

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**CITY OF HOMER, ALASKA**

**Year Ended December 31, 2007**

**James C. Hornaday  
Mayor**

**Walt Wrede  
City Manager**

**Prepared By  
Finance Department**

**Regina Harville  
Finance Director**

# I. INTRODUCTION

## **II. FINANCIAL STATEMENTS**

# CITY OF HOMER, ALASKA

## Comprehensive Annual Financial Report

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*City of Homer*

*Homer, Alaska*

June 19, 2008

To the Honorable Mayor James C. Hornaday  
Members of the City Council,  
The Citizens of the City of Homer:

The Finance Department of the City of Homer is pleased to submit the Comprehensive Annual Financial Report of the City of Homer, for the fiscal year ended December 31, 2007. The purpose of the report is to provide the council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

### **THE REPORT**

This report satisfies Title 29 of the Alaska Statutes requiring annual audits of all municipalities. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, management of the City of Homer 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 of Homer's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Homer'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 comprehensive annual financial report (CAFR) is organized into major Introductory, Financial, Statistical and Single Audit Sections. The Introductory Section provides general information on the government's structure and personnel as well as information useful in assessing the government's financial condition.

The Financial Section contains the opinion of the City's independent auditor. The City of Homer's financial statements have been audited by Mikunda Cottrell & Co., 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 Homer for the fiscal year ended December 31, 2007, are free of 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 that the City of Homer's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the Financial Section is management's discussion and analysis (MD&A) that provides users of the basic financial statements a narrative introduction, overview, and analysis of those statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City of Homer as a single entity, as well as the individual funds that account for the City's various governmental and business-type activities.

The report concludes with the Statistical Section, which through the use of tables, presents comparative economic and financial data to give users of the report a perspective of the City's performance over the last ten years.

The City is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Act. Information related to the single audits, including the auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in this report.

## THE REPORTING ENTITY AND ITS SERVICES

The City of Homer is a first class General Law City incorporated in 1964 under Title 29 of the Alaska State Statute. City Code establishes a December 31 year-end.



Under the City's Charter, the Council is comprised of a mayor and six council members who enact local legislation, determine policies, and adopt the City's budget. The mayor is elected for a two-year term and council members are elected for three-year terms with two council members being elected each year. The City Manager is appointed by the City Council and is responsible to them for the proper administration of the affairs of the City.

The City provides a full range of municipal services for the citizens of Homer and surrounding areas including planning and zoning, docks & small boat harbor, airport facility, water and wastewater services, library, parks and recreation, police protection, jail facilities, fire and emergency medical services and general administrative services. In addition to general governmental activities, the City provides financial support to certain community service organizations that promote education, health, recreation and economic stability for the citizens of the community.

The annual budget of the City of Homer serves as the foundation for the City's financial planning and control. The budget is prepared by the city manager and adopted by the City Council in accordance with policies and procedures established by the city charter and council ordinances.<sup>1</sup> Formal budgetary integration is employed as a management control device during the year for the General Fund. Capital projects are budgeted on a project length basis. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Homer City Council. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level. The City Council may pass subsequent supplemental appropriations. Activities of the General Fund and Enterprise Funds are included in the annual appropriating budget. Appropriations lapse at the end of the year. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Open encumbrances are reported as reservations of the fund balances and are charged to subsequent year appropriations. The appropriated budget is prepared and presented by fund, department (e.g. police) or function (e.g. debt service), and major cost category (e.g. personal services).

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 22 as part of the basic financial statements for the governmental funds.

### **Capital Projects**

Among the most visible signs of growth in Homer are the numerous construction projects spearheaded by both the public and private sectors. In the 2006 and 2007 construction seasons, capital projects that are planned, completed, or in progress include the following.

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<sup>1</sup> Financial policies can be located beginning on page xv of the City of Homer Annual 2008 Budget.

## **City of Homer Projects:**

Approximately half of the City of Homer capital project activity involves carrying out the City's commitment to provide basic water, sewer, and road services to community residents through the Homer Accelerated Water and Sewer Program (HAWSP) and Homer Accelerated Roads and Trails Program (HART), as initiated through local improvement districts. Local Improvement District Projects include:

- Kachemak Drive Water and Sewer Improvements (Phase I). This project will extend water and sewer service from Ocean Drive past the Homer Airport to approximately the Bay Club. The final project was approved and designed in late 2006 and construction was completed in 2007.
- Kachemak Drive Water and Sewer Improvements (Phase II). This project will extend water and sewer service along Kachemak Drive beginning at East End Road. Design work began in 2006 and construction is anticipated in 2009.
- Spruceview / Noview Road Construction: This LID project will construct and upgrade Spruceview and Noview streets and includes a bridge over Bartlett St. Planning, design, and some construction work took place in 2006. Construction is expected to be complete in 2008.
- Douglas Place Road Improvements: This HART project paving was work completed in 2007.

Other major City Capital Projects include:

- City Hall-Town Plaza: The City received funding and began planning for a new City Hall in 2006. Design work was implemented in 2007. In 2007 a vote was conducted asking the voters to fund the building of the New City Hall/Town Square with Bond Proceeds. This did not pass. Project has been delayed.
- Water Treatment Plant: The City began planning and design activities for a new water treatment plant in 2006. Construction is scheduled to begin in the spring of 2008.
- Road Repaving: The City used HART funds to repave 12,155 feet of road. There was 1,150 feet of new paving, for a total of 13,305 feet completed in 2007.
- Deep Water Dock Expansion: The City started preliminary planning and design work for a major upgrade of the Deep Water Dock in 2006. Money was not released by ADOT/PF due to problems with federal earmark. The City is seeking reappropriation to address this problem.
- East Boat Harbor: A Feasibility Study to create a new boat basin for large commercial and government vessels commenced in 2006. This study is funded by the Corps of Engineers, the State of Alaska, and the City of Homer. Permit scoping work began in the spring of 2007. Project scoping and environmental studies are expected to occur through 2008.
- New Drinking Water Source: Money is being sought for a Feasibility Study.
- Senior Access Trail: A trail from Hendon Drive/Svedlund St to Pioneer Avenue. Design and construction to be complete in 2008.
- Spit Trail Parking Lot Expansion: Expansion to include 20 to 30 additional parking spaces. Construction to begin 2008.
- More information can be obtained by reviewing the City of Homers Capital Improvement Plan for 2008 – 2013.

## **Kenai Peninsula Borough Projects**

- South Peninsula Hospital Phase I expansion was completed in 2007. In the spring of 2007, voters in the service area approved an increase in the mil rate to complete Phase II. Expansion of the South Peninsula Hospital is expected to be started in 2008.

## **State of Alaska Projects**

- East End Road Rehabilitation: The 2006-2008 State Transportation Improvement Plan calls for reconstruction of the road from Kachemak Drive to McNeil Canyon School.
- Paving Skyline Drive and Diamond Ridge Road. The State completed the paving project on Diamond Ridge Road and portions of Skyline Drive in 2006. The remainder of the work was completed in 2007.

## **Major Private Projects:**

- Subdivisions: The Public Works and Planning offices reviewed and permitted numerous subdivisions in 2007 including three with 87 lots or more.
- Permits: The number of zoning permits issued continues to climb at a steady level.

A new condominium project is under development on East Hill Road. A Luxury condominium project is planned on the Sterling Highway. A large condominium project is nearing completion at the end of the Homer Spit. These and other projects reflect Homer's increasing popularity as a place to live as well as the community's importance as a regional economic center. Demand for real estate in the Homer area coupled with rising construction costs has led to marked increases in property values.

## **Fishing**

The Kenai Peninsula supports about 40 percent of the recreational fishing in Alaska, and much of that activity is centered in the Homer area. The sport fishing industry around Homer continues to grow each year. The number of charter operators has stabilized over the last few years but they have diversified and offer different charter options, from halibut to salmon, from half day to full day or even two day charters. Through this diversification they continue to bring more and more people to Homer. Homer is referred to by many as the "Halibut Capital of the World." Sports fishing kicks off when the halibut start biting in May of each year. The first fresh halibut of the year always seems the best. Memorial Day weekend marks the opening of the summer king salmon fishing and brings out the anglers. For the last few years we have had a special Winter King Salmon Tournament in March. In 2007, there was a total of 17.6 million pounds of fish delivered to the Homer docks. These included halibut (9,868,391), grey cod (4,130,683), black cod (1,711,417) and salmon (1,905,188).

## **Deep Water and Pioneer Docks**

Presently the City of Homer has a Deep-Water and the Pioneer Dock. The Pioneer dock is home to the Alaska Marine Highway System and the U.S. Coast Guard. This facility provides preferential berthing for a new, larger Coast Guard buoy tender and the Alaska Marine Highway System's ocean class ferries (Tustumena and Kennicott), as well as general cargo capability.

## **Parks**

During the next couple of years, the existing 3.5 mile bike path on the Homer Spit will be expanded from Pier 1 Theater, along the west edge of the harbor to the end of the Spit at End of the Road Park. Construction has been completed on the adult softball complex at Jack Gist Park. New swing sets have been installed at Jeffrey Park, and are scheduled for installation at Ben Walters Park. The Parks and Recreation Division is also continuing the Beautification Program by providing reduced cost plants to area businesses for the tourist season.

Parks and Recreation Commission is very active on capital projects and Karen Hornaday Park Master Plan. They are also working on a CIP list of Parks projects to be completed in 2008.

## **Long-Term Financial Planning**

Users of this document as well as others interested in the programs and services offered by the City of Homer are encouraged to read the City's 2007 Annual Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's Annual Budget also includes long-term financial plans for the major operating funds that forecast revenues and expenditures over a ten -year horizon. The document can be obtained from the City of Homer's Finance Department by calling (907) 235-8121. The Annual Budget can also be accessed through the City's web site at [www.ci.homer.ak.us](http://www.ci.homer.ak.us) and selecting the Finance Department.

# **FINANCIAL INFORMATION**

## **Single Audit**

As a recipient of federal and state assistance, the City is responsible for providing an independent audit to ensure compliance with applicable laws and regulations related to these programs. The reporting entity that is included in our Comprehensive Annual report is determined by the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standard, Section 2100. The criteria deals with the City's responsibility over a governmental organization and the scope of public service. Based on these criteria, the various funds and account groups (being all the funds and account groups of the City) shown in the Table of Contents are included in this report and there are no component units for which the City has responsibility.

## ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The City's financial records for governmental fund types are maintained on a modified accrual basis. Revenues and other financial resource increments are recognized when they become susceptible to accrual. Expenditures are recognized when the fund liability is incurred except for inventories of materials and supplies, prepaid insurance, and similar items that may be considered expenditures when consumed. The City's Proprietary Funds are accounted for on the accrual basis. The accrual basis means that financial records are affected when the revenues are earned and expenses are incurred.

### Cash Management

All idle funds are invested according to the investment guidelines established by the City Council. Under this policy the City may use any of the following instruments:

- (1) U.S. Treasury securities - 3 years.
- (2) Other obligations by the U. S. Government, its agencies and instrumentalities - 3 years.
- (3) Repurchase agreements of acceptable securities listed in subsections 1 and 2 of this section which meet a margin requirement of 102%; provided, however, the maturity limitations specified in those subsections do not apply if the securities in the repurchase agreement are marked to market daily.
- (4) Units of the Alaska Municipal League Investment Pool in accordance with an executed common Investment Agreement and in conformance with AS 37.23.010--37.23.900.
- (5) Certificates of deposit and other deposits at banks and savings and loan associations collateralized as provided in Section 3.10.070 - 3 years.
- (6) Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation - 3 years.
- (7) Taxable bonds or notes which are issued by any state or political subdivision thereof, and which are graded AA or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation - 3 years.
- (8) Commercial paper graded A1 or higher by Moody's Investor's Service, Inc., or P1 or higher by Standard and Poor's Corporation - 270 days.
- (9) Bankers' acceptances offered by banks rated at least "AA" by Moody's or Standard and Poor's.
- (10) Money market mutual funds whose portfolios consist entirely of instruments specified in subsection 1, 2 and 3 above - with net asset value of \$1.00.

