclosure of individual sales tax remitters and their tax liability is prohibited.

(2) Source: Hinderliter de Llamas and Associates - this data does not include sales tax revenue that is temporarily diverted by the State to service state bonds.

(3) Does not include public safety sales tax and sales tax received through State and County pools.

(4) On November 4, 2008, City voters approved a new Transactions & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented on April 1, 2009 bringing the City's direct sales tax rate to 1%.

(5) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for 5 years.

**City of Eureka, California  
Transaction & Use Tax by Category  
June 30, 2012**

	Fiscal Year					
	<u>2009</u>	(1)	<u>2010</u>	<u>2011</u>	(2)	<u>2012</u>
General Consumer Goods	\$ 144,506		\$ 702,360	\$ 1,011,115		\$ 2,217,913
Autos and Transportation	48,966		220,154	370,774		760,656
Building and Construction	38,579		158,052	247,257		513,074
Fuel and Service Stations	30,758		145,281	251,857		517,812
Business and Industry	62,829		274,489	403,666		814,139
Restaurants and Hotels	33,330		155,359	239,605		493,408
Food and Drugs	34,132		123,091	178,915		358,223
Transfers and Unidentified	-		293			
<b>Total</b>	<u><u>\$ 393,100</u></u>		<u><u>\$ 1,779,079</u></u>	<u><u>\$ 2,703,189</u></u>		<u><u>\$ 5,675,225</u></u>
City transaction and use tax rate	0.25%		0.25%	0.25% - 0.75%		0.75%

(1) On November 4, 2008, City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This tax was implemented for the first time on April 1, 2009 therefore, ten years of data is not available but will be accumulated over time.

(2) On November 2, 2010, City voters approved an additional Transaction & Use Tax of 1/2%. This tax was implemented on April 1, 2011. It will sunset after five years unless an extension is approved by City voters.

**City of Eureka, California**  
**Direct and Overlapping Sales Tax Rates**  
**June 30, 2012**  
*Last Ten Fiscal Years*

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<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Humboldt County</b>
2003	0.75%	0.25%
2004	0.75%	0.25%
2005	0.75%	0.25%
2006	0.75%	0.25%
2007	0.75%	0.25%
2008	0.75%	0.25%
2009 (1)	1.00%	0.25%
2010	1.00%	0.25%
2011 (2)	1.50%	0.25%
2012	1.50%	0.25%

(1) On November 4, 2008 City voters approved a new Transaction & Use Tax of 1/4% in lieu of the Utility User's Tax. This new tax rate became effective on 4/1/09.

(2) On November 2, 2010, City voters approved Measure O, creating a new general use sales tax of 1/2%. This tax was implemented on April 1, 2011 bringing the City's direct sales tax rate to 1.5%. It is effective for 5 years.

Source: California State Board of Equalization

**City of Eureka, California**  
**Net Taxable Assessed Value History**  
**June 30, 2012**  
*Last Ten Fiscal Years*  
(Unaudited)

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>SBE Nonunitary</b>	<b>Net Total Assessed Value</b>	<b>% Change</b>
2003	1,179,623,082	134,635,927	3,341,442	1,317,600,451	
2004	1,256,723,032	132,344,439	3,341,442	1,392,408,913	<b>5.68%</b>
2005	1,337,880,093	144,597,534	3,341,442	1,485,819,069	<b>6.71%</b>
2006	1,467,514,250	152,429,910	3,371,263	1,623,315,423	<b>9.25%</b>
2007	1,593,937,128	155,016,291	3,371,263	1,752,324,682	<b>7.95%</b>
2008	1,711,569,430	159,589,282	862,447	1,872,021,159	<b>6.83%</b>
2009	1,829,399,444	159,010,534	862,447	1,989,272,425	<b>6.26%</b>
2010	1,900,133,398	157,047,991	1,138,181	2,058,319,570	<b>3.47%</b>
2011	1,885,289,687	159,933,253	1,138,181	2,046,361,121	<b>-0.58%</b>
2012	1,880,551,895	155,677,612	1,138,181	2,037,367,688	<b>-0.44%</b>

Sources: Humboldt County Assessor 2002-03 to 2011-12 Combined Tax Rolls  
HdL, Coren & Cone