### Risk Management

The City undertakes a comprehensive program of risk management including evaluation of potential risks and exposures on an ongoing basis, establishment of employee safety programs and maintenance of appropriate levels of insurance coverage. New OSHA requirements are being met by employee training programs. Employee training continues both with outside institutions and in-house programs.

## AWARDS AND ACKNOWLEDGMENTS

### Certification of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Homer for its comprehensive annual financial report for the fiscal year ended December 31, 2007.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

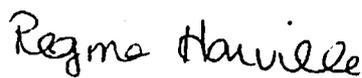
### Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the City of Homer. We would like to particularly express our appreciation to Jo Earls, Lydia Lockhard, Michele McCandlish, Laurel Moore, Joanne Perret, and Lori Sorrows of the Finance Department. We appreciate the contributions of John Bost, Audit Partner and the staff of Mikunda, Cottrell & Co. and their professional manner, patience and communication skills in dealing with our audit.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

  
Walt Wrede  
City Manager

  
Regina Harville  
Finance Director

**CITY OF HOMER**  
**Principal City Officials**

---

**Mayor**

James C. Hornaday

**City Council**

Lane Chesley  
Mary E. (Beth) Wythe  
Matt Shadle

Francie Roberts  
Mike Heimbeck  
Dennis Novak

**City Administration**

City Manager  
City Attorney  
City Clerk  
Finance Director  
Fire Chief  
Library Director  
Planning Director  
Police Chief  
Harbormaster  
Public Works Director

Walt Wrede  
Gordon Tans  
Jo Johnson  
Regina Harville  
Bob Painter  
Helen Hill  
Whitney "Beth" McKibbon  
Mark Robl  
Steve Dean  
Carey Meyer

# City of Homer Organizational Chart

People of Homer

Mayor & City Council

Attorney

Auditor

Council Task Forces  
and Committees

Advisory Commissions

City Manager

Public Safety  
Police and Fire

Public Works

Port and Harbor

Administration  
and Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Homer  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emery*

Executive Director

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### Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
City of Homer, Alaska

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 City of Homer, Alaska, as of and for the year ended December 31, 2007 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 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.

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 Homer, Alaska, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the 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 our report dated June 18, 2008 on our consideration of City of Homer'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.

Honorable Mayor and  
Members of the City Council  
City of Homer, Alaska

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Homer's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining, individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the State of Alaska Office of Management and Budget, *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the "statistical section" in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 18, 2008

# CITY OF HOMER

## Management's Discussion and Analysis

December 31, 2007

As management of the City of Homer, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Homer for the fiscal year ended December 31, 2007. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. *All amounts reported in this MD&A, unless otherwise indicated, are expressed in thousands of dollars.*

### Financial Highlights

- The City's assets exceeded its liabilities at the close of the 2007 fiscal year by \$122,451. This amount represents an increase over the previous year by \$1,203. This increase in net assets is attributed to operating revenues exceeding operating expenses in the City's governmental funds.
- As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$10,295, an increase of \$1,000. The increase is a result of operating revenues exceeding operating expenditures in the City's governmental funds. This is due to an increase in investment income and municipal credit received from the State of Alaska
- At the end of the current year, unreserved fund balance for the General Fund was \$4,702 or 50.3% of total fund expenditures.
- At year-end, the City of Homer's outstanding debt totals \$15,184 an increase of \$156 from the previous year. This includes an increase in Alaska Clean Water/Drinking Water loans for new Land Improvement Districts.

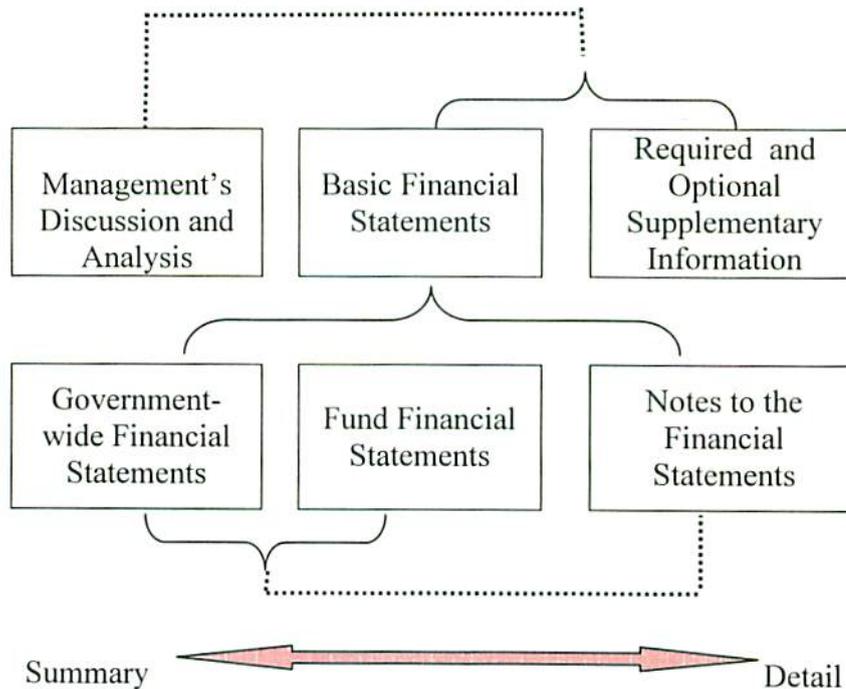
### Overview of Financial Statements

This annual report is comprised of four segments as dictated by Generally Accepted Accounting Principles (GAAP): management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City of Homer.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of Homer's government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the port and harbor and water/sewer funds.

**Illustration A-1**  
**Required Components of**  
**City of Homer's Annual Financial Report**



The financial statements also include *notes*, which elaborate on some of the information in the financial statements that provide more detailed data. These financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included other information such as the City's single audit information, and a statistical section, which, through the use of tables, presents comparative economic and financial data to give users of this report a perspective of the City's financial performance over a number of years.

Illustration A-2 summarizes the major features of the City's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Illustration A-2**  
**Major Features of City of Homer's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire and public works	Activities the City operates similar to private businesses; port & harbor and water/sewer utility
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net assets *Statement of revenues, expenses and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Homer's finances in a manner similar to a private-sector business. These statements can be located on pages 16-17 of this document.

- The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate the improvement or deterioration of the City's financial position.

- The statement of activities presents information showing how the City's net assets changed during the concluded fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities - These are functions such as public safety and public works services that are principally supported by taxes and intergovernmental revenue.
- Business-type activities - These functions are intended to recover all or a significant portion of their costs through user fees and charges. The City's port & harbor and water/sewer utility systems fall within this category.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Homer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

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

The City of Homer maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. Individual fund data for each of the non-major funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

- Proprietary funds - Services for which the City charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The City of Homer maintains two different types of proprietary funds.

- Enterprise funds - Are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its port & harbor and its utility (water and sewer) system.
- Internal service funds - Are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured health benefit, accrued leave cash-outs, and PERS funding.

The proprietary fund financial statements provide separate information for Homer's port & harbor and utility systems, both of which are considered to be major funds of the City of Homer. Conversely, the internal service individual fund data is provided for elsewhere in this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-49 of this report.

### Government-wide Financial Analysis

At the close of the 2007 fiscal year, the City's net assets (assets exceeding liabilities) totaled \$122,451 (see Table A-1). Of this amount \$106,155, or 86.7%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amount of net assets, are labeled as restricted or unrestricted.

The restricted balances of \$3,350 in the governmental activities is for debt service and capital projects. In the business-type activities, the balance of \$7,737 is for debt service and capital projects. The total unrestricted amount totals \$5,209, and is available to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Homer is able to report positive balances in these two categories of net assets for the government as a whole as well as for its separate governmental activities. However, the unrestricted net assets of the business-type activities was a deficit of \$806 at year end.

**Table A-1**  
**City of Homer's Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 11,787	10,420	9,255	9,013	21,042	19,433
Capital assets	<u>45,907</u>	<u>44,902</u>	<u>72,932</u>	<u>73,785</u>	<u>118,839</u>	<u>118,687</u>
Total assets	<u>\$ 57,694</u>	<u>55,322</u>	<u>82,187</u>	<u>82,798</u>	<u>139,881</u>	<u>138,120</u>
Long-term liabilities						
outstanding	\$ 3,665	3,973	11,519	11,055	15,184	15,028
Other liabilities	<u>785</u>	<u>548</u>	<u>1,462</u>	<u>1,296</u>	<u>2,247</u>	<u>1,844</u>
Total liabilities	<u>\$ 4,450</u>	<u>4,521</u>	<u>12,981</u>	<u>12,351</u>	<u>17,431</u>	<u>16,872</u>

**Table A-1**  
**City of Homer's Net Assets, continued**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	Net assets:					
Invested in capital assets, net of related debt	\$ 43,879	42,266	62,276	63,457	106,155	105,723
Restricted	3,350	3,602	7,737	3,584	11,087	7,186
Unrestricted	<u>6,015</u>	<u>4,933</u>	<u>(806)</u>	<u>3,406</u>	<u>5,209</u>	<u>8,339</u>
Total net assets	\$ <u>53,244</u>	<u>50,801</u>	<u>69,207</u>	<u>70,447</u>	<u>122,451</u>	<u>121,248</u>

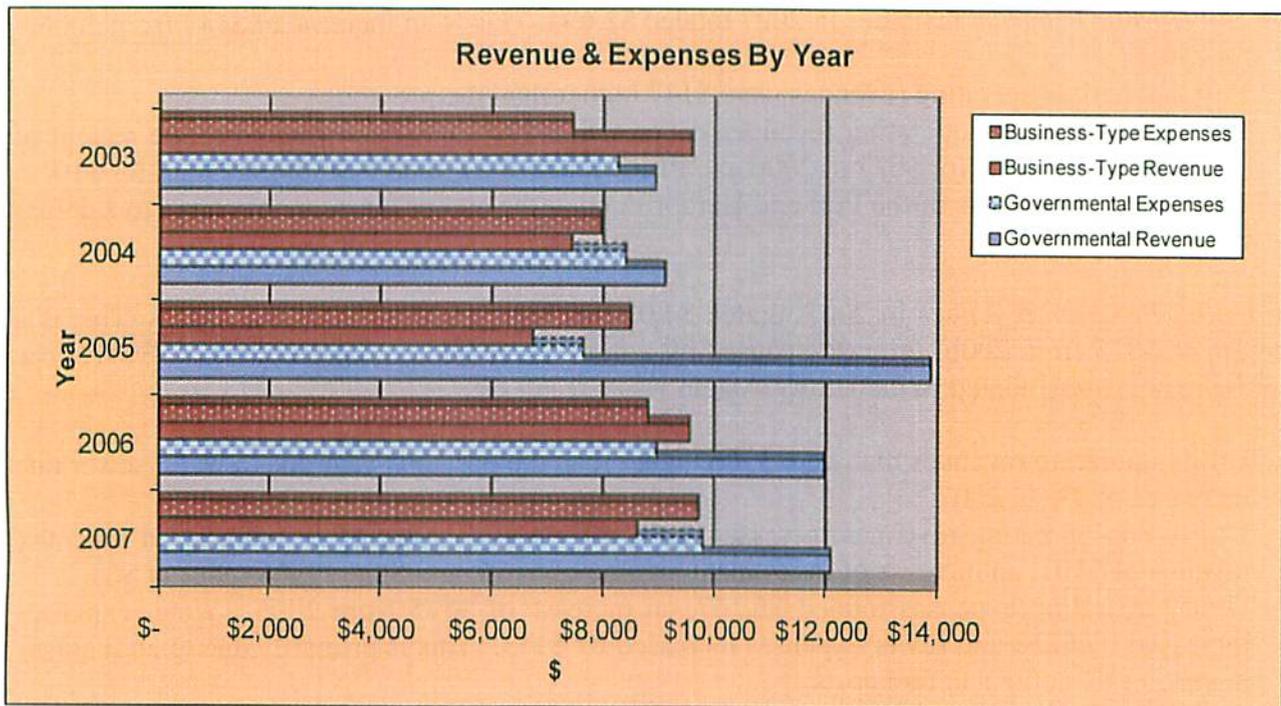
As reflected in Table A-2, the City's net assets increased by \$1,203, or 1% during the 2007 fiscal year. Revenues exceeded expenses in the governmental activities by \$2,444, and in the business-type activities expenses exceed revenues by \$1,241. Key elements of the increases and decreases follow:

**Table A-2**  
**City of Homer's Changes in Net assets**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<b>Program revenues:</b>					
Charges for services	\$ 1,217	1,160	5,526	5,378	6,743	6,538
Operating grant and contributions	638	641	-	-	638	641
Capital grants and contributions	340	1,616	1,389	2,275	1,728	3,891
<b>General revenues:</b>						
Property taxes	2,530	2,406	-	-	2,530	2,406
Sales taxes	6,173	5,671	1,235	1,134	7,408	6,805
Other	<u>1,196</u>	<u>487</u>	<u>482</u>	<u>774</u>	<u>1,678</u>	<u>1,261</u>
Total revenues	<u>12,094</u>	<u>11,981</u>	<u>8,632</u>	<u>9,561</u>	<u>20,726</u>	<u>21,542</u>
<b>Expenses:</b>						
General government	1,621	1,452	-	-	1,621	1,452
Public safety	3,990	3,908	-	-	3,990	3,908
Public works	2,422	2,292	-	-	2,422	2,292
Library	806	370	-	-	806	370
Airport	200	152	-	-	200	152
Parks and recreation	411	510	-	-	411	510
Community services	236	212	-	-	236	212
Unallocated interest	113	65	-	-	113	65
Port and harbor	-	-	4,406	4,075	4,406	4,075
Water and sewer	-	-	<u>5,318</u>	<u>4,738</u>	<u>5,318</u>	<u>4,738</u>
Total expenses	<u>9,799</u>	<u>8,961</u>	<u>9,724</u>	<u>8,813</u>	<u>19,523</u>	<u>17,774</u>

**Table A-2**  
**City of Homer's Changes in Net assets, continued**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Increase (decrease) in nets assets before transfers	\$ 2,295	3,020	(1,092)	748	1,203	3,768
Transfers	<u>149</u>	<u>459</u>	<u>(149)</u>	<u>(459)</u>	-	-
Increase (decrease) in net assets	2,444	3,479	(1,241)	289	1,203	3,768
Beginning net assets	<u>50,800</u>	<u>47,321</u>	<u>70,448</u>	<u>70,159</u>	<u>121,248</u>	<u>117,480</u>
Ending net assets	\$ <u>53,244</u>	<u>50,800</u>	<u>69,207</u>	<u>70,448</u>	<u>122,451</u>	<u>121,248</u>



**Governmental Activities**

Governmental activities increased the City of Homer's net assets by \$2,444 which is due to revenues exceeding expenses. The increase in funding is a result of an increase in property and sales taxes due in part to increased property values and moderate growth in our tourism industry.

Additional funding was received from the State of Alaska for a Municipal Energy Credit. The City's sales tax revenues in fiscal year 2007 increased by \$502, or 8.85% higher than amounts received in 2006. Property taxes increased by \$124 or 5.15% from the previous year. These increases in revenue were conservatively anticipated in the City's 2007 budget. Despite the increases in revenue, our program activities did not experience as much growth as we had another year of increases in our insurance and benefit expenses and accelerating fuel and electric costs.

Property taxes reflect the increase in construction and assessed values. The last few years have seen an increase in the building of homes and businesses. This is reflected in the collection of property taxes.

Contributions to service organizations are comprised of two parts. The first is a contribution from the City's General Fund to the Homer Foundation for distribution to various non-profit organizations of \$50, and the second part was direct contributions to different organizations. \$115 went to the Pratt Museum and \$5 went to the Chamber of Commerce. In the past, the City of Homer has supported Community Schools through contributions.

### **Business-Type Activities**

The City's business-type activities resulted in a (\$1,241) decrease in net assets. Port and harbor activities reduced net assets by \$1,510, while the Utility (water and sewer) activities contributed \$233, and an increase of \$36 was attributed to the internal service funds.

*Port and Harbor Program* revenues in 2007 totaled \$2,694. This is an increase of \$147 from 2006.

- Port and harbor operating revenues were \$147 higher than the previous year.
- Port and harbor non-operating revenues decreased \$497. This is attributed to the receipt of litigation settlements for \$627 in 2006 and PERS relief of \$71 and a Smolting Grant for \$10.
- Unrestricted net assets of the Port and Harbor Fund at the end of the year amounted to a deficit of (\$1,150).

The *Utility Program* revenues in 2007 totaled \$4,020 including \$1,334 in capital grants. This is a decrease of \$835 from 2006, primarily caused by a decrease in capital contributions of \$941. The increase in net assets related to the Utility system was a result of:

- Utility operating revenues that were \$106 higher than the previous year due to water/sewer rate increases of 4% in 2007,
- Utility non-operating revenues increased \$233 mainly as a result of an increase in sales tax revenue of \$101; an increase of investment income of \$155, and State PERS relief of \$68;
- Utility operating expenses totaled \$5,167, an increase of \$575 from 2006. Water expenses increased by \$230 and sewer expenses increased by \$113. This is primarily due to an increase in salaries, benefits and fuel costs;
- The Utility Fund reported unrestricted net assets of \$266.

### **Internal Service Funds**

The City also maintains *Internal Service Funds* to account for the self-insured employee health plan, accrued leave cash outs, and PERS funding. At the end of 2007, the funds reported \$292 in net assets, which is an increase of \$152 from 2006.

New Internal Service Funds were created in 2007 to account for anticipated employee leave cash outs, and PERS funding.

## **Financial Analysis of the Governmental Funds**

*Governmental funds* - The focus of the City of Homer's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year.

As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$10,295, an increase of \$1,000 compared to balances a year earlier. Of the ending balance, \$4,227, or 41.1% is unreserved and undesignated and is available to the City for future spending. Most of the remaining fund balance is reserved for debt service and capital projects (\$3,350); designated for future capital projects (\$1,858); and reserved for inventory and prepaid items (\$297). The increase of total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$10,367 compared to revenues of \$11,473. The \$1,106 increase in the General Fund balance was actually more than the final budgeted net change in fund balance of (\$18). This was primarily due to the receipt of a Municipal Energy Credit for \$545 and PERS relief for \$303 received from the State of Alaska.
- The City maintains seven capital project funds that account for the use of bond proceeds and intergovernmental grants to support the construction of capital improvements. Financial resources in these funds are intended to eventually be totally expended once the capital improvements have been completed.
  - The City Facilities Capital Project Funds is utilized for the acquisition or construction of major capital facilities. In 2007, funds were spent for the design of a new City Hall/Town Square for \$267.
  - The Streets and Sidewalks (HART) Project Funds are used for the repair and replacement of streets and sidewalks. The voters designated ¾% of all sales tax revenue received to go towards the improvement of streets and sidewalks. In 2007, \$1,187 was received from sales taxes and \$94 was received from interest earned on this revenue. Council designated 10% of sales tax revenue earmarked for HART be designated specifically for trails. In 2007, \$48 was put aside for trails.
  - The Depreciation Reserves was set up for the replacement of aged equipment and buildings. Funds are transferred annually from individual departments to keep in savings until equipment/buildings are replaced. In 2007 \$1,117 was transferred into this fund, \$415 was earmarked for the New City Hall/Town Square design, and \$420 was used to replace/purchase new equipment.
  - The Fleet Reserve Account is used for the planned rotation basis of the City's fleet of vehicles. Funds are transferred from individual departments to keep in savings until vehicles are replaced or purchased. In 2007, \$385 was transferred in and \$187 was expended.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are described below:

- In 2007, Depreciation Reserve Budget were amended to cover the costs of a Microwave Repeater for the Police Department for \$53, the expansion of the parking lot on the Spit for \$106, funds appropriated toward the New City Hall/Town Square Design for \$415, Pratt Museum Underground Fuel Tank \$25, and \$204 for Tracker, Mower and Striping Machine for Public Works.
- Original expenditures budget was amended to pay for the following items; \$3 for Internal Control Audit and \$4 for cost to repair the seawall.

The budgeted revenues and other sources over expenditures and other uses decreased from \$67 in the original budget to (\$18) in the final budget.

## Capital Asset and Debt Administration

Capital assets - As detailed in Table A-3 below, the City of Homer's investment in capital assets for its governmental and business-type activities as of December 31, 2007, totals \$118,616 (net of accumulated depreciation). This amount represents a \$71 decrease over the previous year.

**Table A-3**  
**City of Homer's Capital Assets (net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 9,478	9,478	15,702	15,690	25,180	25,168
Buildings	18,083	18,048	34,533	34,533	52,616	52,581
Improvements other than buildings	1,458	1,332	69,131	67,494	70,589	68,826
Machinery and equipment	5,187	4,498	6,966	6,637	12,153	11,135
Infrastructure	28,555	26,922	616	606	29,171	27,528
Construction in progress	543	585	1,143	589	1,686	1,174
Accumulated depreciation	<u>(17,397)</u>	<u>(15,961)</u>	<u>(55,159)</u>	<u>(51,764)</u>	<u>(72,556)</u>	<u>(67,725)</u>
Total capital assets	\$ <u>45,907</u>	<u>44,902</u>	<u>72,932</u>	<u>73,785</u>	<u>118,839</u>	<u>118,687</u>

Major capital asset events during the 2007 year included:

- Enhancements for the Float Finger and removed sea growth
- Improvements to the Fish Outfall Line
- Purchased Radios and System Telemetry
- High Mast Lights
- Replaced Fish Tables
- Repainted Oil Disposal Tanks
- Shored up the Fishing Lagoon
- Paintbrush Booster Station
- Purchase of Badger Equipment

- Improvements to Kachemak Phase I, East End Road, Bartlett/Hohe, and Water Sewer Reservoir
- Comprehensive Plan
- Fire Department purchased computer equipment, jaws of life, and building improvements
- Library updated computer equipment and books and building improvements.
- Jack Gist Improvements
- Police Department purchased two new vehicles and renovations to the old trooper office and the dispatch center and purchased finger printing equipment and radio equipment for Homeland Security
- Improvements were made to Spruceview/Noview, Soundview, and Douglas Street
- Public Works paved their parking lot and four new trucks were purchased as well as a dozer and a striper

Construction in progress associated with business-type activities includes Kachemak Drive Phase II; design for the Water Treatment Facility; and design for City Hall / Town Square.