**City of Eureka, California**  
**Direct and Overlapping Property Tax Rates**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<u>Agency</u>		<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Basic Levy</b>	(1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CR 2005/2007 Go Bond		0.00000	0.00000	0.00000	0.01300	0.01000	0.01500	0.01200	0.01300	0.01300	0.01200
Eureka Unified Elementary		0.02700	0.01700	0.01800	0.01600	0.02100	0.01600	0.01900	0.01800	0.01800	0.02000
Eureka Unified High		0.05500	0.05000	0.04100	0.04000	0.04200	0.03600	0.03300	0.03500	0.03800	0.03600
Freshwater Elementary Go Bonds 2001		0.07500	0.06500	0.05800	0.04900	0.04800	0.04200	0.04100	0.04100	0.04100	0.03500
Jacoby Creek Elementary School		0.01000	0.01000	0.01100	0.02000	0.01600	0.01200	0.02300	0.01300	0.01300	0.01900
Northern Humboldt Unified School Dist 2010 Bond		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01800
South Bay Elementary Go Bonds 1999		0.03200	0.02500	0.01900	0.01700	0.01200	0.00900	0.00800	0.00600	0.00600	0.00500
<b>Total Direct and Overlapping Tax Rates</b>	(2)	<b>1.19900</b>	<b>1.16700</b>	<b>1.14700</b>	<b>1.15500</b>	<b>1.14900</b>	<b>1.13000</b>	<b>1.13600</b>	<b>1.12600</b>	<b>1.12900</b>	<b>1.14500</b>
<b>City's Share of 1% Levy Per Prop 13</b>	(3)	0.16232	0.16232	0.16232	0.16232	0.16232	0.16232	0.16232	0.16232	0.16232	0.16232
<b>Redevelopment Rate</b>	(4)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<b>Total Direct Rate</b>	(5)	0.35476	0.35443	0.34901	0.35585	0.35545	0.30479	0.30969	0.30958	0.30697	0.30821

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- (3) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness prior to 1989 as per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (5) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Sources: Hdl, Coren & Cone  
Humboldt County Assessor 2002-03 to 2011-12 Tax Rate Table

City of Eureka, California  
Principal Property Tax Payers  
June 30, 2012  
Current Year and Nine Years Ago

2011-12				
Company	Type of Business	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Bayshore Mall	Shopping Mall	25,716,304	1	1.26%
Target Corporation	Durable Goods	14,729,320	2	0.72%
The Price Company	Durable Goods	13,131,232	3	0.64%
The Country Inn	Hotel	11,726,476	4	0.58%
Pacific Wholesale Materials	Durable Goods	11,550,599	5	0.57%
L and H Properties LLC	Investment	11,122,052	6	0.55%
Cole WA Eureka California LP	Investment	11,075,800	7	0.54%
Humboldt Partners	Investment	9,561,966	8	0.47%
Ronald J Harris Trust	Investment	9,372,674	9	0.46%
Schmidbauer Lumber	Wood Products	8,880,130	10	0.44%
Totals		<u>\$126,866,553</u>		<u>6.23%</u>

2002-03				
Company	Type of Business	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Bayshore Mall	Shopping Mall	48,498,933	1	3.68%
The Price Company	Durable Goods	12,789,940	2	0.97%
Humboldt Bank	Bank	10,273,721	3	0.78%
Commercial Net Lease Realty Inc	Development	8,367,967	4	0.64%
Pacific Wholesale Materials	Development	8,230,138	5	0.62%
Cox Communications Humboldt	Cable & Communications	7,131,152	6	0.54%
Schmidbauer Lumber	Wood Products	7,034,330	7	0.53%
Red Lion Hotels Inc	Hotel	6,853,574	8	0.52%
Chevron USA	Petrol Distribution	6,516,334	9	0.49%
The Country Inn	Hotel	6,388,785	10	0.48%
Totals		<u>\$122,084,874</u>		<u>9.25%</u>

Source: HdL Coren & Cone

**City of Eureka, California**  
**Property Tax Levies and Collections (1)**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Taxes Levied For The Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
		<b>Amount</b>	<b>Percent of of Levy</b>
2003	4,009,344	4,009,344	100.0%
2004	4,380,272	4,380,272	100.0%
2005	4,440,184	4,440,184	100.0%
2006	5,486,195	5,486,195	100.0%
2007	5,421,915	5,421,915	100.0%
2008	6,015,229	6,015,229	100.0%
2009	6,767,867	6,767,867	100.0%
2010	6,539,634	6,539,634	100.0%
2011	8,572,335	8,572,335	100.0%
2012	6,063,480	6,063,480	100.0%

(1) Property taxes are levied and collected pursuant to an arrangement commonly referred to as the Teeter Plan. Under the Teeter Plan, the County allocates and remits to the Cotu the full amount of each years tax levy, and the County then retains any delinquencies collected by the County.

(2) Article XIII A of the California Constitution (Proposition 13) precludes cities from levying a property tax, except for payment of voter approved indebtedness. The county levies all general purpose property taxes and allocates them based on a state-mandated formula to other governmental entities. The amounts shown under "Total Tax Levy" were determined by the county using that formula.

(3) Totals include property taxes/property tax increment collected from former RDA

Source: Humboldt County Auditor and City of Eureka financial records

**City of Eureka, California**  
**Ratios of Outstanding Debt by Type**  
**June 30, 2012**  
*Last Ten Fiscal Years*

Fiscal Year	Governmental Activities			Business-type Activities							Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita
	Redevelopment Bonds	Capital Leases	Infrastructure Bank Loan	Water Bonds	Wastewater Bonds	Harbor Bonds	Harbor Term Loan	Six Rivers Bank	GE Capital Public Financing	Capital Leases			
2003	\$ 15,250,000	\$ 440,758	\$ -	\$ 11,620,000	\$ 5,213,825	\$ 880,000	\$ 2,639,784	\$ 750,000	\$ 35,821	\$ -	\$ 36,830,188	5.60%	\$ 1,401
2004	15,250,000	653,142	-	11,345,000	4,745,992	912,815	2,584,293	-	-	-	\$ 35,491,242	5.00%	1,347
2005	15,250,000	493,652	-	11,060,000	3,835,000	825,000	2,526,304	-	-	-	\$ 33,989,956	4.70%	1,290
2006	15,250,000	743,961	-	13,270,000	3,730,000	765,000	2,465,705	-	-	875,681	\$ 37,100,347	4.90%	1,416
2007	15,250,000	1,651,321	-	12,905,000	3,620,000	700,000	2,402,380	-	-	2,518,695	\$ 39,047,396	5.08%	1,496
2008	15,250,000	1,513,584	462,514	12,470,000	3,510,000	630,000	2,336,205	-	-	2,535,728	\$ 38,708,031	4.92%	1,480
2009	15,250,000	1,389,559	645,940	12,020,000	3,395,000	555,000	2,267,053	-	-	2,372,060	\$ 37,894,612	4.83%	1,457
2010	24,445,000	1,186,883	1,573,403	11,555,000	3,280,000	475,000	2,194,788	-	-	2,116,181	\$ 46,826,255	5.16%	1,721
2011	24,445,000	975,826	1,796,136	11,070,000	19,440,000	390,000	2,119,271	-	-	1,849,631	\$ 62,085,864	7.27%	2,282
2012	-	746,143	-	19,945,000	19,315,000	300,000	2,040,357	-	-	1,571,966	\$ 43,918,466	4.89%	1,629

(1) Personal Income from Bureau of Economic Analysis, Regional Economic Accounts and is based on Micropolitan population of Eureka-Arcata-Fortuna. Data for the City of Eureka alone is not available.

(2) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(3) Due to the dissolution of the Eureka Redevelopment Agency (ERA), all of the ERA's debt have been moved to the Eureka Successor Agency Fiduciary Fund.

**City of Eureka, California**  
**Ratios of Outstanding Debt by Type**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Fiduciary Activities (1)</b>		
	<b>Redevelopment Bonds</b>	<b>Infrastructure Bank Loan</b>	<b>Total Fiduciary Activities</b>
2003	\$ -	\$ -	\$ -
2004	-	-	-
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	24,445,000	1,689,804	26,134,804

(1) Due to the dissolution of the Eureka Redevelopment Agency (ERA), all of the ERA's debt have been moved to the Eureka Successor Agency Fiduciary Fund.

**City of Eureka, California**  
**Ratios of General Bonded Debt Outstanding**  
**June 30, 2012**  
*Last Ten Fiscal Years*

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<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u> Redevelopment Bonds	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2003	\$ 15,250,000	4.0539%	\$580.05
2004	15,250,000	3.9141%	578.68
2005	15,250,000	3.7678%	578.84
2006	15,250,000	3.4037%	581.95
2007	15,250,000	3.1960%	584.36
2008	15,250,000	2.9963%	583.02
2009	15,250,000	2.7825%	586.49
2010	24,445,000 (1)	4.3321%	898.45
2011	24,445,000	4.4016%	898.45
2012	24,445,000	4.3973%	906.71

(1) The ERA issued Series A and Series B bonds in 2010 both of which are secured by incremental tax revenues. Series A is for \$4,960,000, while Series B is for \$4,235,000.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**City of Eureka, California**  
**Computation of Direct and Overlapping Debt**  
**As of June 30, 2012**

	<b>Percentage Applicable to City of Eureka (1)</b>	<b>Outstanding Debt 6/30/2012</b>	<b>City of Eureka Share of Debt</b>
<b><u>OVERLAPPING DEBT REPAID WITH PROPERTY TAXES:</u></b>			
Redwoods Joint Community College District	10.802%	\$ 29,520,000	\$ 3,188,750
Eureka Unified School District	47.777%	29,299,989	13,998,656
Eureka Unified School District School Facilities Improvement District No. 1	74.942%	9,129,943	6,842,162
North Humboldt Union High School District	0.156%	8,000,223	12,480
Freshwater School District	0.403%	945,000	3,808
Jacoby Creek School District	1.811%	155,000	2,807
South Bay Union School District	2.430%	4,450,000	108,135
City of Eureka	100.000%	-	-
Humboldt Bay Harbor Recreation and Conservation District	15.478%	2,450,000	379,211
<b>TOTAL OVERLAPPING DEBT REPAID WITH PROPERTY TAXES</b>		<b>\$ 83,950,155</b>	<b>\$ 24,536,009</b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
Humboldt County Certificates of Participation	15.478%	\$ 11,915,000	\$ 1,844,204
Humboldt County Board of Education Certificates of Participation	15.478%	570,000	88,225
Redwoods Joint Community College District Certificates of Participation	10.802%	406,200	43,878
Northern Humboldt Union High School District Certificates of Participation	0.156%	1,045,000	1,630
Eureka School District Certificates of Participation	47.777%	178,760	85,406
City of Eureka Lease Revenue Bonds	100.000%		
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 14,114,960</b>	<b>\$ 2,063,343</b>
<b>CITY DIRECT DEBT</b>			<b>9,195,000 (2)</b>
<b>COMBINED TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>			<b><u>\$ 35,794,352 (2)</u></b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**City of Eureka, California**  
**Legal Debt Margin Information**  
**June 30, 2012**  
*Last Ten Fiscal Years*