Additional information on the City's capital assets can be found in note 5 on pages 36-37 of this report.

**Table A-3**  
**City of Homer's Capital Assets (net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
GO bonds	\$ -	475	-	-	-	475
Revenue bonds	-	-	365	620	365	620
Special assessment bonds	-	5	-	-	-	5
Notes payable	1,956	1,993	10,161	9,539	12,117	11,532
Capital leases	<u>72</u>	<u>163</u>	<u>154</u>	<u>209</u>	<u>226</u>	<u>372</u>
Total	2,028	2,636	10,680	10,368	12,708	13,004
Compensated absences	538	419	350	288	888	707
Net pension obligation	1,099	918	501	420	1,600	1,338
Loss on refinancing	-	-	<u>(12)</u>	<u>(21)</u>	<u>(12)</u>	<u>(21)</u>
Total long-term debt	\$ <u>3,665</u>	<u>3,973</u>	<u>11,519</u>	<u>11,055</u>	<u>15,184</u>	<u>15,028</u>

Long-term debt - At the end of the 2007 year, the City of Homer had total debt outstanding of \$12,708 as detailed in Table A-4. This excludes \$888 related to compensated absences, \$1,600 for net pension obligation, and \$12 of deferred loss on refunding bonds.

In November of 2002, the City entered into an agreement with the Alaska Department of Environmental Conservation for a Clean Water Loan and Drinking Water Loan in the amounts of \$3,462 and \$3,389, respectively. In August 2003, the City entered into an agreement with ADEC for a Clean Water Loan of \$150. In 2006, the City entered into an agreement with the Alaska Department of Environmental Conservation for Clean Water Loan and Drinking Water Loan in the amounts of \$3,250 and \$470, respectively. These loans are a combination of federal and state monies and bear interest of 1.5%. Loan repayments began one year following completion of the plans and specifications or initiation of operation of the facilities.

These loans are used to add water and sewer lines and services to areas. Currently seventy five percent of the loans are repaid by the customer through an "LID" (Land Improvement District). Twenty five percent of the loans are paid back by the City of Homer with designated sales tax revenues.

The City of Homer issues bonded debt through the State of Alaska Bond Bank. The State of Alaska Bond Bank maintains a bond rating of "AA" from Standard & Poor's.

Additional information on the City's long-term debt can be found in note 6 on pages 38-42 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The City has constructed a new Library which went into operation in 2006. This will increase O & M costs over time.
- In 2006, the City of Homer assumed responsibility for the operations of Community Schools. The program is partially funded through class fees. The balance of the funding is provided by the City of Homer through tax dollars. The City has an agreement with Kenai Peninsula Borough School District for the use of equipment and facilities. For 2008 it is anticipated that revenues generated by Community Schools will be approximately \$50, and the expenditures will be approximately \$115.
- During 2006, the City of Homer entered into a contract for a private contractor to staff and maintain the care and welfare of the animals. This has increased the costs of running the shelter.

These various factors were taken into consideration in the development of the City's 2008 annual budget. The annual budget is adopted for the General, Port and Harbor, and Utility Funds. Major aspects of the adopted 2008 budget include:

- Property and sales tax rates are to remain the same.
- A new water/sewer rate model was adopted. This is a variable rate model, where the more a customer uses, the more they pay.
- A 4% *cost of living* increase was budgeted for in 2008.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Homer's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Finance Department  
City of Homer

491 E. Pioneer Ave. Homer, Alaska 99603

Telephone: (907) 235-8121      email: [finance@ci.homer.ak.us](mailto:finance@ci.homer.ak.us)

**CITY OF HOMER, ALASKA**  
**Statement of Activities**  
**Year Ended December 31, 2007**

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<b>Governmental:</b>							
General government	\$ 1,621,298	290,197	-	339,482	(991,619)	-	(991,619)
Public safety	3,989,765	462,050	630,238	-	(2,897,477)	-	(2,897,477)
Public works	2,422,038	71,864	-	-	(2,350,174)	-	(2,350,174)
Library	805,570	-	7,398	-	(798,172)	-	(798,172)
Airport	200,331	170,944	-	-	(29,387)	-	(29,387)
Parks and recreation	410,556	183,310	-	-	(227,246)	-	(227,246)
Community services	235,831	38,696	654	-	(196,481)	-	(196,481)
Unallocated interest	113,536	-	-	-	(113,536)	-	(113,536)
<b>Total governmental activities</b>	<b>9,798,925</b>	<b>1,217,061</b>	<b>638,290</b>	<b>339,482</b>	<b>(7,604,092)</b>	<b>-</b>	<b>(7,604,092)</b>
<b>Business-type:</b>							
Port and harbor	4,406,311	2,791,713	-	55,187	-	(1,559,411)	(1,559,411)
Water and sewer utility	5,318,033	2,734,564	-	1,333,867	-	(1,249,602)	(1,249,602)
<b>Total business-type activities</b>	<b>9,724,344</b>	<b>5,526,277</b>	<b>-</b>	<b>1,389,054</b>	<b>-</b>	<b>(2,809,013)</b>	<b>(2,809,013)</b>
<b>Total</b>	<b>\$ 19,523,269</b>	<b>6,743,338</b>	<b>638,290</b>	<b>1,728,536</b>	<b>(7,604,092)</b>	<b>(2,809,013)</b>	<b>(10,413,105)</b>
<b>General revenues:</b>							
Property taxes					\$ 2,529,614	-	2,529,614
Sales taxes					6,173,478	1,235,022	7,408,500
Grants and entitlements not restricted to a specific purpose					904,862	148,806	1,053,668
Investment income					290,987	317,266	608,253
Legal settlement					-	16,038	16,038
Transfers					149,064	(149,064)	-
<b>Total general revenues and transfers</b>					<b>10,048,005</b>	<b>1,568,068</b>	<b>11,616,073</b>
<b>Change in net assets</b>					<b>2,443,913</b>	<b>(1,240,945)</b>	<b>1,202,968</b>
<b>Beginning net assets</b>					<b>50,800,471</b>	<b>70,447,173</b>	<b>121,247,644</b>
<b>Ending net assets</b>					<b>\$ 53,244,384</b>	<b>69,206,228</b>	<b>122,450,612</b>

See accompanying notes to basic financial statements.

## CITY OF HOMER, ALASKA

## Governmental Funds

## Balance Sheet

December 31, 2007

<u>Assets</u>	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Streets and Sidewalks Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 2,751,615	2,559,745	2,726,834	8,038,194
Receivables, net of allowance for doubtful accounts:				
Property taxes	101,416	-	-	101,416
Sales taxes	831,316	205,751	2,078	1,039,145
Assessments	380,912	-	-	380,912
State and federal grants	-	-	214,239	214,239
Other	129,432	-	1,959	131,391
Due from other funds	1,291,577	-	-	1,291,577
Inventory	33,588	-	-	33,588
Prepaid items	263,322	-	-	263,322
<b>Total assets</b>	<b>\$ 5,783,178</b>	<b>2,765,496</b>	<b>2,945,110</b>	<b>11,493,784</b>
<u>Liabilities and Fund Balances</u>				
<b>Liabilities:</b>				
Accounts payable	151,284	194,697	182,599	528,580
Accrued payroll and related liabilities	116,244	-	62	116,306
Deferred revenue	135,531	-	24,194	159,725
Deferred assessments	380,912	-	-	380,912
Due to other funds	-	-	13,523	13,523
<b>Total liabilities</b>	<b>783,971</b>	<b>194,697</b>	<b>220,378</b>	<b>1,199,046</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
Debt service and capital projects	-	2,570,799	779,388	3,350,187
Inventory and prepaid items	296,910	-	-	296,910
<b>Unreserved:</b>				
<b>Designated:</b>				
Interfund loan for animal shelter	300,000	-	-	300,000
PERS	171,314	-	-	171,314
<b>Special revenue funds:</b>				
Library	-	-	29,289	29,289
Fire department	-	-	53,948	53,948
Animal shelter	-	-	7,173	7,173
Community schools	-	-	699	699
Sustainability global warming	-	-	107	107
Capital project funds - capital outlay	-	-	1,857,872	1,857,872
<b>Undesignated:</b>				
General Fund	4,230,983	-	-	4,230,983
Capital project funds (deficit)	-	-	(3,744)	(3,744)
<b>Total fund balances</b>	<b>4,999,207</b>	<b>2,570,799</b>	<b>2,724,732</b>	<b>10,294,738</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,783,178</b>	<b>2,765,496</b>	<b>2,945,110</b>	<b>11,493,784</b>

See accompanying notes to basic financial statements.

**BASIC FINANCIAL STATEMENTS**

## CITY OF HOMER, ALASKA

## Statement of Net Assets

December 31, 2007

<u>Assets</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and investments	\$ 8,412,443	-	8,412,443
Receivables, net of allowance for doubtful accounts:			
Accounts	10,814	450,765	461,579
Sales and property taxes	1,140,561	207,829	1,348,390
State and federal grants	214,239	3,201,281	3,415,520
Assessments	380,912	2,848,102	3,229,014
Litigation settlement	-	183,340	183,340
Other	131,391	-	131,391
Internal balances	1,199,415	(1,199,415)	-
Inventory	33,588	261,612	295,200
Prepaid items	263,322	83,754	347,076
Restricted cash and investments	-	3,206,857	3,206,857
Bond issuance costs, net	-	10,662	10,662
Capital assets not being depreciated - land and construction in progress	10,020,912	16,845,699	26,866,611
Other capital assets, net of accumulated depreciation	<u>35,886,044</u>	<u>56,086,454</u>	<u>91,972,498</u>
<b>Total assets</b>	<b>\$ <u>57,693,641</u></b>	<b><u>82,186,940</u></b>	<b><u>139,880,581</u></b>
<u>Liabilities</u>			
Accounts payable	621,568	353,394	974,962
Accrued payroll and related liabilities	116,306	56,722	173,028
Accrued interest	-	52,484	52,484
Prepaid rentals and deposits	-	621,142	621,142
Unearned revenue	46,549	18,000	64,549
Noncurrent liabilities:			
Unearned revenue	-	360,000	360,000
Due within one year:			
Accrued leave	110,688	85,115	195,803
Notes payable	38,396	599,548	637,944
Bonds payable	-	180,000	180,000
Capital leases	44,019	58,295	102,314
Due in more than one year:			
Accrued leave	427,284	264,808	692,092
Notes payable	1,917,482	9,561,063	11,478,545
Bonds payable, net of deferred loss	-	172,786	172,786
Capital leases	27,749	95,515	123,264
Net pension/OPEB obligation	<u>1,099,216</u>	<u>501,840</u>	<u>1,601,056</u>
<b>Total liabilities</b>	<b><u>4,449,257</u></b>	<b><u>12,980,712</u></b>	<b><u>17,429,969</u></b>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	43,879,310	62,275,608	106,154,918
Restricted for debt service and/or capital projects	3,350,187	7,736,778	11,086,965
Unrestricted (deficit)	<u>6,014,887</u>	<u>(806,158)</u>	<u>5,208,729</u>
<b>Total net assets</b>	<b><u>53,244,384</u></b>	<b><u>69,206,228</u></b>	<b><u>122,450,612</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>57,693,641</u></b>	<b><u>82,186,940</u></b>	<b><u>139,880,581</u></b>