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total assessed value of all real and personal property	\$ 1,436,347,308	\$ 1,515,012,468	\$ 1,621,629,302	\$ 1,768,050,116	\$ 1,899,833,280	\$ 1,872,021,159	\$ 1,989,272,425	\$ 2,058,319,570	\$ 2,046,361,121	\$ 2,037,367,688
Debt limit percentage (1)	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Total debt limit	53,863,024	56,812,968	60,811,099	66,301,879	71,243,748	70,200,793	74,597,716	77,186,984	76,738,542	76,401,288
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 53,863,024</u>	<u>\$ 56,812,968</u>	<u>\$ 60,811,099</u>	<u>\$ 66,301,879</u>	<u>\$ 71,243,748</u>	<u>\$ 70,200,793</u>	<u>\$ 74,597,716</u>	<u>\$ 77,186,984</u>	<u>\$ 76,738,542</u>	<u>\$ 76,401,288</u>

(1) Assessed value of property is subject to taxation at full market value since the passage of Proposition 13.

Source: Humboldt County Auditor

**City of Eureka, California**  
**Revenue Bond Coverage**  
**Water Revenue Bonds**  
**June 30, 2012**  
*Last Ten Fiscal Years*

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total (3)	
2003	3,553,724	2,197,091	1,356,633	85,000	480,683	565,683	2.40
2004	4,332,984	2,850,797	1,482,187	275,000	599,958	874,958	1.69
2005	4,718,640	2,672,606	2,046,034	285,000	595,963	880,963	2.32
2006	5,677,593	2,836,519	2,841,074	300,000	910,019	1,210,019	2.35
2007	5,534,052	3,215,538	2,318,514	299,476	683,522	982,998	2.36
2008	5,359,540	2,995,541	2,363,999	435,000	579,954	1,014,954	2.33
2009	5,576,060	3,168,209	2,407,851	450,000	545,580	995,580	2.42
2010	5,447,189	3,789,650	1,657,539	465,000	540,797	1,005,797	1.65
2011	5,637,856	4,089,787	1,548,069	485,000	548,299	1,033,299	1.50
2012	6,405,429	4,159,856	2,245,573	495,000	549,370	1,044,370	2.15

(1) Total revenues (including interest) exclusive of intergovernmental .

(2) Operating expenses exclude depreciation and non depreciable capital expenditures.

(3) Debt service does not include principal and interest payments on capital leases which are secured by equipment and not by revenues.

(4) Full accrual accounting established.

**City of Eureka, California  
Revenue Bond Coverage  
Wastewater Revenue Bonds  
June 30, 2012  
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	3,545,825	2,448,086	1,097,739	380,000	55,620	435,620	2.52
2004	3,728,943	3,235,950	492,993	485,000	173,849	658,849	0.75
2005	5,012,740	4,647,882	364,858	890,000	184,049	1,074,049	0.34
2006	4,718,441	3,110,009	1,608,432	515,000	204,566	719,566	2.24
2007	4,360,413	3,719,541	640,872	110,000	121,987	231,987	2.76
2008	4,573,978	3,819,053	754,925	110,000	194,798	304,798	2.48
2009	5,195,835	3,901,440	1,294,395	115,000	151,129	266,129	4.86
2010	5,495,832	4,167,213	1,328,619	115,000	150,169	265,169	5.01
2011	5,607,882	4,458,319	1,149,563	120,000	311,759	431,759	2.66
2012	6,478,852	4,222,375	2,256,477	125,000	911,453	1,036,453	2.18

- (1) Total revenues (including interest) exclusive of intergovernmental.  
(2) Operating expenses exclude depreciation and non depreciable capital expenditures.  
(3) Full accrual accounting established.

**City of Eureka**  
**Revenue Bond Coverage**  
**Harbor Bonds**  
**6/30/2012**  
*Last Ten Fiscal Years*

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service (3)	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	490,872	562,078	(71,206)	50,000	62,775	112,775	-0.63
2004	503,451	532,797	(29,346)	55,000	59,400	114,400	-0.26
2005	700,340	1,157,822	(457,482)	60,000	55,687	115,687	-3.95
2006	691,147	579,045	112,102	65,000	51,638	116,638	0.96
2007	608,892	766,184	(157,292)	65,000	47,250	112,250	-1.40
2008	650,154	579,120	71,034	70,000	42,525	112,525	0.63
2009	639,108	614,057	25,051	75,000	37,463	112,463	0.22
2010	540,785	621,614	(80,829)	80,000	32,063	112,063	-0.72
2011	615,297	566,529	48,768	85,000	26,325	111,325	0.44
2012	764,536	644,514	120,022	90,000	20,250	110,250	1.09

- (1) Total revenues (including interest) exclusive of intergovernmental.
- (2) Operating expenses exclude depreciation & expenditures of grant revenue (both funds) and non depreciable capital expenditures.
- (3) Interest expense on other existing debt is included in when calculating Net Revenue Available for Debt Service on the Harbor Revenue Bond.
- (4) Full accrual accounting established.