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Assets**  
**December 31, 2007**

Total fund balances for governmental funds		\$ 10,294,738
<p>Total net assets reported for governmental activities in the Statement of Net Assets is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in in the funds.</p>		
<p>These assets, net of accumulated depreciation consist of:</p>		
Land and land improvements	\$ 9,478,234	
Buildings	18,082,967	
Improvements other than buildings	1,458,402	
Machinery and equipment	5,187,228	
Infrastructure	28,554,565	
Construction in progress	542,678	
Accumulated depreciation	<u>(17,397,118)</u>	
Total capital assets		45,906,956
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Delinquent property taxes receivable	113,176	
Special assessments not yet due	<u>380,912</u>	
Total other long-term assets		494,088
<p>Internal service funds are used by the City to charge the cost of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service funds is included in the governmental activities in the Statement of Net Assets.</p>		
		213,436
<p>Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:</p>		
Capital lease obligations	(71,768)	
USDA notes payable	(1,955,878)	
Accrued leave	(537,972)	
Net pension/OPEB obligation	<u>(1,099,216)</u>	
Total long term liabilities		<u>(3,664,834)</u>
Total net assets of governmental activities		\$ <u>53,244,384</u>

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2007**

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	Streets and Sidewalks Capital Project	Nonmajor Funds	
<b>Revenues:</b>				
Property taxes	\$ 2,501,693	-	-	2,501,693
Sales taxes	4,938,456	1,186,825	48,197	6,173,478
Licenses and permits	43,765	-	-	43,765
Intergovernmental	1,482,436	-	390,797	1,873,233
Charges for services	2,382,465	-	-	2,382,465
Special assessments	12,244	-	2,558	14,802
Investment income	89,191	93,541	108,255	290,987
Fines and forfeitures	19,941	-	-	19,941
Donations	-	-	42,256	42,256
Other	2,931	1,145	15,894	19,970
Total revenues	<u>11,473,122</u>	<u>1,281,511</u>	<u>607,957</u>	<u>13,362,590</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,584,667	-	480	2,585,147
Public safety	3,543,036	-	79,260	3,622,296
Public works	1,599,874	121,866	28,305	1,750,045
Library	593,027	-	-	593,027
Airport	195,680	-	1,030	196,710
Parks and recreation	384,697	-	-	384,697
Community services	235,243	-	588	235,831
<b>Debt service:</b>				
Principal	128,151	-	480,280	608,431
Interest	92,454	-	21,082	113,536
<b>Capital outlay</b>	-	1,384,953	1,036,988	2,421,941
Total expenditures	<u>9,356,829</u>	<u>1,506,819</u>	<u>1,648,013</u>	<u>12,511,661</u>
Excess of revenues over (under) expenditures	2,116,293	(225,308)	(1,040,056)	850,929
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,499,222	2,499,222
Transfers out	(1,010,183)	(498,650)	(841,325)	(2,350,158)
Net other financing sources (uses)	<u>(1,010,183)</u>	<u>(498,650)</u>	<u>1,657,897</u>	<u>149,064</u>
Net change in fund balances	1,106,110	(723,958)	617,841	999,993
Beginning fund balances	<u>3,893,097</u>	<u>3,294,757</u>	<u>2,106,891</u>	<u>9,294,745</u>
Ending fund balances	\$ <u>4,999,207</u>	<u>2,570,799</u>	<u>2,724,732</u>	<u>10,294,738</u>

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Reconciliation of the Change in Fund Balances of Governmental Funds**  
**to Statement of Activities**  
**Year Ended December 31, 2007**

Net change in fund balances - total governmental funds	\$	999,993
The change in net assets reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$2,441,204) exceeded depreciation (\$1,436,599).		
		1,004,605
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the increase in other long-term assets.		
		15,170
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$608,431) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net assets.		
		608,431
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued leave	\$ (118,742)	
Increase in net pension/OPEB obligation	<u>(181,343)</u>	
		(300,085)
An internal service fund is used by management to charge the cost of health insurance to individual funds. A portion of the net income of this activity is reported with governmental activities.		
		<u>115,799</u>
Change in net assets of governmental activities	\$	<u>2,443,913</u>

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 7,441,635	7,441,635	7,443,080	1,445
Licenses and permits	60,750	60,750	43,765	(16,985)
Intergovernmental	630,495	630,495	1,482,436	851,941
Charges for services	2,336,863	2,351,863	2,382,465	30,602
Special assessments	-	-	12,244	12,244
Investment income	35,000	35,000	89,191	54,191
Fines and forfeitures	21,420	21,420	19,941	(1,479)
Legal settlement	8,200	8,200	-	(8,200)
<b>Total revenues</b>	<u>10,534,363</u>	<u>10,549,363</u>	<u>11,473,122</u>	<u>923,759</u>
<b>Expenditures:</b>				
General government	2,614,395	2,632,395	2,584,667	47,728
Public safety	3,781,197	3,793,197	3,543,036	250,161
Public works	1,716,313	1,716,313	1,599,874	116,439
Library	586,851	586,851	593,027	(6,176)
Airport	185,515	185,515	195,680	(10,165)
Parks and recreation	412,680	412,680	384,697	27,983
Community services	190,000	259,488	235,243	24,245
<b>Debt service:</b>				
Principal	158,890	158,890	128,151	30,739
Interest	145,867	145,867	92,454	53,413
<b>Total expenditures</b>	<u>9,791,708</u>	<u>9,891,196</u>	<u>9,356,829</u>	<u>534,367</u>
<b>Excess of revenues over expenditures</b>	742,655	658,167	2,116,293	1,458,126
<b>Other financing uses -</b>				
<b>Transfers out</b>	<u>(676,021)</u>	<u>(676,021)</u>	<u>(1,010,183)</u>	<u>(334,162)</u>
<b>Net change in fund balance</b>	\$ <u>66,634</u>	<u>(17,854)</u>	1,106,110	<u>1,123,964</u>
<b>Beginning fund balance</b>			<u>3,893,097</u>	
<b>Ending fund balance</b>			\$ <u>4,999,207</u>	

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Proprietary Funds**  
**Statement of Net Assets**  
**December 31, 2007**

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Part of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
<b>Current assets:</b>				
Cash and investments	\$ -	-	-	374,249
Receivables, net of allowance for doubtful accounts:				
Accounts	158,440	292,325	450,765	10,814
Sales taxes	-	207,829	207,829	-
Assessments due within one year	-	160,186	160,186	-
State and federal grants and loans	-	3,201,281	3,201,281	-
Litigation settlement	100,000	-	100,000	-
Inventory	12,810	248,802	261,612	-
Prepaid items	36,234	47,520	83,754	-
<b>Total current assets</b>	<b>307,484</b>	<b>4,157,943</b>	<b>4,465,427</b>	<b>385,063</b>
<b>Noncurrent assets:</b>				
Restricted assets - cash and investments	168,420	3,038,437	3,206,857	-
Assessments due after one year	-	2,687,916	2,687,916	-
Bond issuance costs, net	10,662	-	10,662	-
Litigation settlement receivable, net of current portion	83,340	-	83,340	-
Capital assets, net of accumulated depreciation	45,623,745	27,308,408	72,932,153	-
<b>Total noncurrent assets</b>	<b>45,886,167</b>	<b>33,034,761</b>	<b>78,920,928</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 46,193,651</b>	<b>37,192,704</b>	<b>83,386,355</b>	<b>385,063</b>
<u>Liabilities</u>				
<b>Current liabilities:</b>				
Accounts payable	100,825	252,569	353,394	92,988
Accrued payroll and related liabilities	29,389	27,333	56,722	-
Accrued leave	34,797	50,318	85,115	-
Accrued interest	2,192	50,292	52,484	-
Current portion of long-term debt	197,248	640,595	837,843	-
Prepaid rentals and deposits	585,552	35,590	621,142	-
Due to other funds	18,415	1,259,639	1,278,054	-
Unearned lease revenue	18,000	-	18,000	-
<b>Total current liabilities</b>	<b>986,418</b>	<b>2,316,336</b>	<b>3,302,754</b>	<b>92,988</b>
<b>Noncurrent liabilities, net of current portion:</b>				
Unearned lease revenue	360,000	-	360,000	-
Accrued leave	133,621	131,187	264,808	-
Notes payable	-	9,561,063	9,561,063	-
Revenue bonds, net of deferred loss	172,786	-	172,786	-
Capital lease	27,765	67,750	95,515	-
Net pension/OPEB obligation	258,340	243,500	501,840	-
<b>Total noncurrent liabilities</b>	<b>952,512</b>	<b>10,003,500</b>	<b>10,956,012</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,938,930</b>	<b>12,319,836</b>	<b>14,258,766</b>	<b>92,988</b>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	45,236,608	17,039,000	62,275,608	-
Restricted for debt service and capital projects	168,420	7,568,358	7,736,778	-
Unrestricted (deficit)	(1,150,307)	265,510	(884,797)	292,075
<b>Total net assets</b>	<b>44,254,721</b>	<b>24,872,868</b>	<b>69,127,589</b>	<b>292,075</b>
<b>Total liabilities and net assets</b>	<b>\$ 46,193,651</b>	<b>37,192,704</b>	<b>83,386,355</b>	<b>385,063</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			78,639	
<b>Net assets of business-type activities</b>			<b>\$ 69,206,228</b>	

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
<b>Operating revenues - charges for services:</b>				
Port and harbor	\$ 2,693,757	-	2,693,757	-
Water and sewer	-	2,686,585	2,686,585	-
Interfund charges	-	-	-	1,720,346
<b>Total operating revenues</b>	<u>2,693,757</u>	<u>2,686,585</u>	<u>5,380,342</u>	<u>1,720,346</u>
<b>Operating expenses:</b>				
Operations	1,902,054	1,735,446	3,637,500	132,536
Administration	1,127,724	1,415,364	2,543,088	57,954
Depreciation	1,378,419	2,016,613	3,395,032	-
Claims	-	-	-	1,075,895
Insurance premiums	-	-	-	309,163
<b>Total operating expenses</b>	<u>4,408,197</u>	<u>5,167,423</u>	<u>9,575,620</u>	<u>1,575,548</u>
<b>Operating income (loss)</b>	(1,714,440)	(2,480,838)	(4,195,278)	144,798
<b>Nonoperating revenues (expenses):</b>				
Investment income	45,721	271,545	317,266	7,080
Interest expense	(29,008)	(147,640)	(176,648)	-
Litigation settlements	16,038	-	16,038	-
Sales taxes	-	1,235,022	1,235,022	-
Amortization of bond issuance costs	(5,331)	(2,824)	(8,155)	-
State PERS relief	71,315	67,491	138,806	-
State grant	10,000	-	10,000	-
Other income	97,956	47,979	145,935	-
<b>Net nonoperating revenues (expenses)</b>	<u>206,691</u>	<u>1,471,573</u>	<u>1,678,264</u>	<u>7,080</u>
<b>Income (loss) before contributions and transfers</b>	(1,507,749)	(1,009,265)	(2,517,014)	151,878
Capital contributions	55,187	1,333,867	1,389,054	-
Transfers in	22,000	-	22,000	-
Transfers out	(79,064)	(92,000)	(171,064)	-
<b>Change in net assets</b>	(1,509,626)	232,602	(1,277,024)	151,878
<b>Beginning net assets</b>	<u>45,764,347</u>	<u>24,640,266</u>		<u>140,197</u>
<b>Ending net assets</b>	\$ <u>44,254,721</u>	<u>24,872,868</u>		<u>292,075</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>36,079</u>	
<b>Change in net assets of business-type activities</b>			\$ <u>(1,240,945)</u>	