**City of Eureka, California**  
**Demographic and Economic Statistics**  
**June 30, 2012**  
*Last Ten Fiscal Years*

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<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate (3)</u>
2003	26,291	657,748,238	25,018	6.7%
2004	26,353	709,791,702	26,934	6.9%
2005	26,346	722,960,586	27,441	6.5%
2006	26,205	756,931,425	28,885	6.1%
2007	26,097	768,895,911	29,463	5.5%
2008	26,157	786,070,164	30,052	6.3%
2009	26,002	784,038,306	30,153	7.7%
2010	27,208	906,815,432	33,329	11.6%
2011	27,208	854,249,576	31,397	12.2%
2012	26,960	897,983,680	33,308	12.0%

(1) Population statistics for 2003-2009 from Center for Economic Development, Chico State University. 2010 forward uses population as reported by California Department of Finance Demographic Research Unit.

(2) Personal Income statistics from Bureau of Economic Analysis, Regional Economic Accounts and is based on the Micropolitan population of Eureka-Arcata-Fortuna. Data for the City of Eureka alone is not available.

(3) Unemployment Rate statistics from California Employment Development Department, Labor Market . 2003 - 2007 rates are for Humboldt County, and 2008 - 2012 rates are for Eureka.

**City of Eureka, California**  
**Principal Employers**  
**June 30, 2012**  
*Current Year and Nine Years Ago*

2012					2003				
Employer (2)	Type of Business	Employees	Rank	Percentage of Total City Employment (3)	Employer (2)	Type of Business	Employees	Rank	Percentage of Total City Employment (3)
Costco Wholesale #125	Department Store	183	1	0.27%	Schmidbauer Lumber	Wood products	165	1	0.23%
Schmidbauer Lumber	Wood products	165	2	0.24%	Times Standard	Newspaper	106	2	0.15%
Walmart	Department Store	150	3	0.22%	Pierson Building Center	Lumber & Building Materials	100	3	0.14%
Target Stores	Department Store	120	4	0.18%	Pacific Choice Seafoods	Fish & Seafoods	90	4	0.13%
Kohl's	Department Store	114	5	0.17%	Winco Foods	Grocery Store	87	5	0.12%
Pacific Choice Seafoods	Fish & Seafoods	105	6	0.15%	Gottschalks	Department Store	82	6	0.12%
Pierson Building Center	Lumber & Building Materials	100	7	0.15%	K-Mart	Department Store	80	7	0.11%
Times Standard	Newspaper	89	8	0.13%	Sunbridge Care and Rehabilitation	Skilled Nursing	75	8	0.11%
Winco Foods	Grocery Store	88	9	0.13%	Harvey M. Harper	Automobile Sales	73	9	0.10%
Eureka Internal Medicine	Medical Office	84	10	0.12%	Doubletree Hotel	Hotel	67	10	0.09%
Doubletree Hotel									
Total		<u>1,198</u>		<u>1.76%</u>	Total		<u>925</u>		<u>1.30%</u>

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) Excludes non-profit and governmental employers.

(3) Total City Employment information is not available for Eureka only. Calculations on this schedule are based on total employment for the Eureka-Arcata-Fortuna Metropolitan area.

Source: Top Ten Employers from City of Eureka business license records  
 Metropolitan Total Employment from Bureau of Economic Analysis, Regional Economic Accounts

**City of Eureka, California**  
**Full-time Equivalent City Government Employees by Function/Program**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Legislative	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.50
City Manager	2.75	3.50	3.00	3.00	3.00	3.00	3.00	1.50	1.50	1.50
Human Resources	4.50	4.50	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.75
Finance	15.90	16.60	14.40	13.60	15.20	15.20	15.20	14.15	14.05	14.25
City Attorney	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police										
Officers	51.00	48.00	48.00	49.00	49.00	49.00	50.00	52.00	52.00	53.00
Civilians	32.00	32.00	29.00	29.00	34.00	33.00	31.00	31.00	31.60	31.60
Fire										
Firefighters and Officers	40.00	39.00	38.00	37.00	41.00	41.00	41.00	41.00	42.00	41.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Engineering	32.75	33.00	14.00	(1) 13.00	13.00	13.00	11.00	11.00	11.00	11.00
Public Works				(1)						
Administration	-	-	-	-	-	-	-	3.75 (2)	3.45	4.25
Environmental Programs	-	-	-	-	-	-	-	0.30 (2)	0.30	0.20
Building	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.30	5.25	6.25
Streets/Alley Maintenance	9.33	9.33	9.33	4.83	4.83	4.83	4.83	4.83	4.83	5.83
Facilities Operations	8.34	8.34	8.34	8.84	8.84	8.84	8.84	7.84	7.00	6.00
Water Distribution Maintenance	11.55	11.05	10.72	12.07	11.92	11.42	11.42	10.84	9.84	10.59
Sewer Collection Maintenance	11.54	11.04	10.71	13.26	13.41	12.91	12.91	11.33	10.33	11.08
Equipment Operations	7.68	7.68	8.34	8.34	8.34	8.34	8.34	8.00	8.00	8.00
Park Operations	10.40	10.40	9.10	8.00	9.60	9.60	8.80	7.00	8.80	8.80
Harbor	3.00	3.00	2.50	4.00	4.00	4.00	3.00	4.00	4.00	4.00
Recreation	7.12	7.12	7.12	7.43	7.74	7.94	7.74	7.44	7.44	7.16
Sequoia Park Zoo	5.50	5.50	5.50	6.25	6.25	6.50	6.50	7.30	7.30	7.30
Stormwater	-	-	-	4.80 (3)	4.80	4.80	4.50	3.70	2.70	2.50
Water Treatment	-	-	2.80	3.30	3.30	3.30	3.90	3.75	5.25	4.25
Wastewater Treatment	-	-	16.20	16.85	17.00	17.50	17.40	17.25	15.75	15.75
Community Development	6.00	6.00	6.00	6.00	6.00	6.00	6.00	4.50	4.50	5.00
Redevelopment	5.00	5.00	5.75	5.75	5.75	5.75	6.00	6.00	6.00	4.00
<b>Total</b>	<b>275.76</b>	<b>272.46</b>	<b>264.21</b>	<b>269.72</b>	<b>282.38</b>	<b>281.33</b>	<b>275.78</b>	<b>271.44</b>	<b>269.39</b>	<b>272.56</b>

(1) The Engineering Department was reorganized beginning in fiscal year 2004-05 to include Water and Wastewater Treatment as part of the Public Works Department.

(2) The Administrative Division and the Environmental Programs Division of the Public Works Department were created in fiscal year 2009-10.

(3) The Stormwater Division, originally part of Streets/Alley Maintenance, was created in fiscal year 2005-06.

Notes: A full-time employee is scheduled to work 2080 hours per year (including vacation and sick leave).  
Full-time equivalent employment is calculated by dividing total labor hours by 2080.

Source: City of Eureka Finance Department

City of Eureka, California  
 Operating Indicators by Function/Program  
 June 30, 2012  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Council Agenda Items Considered	331	399	564	414	345	420	342	229	453	432
Ordinances Adopted	10	11	10	13	5	19	11	11	13	16
Resolutions Adopted	48	61	61	78	52	64	68	73	76	54
Finance										
Business Licenses	2,707	2,310	2,305	2,469	2,267	2,328	2,331	2,490	2,506	2,546
Transit										
Passengers	342,293	319,618	335,127	286,807	286,684	290,252	269,991	263,933	253,839	265,591
Revenue Service Miles	286,407	299,571	309,993	298,880	310,031	318,295	306,888	265,509	253,972	226,502
Police										
Physical Arrests	3,464	3,936	3,538	3,701	4,638	4,747	4,754	3,186	4,669	5,019
Parking Violations	unavailable	4,503	5,147	2,588	2,252	8,292	5,191	2,268	4,572	4,107
Traffic Violations	3,908	3,802	3,218	3,206	4,947	4,069	6,955	5,423	4,508	4,899
Fire										
Suppression:										
Fire Responses	237	214	257	170	208	184	182	154	159	176
Medical Responses	1,952	1,945	1,986	1,989	1,913	2,053	2,044	2,156	1,983	2,036
Service/Miscellaneous Responses	1,002	1,090	934	1,081	1,229	1,305	1,155	1,231	1,192	1,073
Prevention:										
Inspections	3,970	4,050	1,699	2,501	1,893	1,427	1,564	1,305	1,506	1,589
Engineering										
Permits Issued	231	279	350	292	259	235	188	175	168	193
(water, sewer, encroachment)										
Field Inspections	800	1,100	1,100	1,100	1,100	1,010	800	800	700	800
Public Works										
Water Connections	9,633	9,605	9,660	9,756	9,785	9,787	9,714	9,940	9,458	9,825
Average Daily Consumption in Gallons	3,260,000	4,880,823	3,057,125	3,285,088	3,333,499	3,310,200	3,304,753	3,402,438	3,313,307	3,205,389
Wastewater Connections	9,355	9,327	9,382	9,478	9,507	9,438	9,595	9,583	9,237	9,825
Building										
Permits Issued	1,010	1,158	1,134	1,067	1,187	1,143	956	1,122	1,011	934
Community Development										
Permit Applications	179	179	179	376	309	326	292	280	198	235
Zone Reclassifications	2	4	4	3	3	1	-	1	2	2
Amendments to General Plan	1	4	4	-	3	1	1	1	2	-
Redevelopment/Successor Agency										
Façade Improvement Loans	8	6	1	4	1	0	5	2	-	-
Business Loans	5	1	1	0	-	0	-	-	-	-
Housing Loans	12	4	6	6	9	14	16	5	2	-
Housing Rehabilitation Loans	4	2	6	3	6	6	2	2	8	2

Sources: Various City Departments

**City of Eureka, California**  
**Capital Asset Statistics by Function/Program**  
**June 30, 2012**  
*Last Ten Fiscal Years*