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 2,858,135	2,712,240	5,570,375	-
Receipts from interfund services provided	-	-	-	1,777,015
Payments to suppliers	(1,233,564)	(1,225,901)	(2,459,465)	-
Payments to employees	(1,650,681)	(1,648,276)	(3,298,957)	(132,536)
Litigation settlement	100,000	-	100,000	-
Payments for insurance claims and administration	-	-	-	(1,414,267)
<b>Net cash flows from operating activities</b>	<u>73,890</u>	<u>(161,937)</u>	<u>(88,047)</u>	<u>230,212</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers out	(79,064)	(92,000)	(171,064)	-
Noncapital state grant	10,000	-	10,000	-
<b>Net cash flows from noncapital     financing activities</b>	<u>(69,064)</u>	<u>(92,000)</u>	<u>(161,064)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments on long-term debt	(186,302)	(721,597)	(907,899)	-
Interest payments on long-term debt	(26,648)	(140,446)	(167,094)	-
Acquisition of property, plant and equipment	(264,653)	(2,277,118)	(2,541,771)	-
Proceeds from long-term borrowing	-	1,219,305	1,219,305	-
Increase (decrease) in due to other funds	18,415	(43,442)	(25,027)	-
Capital contributions received	155,187	539,387	694,574	-
Sales tax revenue received	-	1,249,287	1,249,287	-
Transfers in	22,000	-	22,000	-
<b>Net cash flows from capital and     related financing activities</b>	<u>(282,001)</u>	<u>(174,624)</u>	<u>(456,625)</u>	<u>-</u>
<b>Cash flows from investing activities - investment income received</b>	<u>45,721</u>	<u>271,545</u>	<u>317,266</u>	<u>7,080</u>
<b>Net increase (decrease) in cash     and investments</b>	(231,454)	(157,016)	(388,470)	237,292
<b>Beginning cash and investments</b>	<u>399,874</u>	<u>3,195,453</u>	<u>3,595,327</u>	<u>136,957</u>
<b>Ending cash and investments</b>	\$ <u>168,420</u>	<u>3,038,437</u>	<u>3,206,857</u>	<u>374,249</u>
<b>Cash and investments at end of year:</b>				
Cash and investments	-	-	-	374,249
Cash and investments restricted for debt service and construction	<u>168,420</u>	<u>3,038,437</u>	<u>3,206,857</u>	<u>-</u>
	\$ <u>168,420</u>	<u>3,038,437</u>	<u>3,206,857</u>	<u>374,249</u>

See accompanying notes to basic financial statements.

**CITY OF HOMER, ALASKA**  
**Proprietary Funds**  
**Statement of Cash Flows, continued**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,714,440)	(2,480,838)	(4,195,278)	144,798
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	1,378,419	2,016,613	3,395,032	-
Noncash expense - PERS relief	71,315	67,491	138,806	-
Increase (decrease) in allowance for doubtful accounts	18,403	(5,463)	12,940	-
Amortization of deferred lease revenue	(18,000)	-	(18,000)	-
Litigation settlements	16,038	-	16,038	-
Miscellaneous nonoperating revenues	97,956	47,979	145,935	-
(Increase) decrease in assets:				
Accounts receivable	37,127	(13,354)	23,773	56,669
Inventory	(2,862)	1,492	(1,370)	-
Prepaid items	(7,401)	(8,953)	(16,354)	-
Litigation settlement receivable	83,962	-	83,962	-
Increase (decrease) in liabilities:				
Accounts payable	(10,146)	154,531	144,385	28,745
Accrued payroll and related liabilities	7,981	5,092	13,073	-
Accrued leave	44,615	17,137	61,752	-
Prepaid rentals and deposits	28,892	(3,507)	25,385	-
Net pension/OPEB obligation	42,031	39,843	81,874	-
Net cash flows from operating activities	\$ <u>73,890</u>	<u>(161,937)</u>	<u>(88,047)</u>	<u>230,212</u>

See accompanying notes to basic financial statements.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements

December 31, 2007

(1) **Summary of Significant Accounting Policies**

**Organization and Services Provided**

The City of Homer, Alaska was incorporated March 31, 1964 as a first-class city and operates under a Council-Manager form of government. The City provides the full range of municipal services as provided for by Alaska Statute. This includes police and fire protection, ambulance and emergency medical service, water and wastewater service, library, parks and recreation, public improvements, planning and zoning, port and harbor, airport facilities, and general administrative services.

**Scope and Presentation**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**Reporting Entity**

The City has reviewed the standards established by the Governmental Accounting Standards Board and determined that the City has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days after year end. 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 are recorded only to the extent they have matured.

Property and sales taxes, charges for services, intergovernmental revenues, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. Most other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds –

#### 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 reported in another fund.

The *Streets and Sidewalks Capital Project Fund* accounts for operating grants and capital improvement projects for streets and sidewalks.

#### Major proprietary funds:

The *Port of Homer Enterprise Fund* accounts for all activities related to the operation of the City's port and harbor.

The *Water and Sewer Utility Enterprise Fund* accounts for the activities of the water and sewer facility operations including collection and treatment of sewage, and distribution and transmission of water.

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

The City also reports Internal Service Funds which account for the activities relating to the City's self-insured health benefit plan, accrued leave cash-outs, and PERS funding. These funds report revenues charged to the other funds based on estimated amounts to cover actual costs of benefits.

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 the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes (including the City's restricted sales taxes), investment income, and State and federal entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund and the Port of Homer Enterprise Fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Budgets and Budgetary Accounting**

The City Council is required to pass an appropriation ordinance for the General Fund which becomes the expenditure budget for the fiscal year. The City Council may pass subsequent supplemental appropriations which are added to the expenditure budget. Expenditures may not legally exceed the fund appropriations. The City Manager may transfer amounts between departments within a fund or between cost centers within a department's budget classification. Appropriations on annual budgets lapse at year-end. The City's legally prescribed budgetary basis of accounting is consistent with generally accepted accounting principles and, accordingly, where budgetary data are presented, the budget and actual information conform to the same basis of accounting.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

Encumbrance accounting is employed during the year 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, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and are charged to the subsequent year appropriations.

### Cash and Investments

A central treasury is used to account for all the City's cash and investments to maximize interest income. Investment earnings are allocated to various funds based on average central treasury balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the central treasury, regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account.

Investments are recorded at fair value.

### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### Property Taxes

Property taxes are a lien on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute, Title 29.45.240, the City establishes the mill rate levy by June 15. The City is located within the Kenai Peninsula Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills for one-half of the taxes are mailed prior to July 1 and are payable on August 15; tax bills for the second half of the taxes are mailed by October 1 and are payable on November 15. City property tax revenues, in the fund financial statements, are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal period.

At December 31, the delinquent real and personal taxes not currently available are reflected as deferred revenue of the General Fund.

### Unbilled Service Revenues

Utility revenues are based on cycle billings rendered monthly to customers. As a result of this cycle billing method, the utilities do not accrue revenues at the end of any fiscal period for services sold but not billed at such date. The Port of Homer bills annual moorage charges in advance, which are deferred as unearned revenue at year-end.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Inventory

Inventory of Enterprise Funds are carried at average cost and are charged to expense in accordance with the consumption method of accounting for inventory.

Supplies or materials acquired by governmental fund types are recorded at cost (specific identification) and are charged as expenditures as used in accordance with the consumption method of accounting for inventory. Accordingly, reported inventory for governmental fund types are equally offset by a fund balance reserve.

#### Prepaid Items

Prepaid items primarily represent costs of insurance and similar services allocated to succeeding periods and rents paid in advance of the period to which they apply. The City's policy is to charge such costs to the period benefited. Accordingly, reported prepaid items for governmental fund types are equally offset by a fund balance reserve.

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Infrastructure	50 years
System infrastructure	20-50 years
Machinery and equipment	3-8 years

#### Accrued Leave

The City allows employees to accumulate earned but unused personal leave benefits up to a maximum accumulation of 720 hours. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Long-Term Debt

In the government-wide and the proprietary 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 bond premium, discount, or deferred loss.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Comparative Data

Comparative data for the prior year have been presented in some of the individual fund statements in order to provide an understanding of the changes in the financial position and operations of the City. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

### (2) Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2007, follows:

#### *Due from other funds:*

Due to the General Fund from:

Water and Sewer Utility Enterprise Fund for advances  
to cover the cost of projects \$ 1,259,639

Port of Homer Enterprise Fund for advances  
to cover the cost of projects 18,415

Nonmajor special revenue funds for advances to  
cover the cost of projects 13,523

Total amount due from other funds \$ 1,291,577

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Interfund Receivables, Payables, and Transfers, continued

#### *Transfers:*

From General Fund to:	
Nonmajor governmental funds to cover capital costs	\$ 1,000,183
Nonmajor governmental funds to cover operations	10,000
From Streets and Sidewalks Capital Project Fund to other nonmajor governmental funds to cover debt service	498,650
From nonmajor governmental funds to Port of Homer Enterprise Fund to match grant costs	22,000
From nonmajor governmental funds to other nonmajor governmental funds to cover capital costs	819,325
From Port of Homer Enterprise Fund to nonmajor governmental funds to cover capital costs	79,064
From Water and Sewer Enterprise Fund to nonmajor governmental funds to cover capital costs	<u>92,000</u>
Total transfers to other funds	\$ <u>2,521,222</u>

### (3) Cash and Investments

The City of Homer utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or included in "due to other funds."

#### Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2007.

Bank deposits	\$ 339,931
Investments	<u>11,279,369</u>
	\$ <u>11,619,300</u>
Cash and investments	\$ 8,412,443
Restricted cash and investments	<u>3,206,857</u>
	\$ <u>11,619,300</u>

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Cash and Investments, continued**

**General Investments**

*Investment Policy*

The City's investment policy authorizes investment in the following:

1. U.S. Treasury securities;
2. Other obligations of the U.S. Government, its agencies and instrumentalities;
3. Repurchase agreements of acceptable securities listed in (1) or (2) above which meet a margin requirement of 102%;
4. Units of the Alaska Municipal League Investment Pool;
5. Certificates of deposit;
6. Uncollateralized deposits to the extent that the deposits are insured by the FDIC or FSLIC;
7. Taxable bonds or notes;
8. Commercial paper;
9. Bankers' acceptances; and
10. Money market mutual funds.

Investments in taxable bonds and notes, commercial paper, or bankers' acceptances must meet a minimum rating as determined by Moody's Investor Services or Standard and Poor's.

*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.

Investment maturities at December 31, 2007 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 1,494,449	348,662	1,145,787
Federal Home Loan Mtg. Corp	<u>790,626</u>	<u>199,205</u>	<u>591,910</u>
Total U.S. government agencies	2,285,076	547,867	1,737,209
Repurchase agreement	<u>167,420</u>	<u>167,420</u>	<u>-</u>
Total subject to interest rate risk	<u>2,452,496</u>	<u>715,287</u>	<u>1,737,209</u>
Certificates of deposit	3,710,818		
Pooled investments	<u>5,116,055</u>		
Total investments	<u>\$ 11,279,369</u>		

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### Cash and Investments, continued

##### *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. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is not SEC registered and is not rated for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. At December 31, 2007, the share value of investments in the AML pool is approximately equal to fair value.