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Satellite Offices	2	2	2	2	2	2	2	2	2	2
Patrol Units	26	26	26	26	26	26	26	26	26	26
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Engineering										
Street Lights	1,915	1,915	1,918	1,918	1,918	2,230 (1)	2,230	2,230	2,154	2,155
Traffic Signals - City	25	25	25	25	25	25	25	25	26	26
Traffic Signals - State	25	25	26	26	26	27	27	27	27	27
Public Works										
Miles of Streets	125	125	125	125	125	125	125	125	125	125
Miles of Water Line	145	145	150	150	150	150	150	150	150	150
Miles of Sewers	100	100	100	100	100	100	100	100	100	100
Parks and Recreation										
Acreage	242	242	242	242	242	242	242	242	245	245
Parks	12	12	13	13	13	13	13	14	14	14
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Recreation Facilities	10	10	10	10	10	10	10	10	10	10
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Ballfields	4	4	4	4	4	4	4	4	4	4
Outdoor Amphitheater	1	1	1	1	1	1	1	1	1	1
Zoo	1	1	1	1	1	1	1	1	1	1

(1) Increase in this number accounts for lights in City owned parking lots.

Source: Various City departments

**City of Eureka, California**  
**Wastewater System**  
**Summary of Historic Operating Results**  
**June 30, 2012**  
*Last Ten Fiscal Years*

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues (1)</b>										
Service charges	\$ 3,086,193	\$ 3,428,553	\$ 3,617,516	\$ 4,122,784	\$ 3,999,115	\$ 4,180,577	\$ 4,344,538	\$ 4,491,800	\$ 4,709,028	\$ 5,268,768
Connection fees	40,850	48,868	78,100	74,028	51,866	63,711	44,493	29,870	9,140	17,770
Other operating revenues							58,267	232,169	460,540	352,364
Investment income	418,782	251,522	566,072	489,952	305,314	127,869	293,286	199,500	140,524	89,342
Miscellaneous	-	-	751,052	31,677	4,118	201,821	455,251	542,493	288,650	750,608
<b>Total revenues</b>	<b>\$ 3,545,825</b>	<b>\$ 3,728,943</b>	<b>\$ 5,012,740</b>	<b>\$ 4,718,441</b>	<b>\$ 4,360,413</b>	<b>\$ 4,573,978</b>	<b>\$ 5,195,835</b>	<b>\$ 5,495,832</b>	<b>\$ 5,607,882</b>	<b>\$ 6,478,852</b>
<b>Expenses (2)</b>	<b>2,448,086</b>	<b>3,235,950</b>	<b>4,647,882</b>	<b>3,110,009</b>	<b>3,719,541</b>	<b>3,819,053</b>	<b>3,901,440</b>	<b>4,167,213</b>	<b>4,458,319</b>	<b>4,222,375</b>
<b>System net revenues</b>	<b>\$ 1,097,739</b>	<b>\$ 492,993</b>	<b>\$ 364,858</b>	<b>\$ 1,608,432</b>	<b>\$ 640,872</b>	<b>\$ 754,925</b>	<b>\$ 1,294,395</b>	<b>\$ 1,328,619</b>	<b>\$ 1,149,563</b>	<b>\$ 2,256,477</b>
<b>Debt service</b>										
Wastewater Revenue Refunding Bonds Series 1998	\$ 435,620	\$ 425,510	\$ 809,810	\$ 418,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CSCDA Series 2003A Revenue Bonds	-	233,339	264,239	301,161	231,987	304,798	266,129	265,169	266,931	262,240
Wastewater Revenue Bonds, Series 2011									164,828	774,213
<b>Total debt service</b>	<b>\$ 435,620</b>	<b>\$ 658,849</b>	<b>\$ 1,074,049</b>	<b>\$ 719,566</b>	<b>\$ 231,987</b>	<b>\$ 304,798</b>	<b>\$ 266,129</b>	<b>\$ 265,169</b>	<b>\$ 431,759</b>	<b>\$ 1,036,453</b>
<b>Debt service coverage ratio</b>	<b>2.52</b>	<b>0.75</b>	<b>0.34</b>	<b>2.24</b>	<b>2.76</b>	<b>2.48</b>	<b>4.86</b>	<b>5.01</b>	<b>2.66</b>	<b>2.18</b>

(1) Total revenues (including interest) exclusive of intergovernmental.  
(2) Excludes depreciation, capital expenditures, and debt service.

Source: City of Eureka financial records

**City of Eureka, California**  
**Number of Wastewater Connections by User Type**  
**June 30, 2012**  
*Last Ten Fiscal Years*

User Type	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Single family residential	7,565	7,638	7,667	7,888	7508	7,716	7,655	7,784	7,525	7,884
Multiple family residential	679	648	663	719	707	703	778	744	702	734
Commercial / Industrial	1,111	1,041	1,052	1,118	1042	1,020	1,162	1,055	1,010	1,078
<b>Total</b>	<b>9,355</b>	<b>9,327</b>	<b>9,382</b>	<b>9,725</b>	<b>9,257</b>	<b>9,439</b>	<b>9,595</b>	<b>9,583</b>	<b>9,237</b>	<b>9,696</b>

Source: City of Eureka financial records

**City of Eureka, California  
Wastewater System  
Service Charge Revenues by Class of User  
June 30, 2012**

<u>User Type</u>	<u>Year Revenue (1)</u>	<u>Percentage of Total Service Charge Revenue</u>
Single family residential	\$2,687,072	51%
Multiple family residential	\$737,627	14%
Commercial / Industrial	\$1,844,069	35%
<b>Total</b>	<b>\$5,268,768</b>	<b>100%</b>

(1) Excludes revenues from customers outside city limits.

Source: City of Eureka

**City of Eureka, California  
Wastewater System  
Largest Users by Service Charge Revenues  
June 30, 2012**

<u>User (1)</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Annual Service Charge Revenue</u>
Lost Coast Brewery	Brewery & Restaurant	\$ 44,750	0.95%
Pacific Seafood	Food Processing	33,901	0.72%
Mission Linen Supply	Laundry Service	32,236	0.68%
Red Lion Motel	Lodging Establishment	27,628	0.59%
Best Western Bayshore	Lodging Establishment	26,779	0.57%

(1) Excludes non-profit and governmental employers

Source: City of Eureka

**City of Eureka, California**  
**Water System**  
**Summary of Historic Operating Results**  
**6/30/2012**  
**Last Ten Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues (1)										
Service Charges	\$ 3,353,210	\$ 3,863,424	\$ 4,450,911	\$ 4,934,774	\$ 5,105,843	\$ 4,785,606	\$ 5,204,095	\$ 5,203,959	\$ 5,498,292	\$ 6,250,374
Connection Fees	32,657	62,470	91,652	79,738	44,775	70,159	53,449	57,237	55,351	67,180
Investment income	167,857	97,043	172,405	98,277	253,697	283,530	316,492	184,899	75,659	75,739
Miscellaneous	-	310,047	3,672	564,804	129,737	220,245	2,024	1,094	8,554	12,136
Total revenues	3,553,724	4,332,984	4,718,640	5,677,593	5,534,052	5,359,540	5,576,060	5,447,189	5,637,856	6,405,429
Expenses (2)	2,197,091	2,850,797	2,672,606	2,836,519	3,215,595	2,995,541	3,168,209	3,789,650	4,089,787	4,159,856
System net revenues	\$ 1,356,633	\$ 1,482,187	\$ 2,046,034	\$ 2,841,074	\$ 2,318,457	\$ 2,363,999	\$ 2,407,851	\$ 1,657,539	\$ 1,548,069	\$ 2,245,573
Parity Debt service										
CSCDA Series 2000A Revenue Bonds	\$ 433,745	\$ 619,565	\$ 620,835	\$ 583,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CSCDA Series 2002B Revenue Bonds	131,938	255,393	260,128	334,339	253,843	235,395	223,840	235,045	257,054	257,863
CSCDA Series 2005C Revenue Bonds	-	-	-	272,920	598,923	659,893	651,397	647,287	652,162	646,395
CSCDA Series 2006A Revenue Bonds	-	-	-	19,517	130,232	119,666	120,343	123,465	124,083	119,611
Water Revenue Bonds Series 2012	-	-	-	-	-	-	-	-	-	20,501
Total debt service	\$ 565,683	\$ 874,958	\$ 880,963	\$ 1,210,019	\$ 982,998	\$ 1,014,954	\$ 995,580	\$ 1,005,797	\$ 1,033,299	\$ 1,044,370
Debt service coverage ratio	2.40	1.69	2.32	2.35	2.36	2.33	2.42	1.65	1.50	2.15

- (1) Total revenues (including interest) exclusive of intergovernmental  
(2) Excludes depreciation, capital expenditures, and debt service  
(3) The CSCDA Series 2000A Revenue Bonds were defeased in September 2005

Source: City of Eureka

**City of Eureka, California**  
**Number of Water Connections by User Type**  
**June 30, 2012**

User Type	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Single family residential	7,781	7,854	7,883	7,764	7,885	7,910	7,775	7,973	7,611	7,898
Multiple family residential	686	655	670	692	719	740	778	767	717	748
Commercial / Industrial	1,166	1,096	1,107	1,094	1,124	1,137	1,041	1,169	1,099	1,148
Total	9,633	9,605	9,660	9,550	9,728	9,787	9,594	9,909	9,427	9,794

Source: City of Eureka financial records

**City of Eureka, California  
Water System  
Service Charge Revenues by Class of User  
June 30, 2012**

User Type	Year Revenue (1)	Percentage of Total Service Charge Revenue
Single family residential	\$5,062,803	81%
Multiple family residential	\$437,526	7%
Commercial / Industrial	\$750,045	12%
<b>Total</b>	<b>\$6,250,374</b>	<b>100%</b>

(1) Excludes revenues from customers outside city limits.

Source: City of Eureka financial records

**City of Eureka, California  
Water System  
Largest Users by Service Charge Revenues  
June 30, 2012**

User (1)	Type of Business	Service Charge Revenue	Percentage of Annual Service Charge Revenue
Pacific Seafood	Food Processing	\$ 150,795	2.4%
Mission Linen Supply	Laundry Service	16,951	0.3%
Lost Coast Brewery	Brewery	15,661	0.3%
Best Western Bayshore	Lodging Establishment	15,417	0.2%
Red Lion Motel	Lodging Establishment	11,769	0.2%

(1) Excludes non-profit and governmental employers

Source: City of Eureka financial records