#### (4) Accounts Receivable and Valuation Allowances

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2007, receivables for the City's individual major funds and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Streets and Sidewalks</u>	<u>Port of Homer</u>	<u>Water and Sewer</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ -	-	229,956	328,230	10,814	569,000
Taxes	950,118	205,751	-	207,829	2,078	1,365,776
State and federal grants	-	-	-	3,201,281	214,239	3,415,520
Special assessments	380,912	-	-	2,848,102	-	3,229,014
Litigation settlement	-	-	183,340	-	-	183,340
Other	<u>129,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,959</u>	<u>131,391</u>
Total receivables	1,460,462	205,751	413,296	6,585,442	229,090	8,894,041
Less allowance for uncollectibles	<u>(17,386)</u>	<u>-</u>	<u>(71,516)</u>	<u>(35,905)</u>	<u>-</u>	<u>(124,807)</u>
Net receivables	<u>\$1,443,076</u>	<u>205,751</u>	<u>341,780</u>	<u>6,549,537</u>	<u>229,090</u>	<u>8,769,234</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2007, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable (General Fund)	\$ 113,176
Special assessments not yet due (General Fund)	380,912
Airport deposits (General Fund)	16,036
Grant drawdowns prior to meeting all eligibility requirements	15,079
Other deferred revenue	<u>15,434</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 540,637</u>

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended December 31, 2007 follows:

	Balance January 1, <u>2007</u>	Additions and <u>Reclassifications</u>	Deletions and <u>Reclassifications</u>	Balance December 31, <u>2007</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 9,478,234	-	-	9,478,234
Construction in progress	<u>584,611</u>	<u>205,651</u>	<u>247,584</u>	<u>542,678</u>
Total assets not being depreciated	<u>10,062,845</u>	<u>205,651</u>	<u>247,584</u>	<u>10,020,912</u>
<i>Capital assets being depreciated:</i>				
Buildings	18,047,642	35,325	-	18,082,967
Improvements other than buildings	1,331,880	147,171	20,649	1,458,402
Machinery and equipment	4,498,474	688,754	-	5,187,228
Infrastructure	<u>26,922,029</u>	<u>1,632,536</u>	-	<u>28,554,565</u>
Total assets being depreciated	<u>50,800,025</u>	<u>2,503,786</u>	<u>20,649</u>	<u>53,283,162</u>
Less accumulated depreciation for:				
Buildings	3,350,491	451,954	-	3,802,445
Improvements other than buildings	447,993	57,548	(3,880)	501,661
Machinery and equipment	2,316,228	320,668	-	2,636,896
Infrastructure	<u>9,845,807</u>	<u>610,309</u>	-	<u>10,456,116</u>
Total accumulated depreciation	<u>15,960,519</u>	<u>1,440,479</u>	<u>(3,880)</u>	<u>17,397,118</u>
Total capital assets being depreciated, net	<u>34,839,506</u>	<u>1,063,307</u>	<u>(16,769)</u>	<u>35,886,044</u>
Governmental activity capital assets, net	\$ <u>44,902,351</u>	<u>1,268,958</u>	<u>(264,353)</u>	<u>45,906,956</u>
<b><u>Business-type activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,690,268	12,000	-	15,702,268
Construction in progress	<u>589,154</u>	<u>952,898</u>	<u>(398,621)</u>	<u>1,143,431</u>
Total assets not being depreciated	<u>16,279,422</u>	<u>964,898</u>	<u>(398,621)</u>	<u>16,845,699</u>
<i>Capital assets being depreciated:</i>				
Buildings	34,532,528	-	-	34,532,528
Improvements other than buildings	67,494,339	1,636,979	-	69,131,318
Machinery and equipment	6,637,011	328,413	-	6,965,424
Infrastructure	<u>606,186</u>	<u>10,100</u>	-	<u>616,286</u>
Total assets being depreciated	<u>109,270,064</u>	<u>1,975,492</u>	-	<u>111,245,556</u>
Less accumulated depreciation for:				
Buildings	23,632,822	1,312,757	-	24,945,580
Improvements other than buildings	24,190,982	1,817,416	-	26,008,398
Machinery and equipment	3,513,027	242,229	-	3,755,256
Infrastructure	<u>427,240</u>	<u>22,630</u>	-	<u>449,870</u>
Total accumulated depreciation	<u>51,764,071</u>	<u>3,395,032</u>	-	<u>55,159,104</u>
Total capital assets being depreciated, net	<u>57,505,993</u>	<u>(1,419,540)</u>	-	<u>56,086,454</u>
Business-type activity capital assets, net	\$ <u>73,785,414</u>	<u>(454,642)</u>	<u>(398,621)</u>	<u>72,932,153</u>

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Capital Assets, continued

Depreciation expense was charged to the functions as follows:

#### Governmental activities

General government	\$ 168,298
Public safety	268,677
Public works	748,740
Library	218,187
Airport	1,086
Parks and recreation	<u>31,611</u>
Total depreciation expense – governmental activities	<u>1,436,599</u>

#### Business-type activities

Port and harbor	1,378,419
Water and sewer utility	<u>2,016,613</u>
Total depreciation expense – business-type activities	<u>3,395,032</u>

Total depreciation expense \$ 4,831,631

The Port of Homer Enterprise Fund received a building from the State of Alaska during 1993 in exchange for the use of land by the State Ferry System until the year 2031. The building houses the Port Maintenance Shop. The value of the building and related unearned revenue are as follows:

Original cost assigned to building	\$ 630,000
Revenue recognized on cumulative basis	<u>(252,000)</u>
	\$ <u>378,000</u>
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	<u>360,000</u>
Total unearned lease revenue	\$ <u>378,000</u>

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

(6) **Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2007:

	<u>Balance</u> January 1, 2007	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> December 31, 2007	<u>Due</u> Within One Year
<b><u>Governmental activities</u></b>					
<b>General obligation bonds:</b>					
\$3,095,000 1998 street and sidewalk general obligation refunding bonds, due in final annual installment of \$475,000 plus interest at 4.375%	\$ 475,000	-	475,000	-	-
<b>Special assessment bonds:</b>					
\$105,567 1987 street special assessment bonds, due in final annual installment of \$5,280, plus interest at 6.375%	5,280	-	5,280	-	-
\$1,700,000 USDA library note payable, due in annual installments of \$99,824, including interest at 4.125% through September 2035	1,616,241	-	29,908	1,586,333	31,141
\$400,000 USDA library note payable, due in annual installments of \$23,488, including interest at 4.125% through September 2035	376,512	-	6,967	369,545	7,255
Capital lease payable in quarterly installments of \$8,290, including interest at 4.57% through February 2009	70,526	-	30,457	40,069	31,873
Capital lease payable in quarterly installments of \$16,814, including interest at 4.45% through September 2007	49,339	-	49,339	-	-
Capital lease payable in quarterly installments of \$3,422, including interest at 5.65% through May 2010	43,179	-	11,480	31,699	12,146

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Long-Term Debt, continued**

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
<b><u>Governmental activities, continued</u></b>					
Accrued leave	\$ 419,230	147,198	28,456	537,972	110,688
Net pension/OPEB obligation	<u>917,873</u>	<u>1,009,623</u>	<u>828,280</u>	<u>1,099,216</u>	<u>-</u>
Total governmental activities long-term liabilities	\$ <u>3,973,180</u>	<u>1,156,821</u>	<u>1,465,167</u>	<u>3,664,834</u>	<u>193,103</u>

The accrued leave related to governmental activities is generally liquidated by the General Fund.

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
<b><u>Business-type activities</u></b>					
Revenue bonds:					
\$1,595,000 1998 port revenue refunding bonds, due in annual installments of \$180,000 to \$185,000 plus interest at 4.3% to 4.5% through October 1, 2009	\$ 535,000	-	170,000	365,000	180,000
\$705,000 1998 sewer revenue refunding bonds, due in final annual installment of \$85,000 plus interest at 4.3% on October 1, 2007	85,000	-	85,000	-	-
Notes payable:					
\$5,064,500 1989 Sewer Utility Alaska Clean Water loan, due in annual installments of \$341,024 including interest at 1.5% through September 30, 2011	1,630,999	-	316,560	1,314,439	321,308
\$3,462,403 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	3,340,430	-	121,973	3,218,457	121,973

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### Long-Term Debt, continued

#### Business-type activities, continued

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	\$ 3,246,243	-	143,078	3,103,165	143,078
\$150,000 (maximum) 2003 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	139,329	-	13,189	126,140	13,189
\$3,250,000 (maximum) 2006 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	1,158,227	912,229	-	2,070,456	-
\$470,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	23,878	304,076	-	327,954	-
Capital lease payable in quarterly installments of \$16,426, including interest at 5.65% through May 2010	208,909	-	55,099	153,810	58,295
Accrued leave	288,171	220,238	158,486	349,923	85,115
Net pension/OPEB obligation	<u>419,966</u>	<u>455,832</u>	<u>373,958</u>	<u>501,840</u>	<u>-</u>
Total business-type activities long-term liabilities	11,076,152	<u>1,892,375</u>	<u>1,437,343</u>	11,531,184	<u>922,958</u>
Less deferred loss on refunding	<u>(20,924)</u>			<u>(12,214)</u>	
	<u>\$ 11,055,228</u>			<u>11,518,970</u>	

Annual debt service requirements to maturity for the bonds and notes except for the Clean Water loans and Drinking Water loan that are not yet in repayment status follow:

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### Long-Term Debt, continued Governmental activities

Year Ending <u>December 31,</u>	<u>USDA Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 38,396	84,916	123,312
2009	39,980	83,332	123,312
2010	41,629	81,683	123,312
2011	43,346	79,966	123,312
2012	44,834	78,478	123,312
2013-2017	255,180	361,380	616,560
2018-2022	312,336	304,224	616,560
2023-2027	382,294	234,266	616,560
2028-2032	467,921	148,639	616,560
2033-2035	<u>329,962</u>	<u>40,272</u>	<u>370,234</u>
	<u>\$ 1,955,878</u>	<u>1,497,156</u>	<u>3,453,034</u>

#### Business-type activities

Year Ending <u>December 31,</u>	<u>Revenue Bonds</u>			<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 180,000	16,200	196,200	599,548	99,095	698,643
2009	185,000	8,325	193,325	604,368	84,068	688,436
2010	-	-	-	609,260	75,002	684,262
2011	-	-	-	614,223	65,863	680,086
2012	-	-	-	278,240	56,649	334,889
2013-2017	-	-	-	1,385,445	220,645	1,606,090
2018-2022	-	-	-	1,325,250	119,273	1,444,523
2023-2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>795,145</u>	<u>23,764</u>	<u>818,909</u>
	<u>\$ 365,000</u>	<u>24,525</u>	<u>389,525</u>	6,211,479	<u>744,359</u>	<u>6,955,838</u>
				<u>3,949,132</u>		
						<u>\$ 10,160,611</u>

(7) **Revenue Bond Requirements**

Certain covenants of the revenue bonds require establishment of bond redemption and bond reserve accounts. The balances in these accounts are included in restricted cash in the financial statements.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Revenue Bond Requirements, continued**

The Port of Homer revenue bond requires that rates be maintained at a level that will produce net revenues before depreciation equal to at least 1.25 times the maximum debt service coming due.

	<u>Port of Homer</u>
Operating loss excluding depreciation expense	\$ <u>(336,021)</u>
Available for debt requirement	(336,021)
Requirement	<u>(245,250)</u>
 Shortfall of revenue to meet requirement	 \$ <u>(581,271)</u>

(8) **Capital Leases**

The City leases capital equipment (ambulance, rescue truck, grader, public works truck, excavator and loaders) with a historical cost of \$965,918 under capital lease arrangements. Future minimum lease payments at December 31, 2007 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 46,852	65,704
2009	21,981	65,704
2010	<u>6,845</u>	<u>34,527</u>
 Total minimum lease payments	75,678	165,935
Less amount representing interest	<u>3,910</u>	<u>12,125</u>
 Present value of minimum lease payments	\$ <u>71,768</u>	\$ <u>153,810</u>

(9) **Accounting for Health Self-Insurance**

The City provides health insurance on a self-insured basis up to \$35,000 each occurrence or \$642,497 in aggregate for all medical claims during the year. Coverage in excess of these amounts is insured by a private carrier up to lifetime claims of \$1,000,000 per each individual. The City contracts with a third-party administrator for health claims servicing. The City charges each department a premium based on the employees and their selected coverage. This premium is based on actual claims paid by the City. An equal amount is recorded as revenue by the Risk Management Internal Service Fund which is then responsible for paying all claims. The City accrues a liability for claims incurred but not reported at year-end.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### Accounting for Health Self-Insurance, continued

A schedule of the changes in the claims liability for the years ended December 31, 2007 and 2006 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2006 health insurance	\$ <u>76,353</u>	<u>910,818</u>	<u>922,928</u>	<u>64,243</u>
2007 health insurance	\$ <u>64,243</u>	<u>1,075,895</u>	<u>1,047,150</u>	<u>92,988</u>

### (10) Risk Management

The City is exposed to various risks of loss including (a) damage to and loss of buildings and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) workers' compensation; i.e., employee injuries, and (e) medical insurance costs of employees.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, and public officials, law enforcement professional liability, auto liability and employee benefit liability; and workers' compensation, including employer's liability. In addition, commercial insurance policies are purchased that transfer the risk of loss, except for relatively low deductibles for marina keepers legal liability, and underground tank liability. The City has no coverage for potential losses from environmental damages.

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2007.

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The Finance Director coordinates risk management activities with the other City Directors and City Manager. The General Fund fund balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles. The amount of settlements for the past three years did not materially exceed the City's insurance coverage.

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

(11) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS), an agent multiple employer plan which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration  
 Division of Retirement and Benefits  
 P.O. Box 110203  
 Juneau, Alaska 99811-0203

**Funding Policy**

Employees are required to contribute 6.75% of their annual covered salary (3.95% for pension and 2.80% for healthcare). Peace officers and firefighters must contribute 7.50% (4.39% for pension and 3.11% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due, subject to an increase limitation. Through June 30, 2007, under State regulation, employer rates cannot be increased by more than five percentage points annually, resulting a difference between the actuarially calculated rate and the state required pay-in rate. These regulations were repealed effective July 1, 2008.

The City's contribution rates for PERS for 2007 follow:

	<u>January 1 – June 30</u>		<u>July 1 – December 31</u>	
	<u>Adjusted Actual Rate</u>	<u>Actuarially Required Rate</u>	<u>Adjusted Actual Rate</u>	<u>Actuarially Required Rate</u>
Pension	10.51%	15.76%	6.05%	8.20%
Postemployment healthcare	<u>7.41%</u>	<u>11.11%</u>	<u>15.95%</u>	<u>21.62%</u>
Total contribution rate	<u>17.92%</u>	<u>26.87%</u>	<u>22.00%</u>	<u>29.82%</u>

Employer contribution rates are a level percentage of payroll and are determined using the projected unit credit actuarial funding method. Unfunded accrued liabilities and future gains/losses are amortized over a fixed 25-year period as a level percentage of pay based on a 4.15% payroll growth assumption.

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

##### **Funding Policy and Contribution Rates, continued**

The required contributions for the plan were determined as part of the June 30, 2004 and 2005 actuarial valuations. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

The significant actuarial assumptions used in the valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases 5.5% for the first ten years and 4.0% thereafter for PERS (Police and fire 6.0% for the first five years and 4.5% thereafter);
3. Medical cost inflation of 9.5% for 2006, trending downward 0.5% per year to 5.0% in FY15 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2006, trending downward 1.0% per year to 5.0% in FY15 and remaining at 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually;
5. Mortality based on 1994 Group Annuity Mortality Basic Table, 1994 Base Year with 85% occupational for Peace Officer/Firefighter and 35% occupational for others;
6. Retirement rate based on 1997-1999 actual experience. Deferred vested members are assumed to retire at their earliest retirement date;
7. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value and are accounted for on an accrual basis. Valuation assets cannot be outside the range of 80% to 120% of market value of assets; and,
8. Valuation of Medical Benefit based on analysis of actual claims paid for June 2002 – May 2005, averaged and annualized and adjusted for other factors plus administrative costs.

##### **Annual Pension and Postemployment Healthcare Cost**

Effective July 1, 2007, the State of Alaska set contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The Legislature then approved State funding (HB 95 & SB 53) in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. The City has recorded \$441,442 in these financial statements as grant revenue and related PERS expenditures/expenses. This amount is also included in “contributions made” for the purpose of calculating the ending net pension/OPEB obligation as noted below.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

**Annual Pension and Postemployment Healthcare Cost, continued**

Of the grant revenues stated above, \$248,456 is funding from SB 231 which related to 2006, but was not recognized until 2007. The \$248,456 has been designated by the City Council for PERS as follows: General Fund - \$171,314; Water and Sewer Utility Enterprise Fund - \$37,557; and Port of Homer Enterprise Fund - \$39,585.

In addition, in 2007, the State of Alaska passed legislation (SB 123) which requires that the actual contributions be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes. When calculating the remittance amount, all PERS wages are included; however, the amounts payable into the defined contribution plan are remitted first, and only the residual amounts on those wages are remitted to the defined benefit plan. Like the on-behalf payment, these residual amounts are also included in the "contributions made" line below; however annual pension cost is calculated on only those wages attributable to the defined benefit plan.

For the year ended December 31, 2007, the City's annual pension and other post-employment benefit (OPEB) costs were as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$ 610,726	831,303	1,442,029
Interest on net pension/OPEB obligation	30,352	80,020	110,372
Adjustment to annual required contribution	<u>(23,910)</u>	<u>(63,036)</u>	<u>(86,946)</u>
Annual pension/OPEB cost	617,168	848,287	1,465,455
Contributions made	<u>(472,488)</u>	<u>(729,750)</u>	<u>(1,202,238)</u>
Increase in net pension/OPEB obligation	144,680	118,537	263,217
Net pension/OPEB obligation, beginning of year	<u>814,635</u>	<u>523,204</u>	<u>1,337,839</u>
Net pension/OPEB obligation, end of year	\$ <u>959,315</u>	<u>641,741</u>	<u>1,601,056</u>

Three-year trend information for PERS follows:

	<u>Year Ending December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>
Pension	2005	\$ 614,610	\$ 364,219	59%
	2006	736,941	377,190	51%
	2007	617,168	472,488	77%
	<u>Year Ending December 31,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of OPEB Contributed</u>
Postemployment healthcare	2005	\$ 392,081	\$ 236,773	60%
	2006	505,346	261,671	52%
	2007	848,287	729,750	86%

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

A schedule of funding progress for PERS for the three most recent actuarial valuations follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
<b>June 30, 2004:</b>						
Pension	\$ 13,435,000	\$ 19,018,000	\$ 5,583,000	71%	\$ 4,474,000	125%
Postemployment healthcare	9,474,000	13,410,000	3,936,000	71%	4,474,000	88%
<b>June 30, 2005:</b>						
Pension	13,667,942	19,119,524	5,451,582	71%	4,391,808	124%
Postemployment healthcare	12,255,197	17,143,293	4,888,096	71%	4,391,808	111%
<b>June 30, 2006:</b>						
Pension	20,286,593	23,117,850	2,831,257	88%	4,906,872	60%
Postemployment healthcare	8,683,134	18,934,604	10,251,470	46%	4,906,872	105%

**Tier IV Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Tier IV Defined Contribution Retirement Plan for employees hired after July 1, 2006 or for employees converting from the Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the City is required to make the following contributions:

	<u>January – June 2007</u>		<u>July – December 2007</u>	
	<u>Police/Fire</u>	<u>Others</u>	<u>Police/Fire</u>	<u>Others</u>
Individual account	5.00%	5.00%	5.00%	5.00%
Retiree medical plan	1.75%	1.75%	0.99%	0.99%
Occupational death and disability	0.40%	0.30%	1.33%	0.58%
Health reimbursement arrangement**	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
Total contribution rate	<u>10.15%</u>	<u>10.05%</u>	<u>10.32%</u>	<u>9.57%</u>

# CITY OF HOMER, ALASKA

## Notes to Basic Financial Statements, continued

### **Tier IV Defined Contribution Pension Plan, continued**

\*\*Per AS 39.30.370, this rate is applied to the employer's average annual compensation. The contribution amount is then converted to a flat rate, per pay period, per employee amount. Actual percentage amount can fluctuate significantly from the amount shown here.

The City and employee contributions to the plan for the year ended December 31, 2007 were \$33,589 and \$26,344, respectively.

### (12) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan permits all employees to defer a portion of their salary. The deferred compensation is not available for distribution to employees until termination, retirement, death or unforeseeable emergency. Internal Revenue Code provisions require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

### (13) **Contingencies**

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

### **Grants**

Amounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General Fund or other applicable fund.

### (14) **Designated Sales Tax**

City of Homer sales tax is designated for the following purposes:

Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	<u>2.00%</u>
Total sales tax percentage	<u>6.50%</u>

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

(15) **Subsequent Event**

In April 2008, the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan (as discussed in a previous note) to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions would be recognized by each employer as an on-behalf payment.

As a result of this change, the City will not be obligated to pay or to continue amortizing the currently recorded Net Pension/OPEB Obligation. As such, these liabilities will be written off and the City will recognize an extraordinary gain on the legislation's effective date, July 1, 2008.

**SUPPLEMENTARY INFORMATION**

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF HOMER, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2007

	Special Revenue Funds							Debt Service Funds			Capital Project Funds							Total Nonmajor Governmental Funds		
	Library Donations	Fire Department Donations	Animal Shelter	Retainage Reimburse- ments	Community Schools	Sustainability Global Warming	Noncapital Projects	Total	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Total	City Facilities	New City Hall	HART Trails	Depreciation Reserves	Land Reserve	Fleet Reserve Allocation		Total	
<b>Assets</b>																				
Cash and investments	\$ 29,351	53,948	7,173	14,174	699	107	-	105,452	-	315,463	315,463	336,170	350,633	46,573	854,702	6,520	711,321	2,305,919	2,726,834	
Receivables, net:																				
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	2,078	-	-	-	-	2,078	2,078
State and federal grants	-	-	-	-	-	-	14,833	14,833	-	-	-	2,405	197,001	-	-	-	-	-	199,406	214,239
Other	-	-	-	1,260	-	-	-	1,260	-	-	-	699	-	-	-	-	-	-	699	1,959
<b>Total assets</b>	<b>\$ 29,351</b>	<b>53,948</b>	<b>7,173</b>	<b>15,434</b>	<b>699</b>	<b>107</b>	<b>14,833</b>	<b>121,545</b>	<b>-</b>	<b>315,463</b>	<b>315,463</b>	<b>339,274</b>	<b>547,634</b>	<b>48,651</b>	<b>854,702</b>	<b>6,520</b>	<b>711,321</b>	<b>2,508,102</b>	<b>2,945,110</b>	
<b>Liabilities and Fund Balances</b>																				
<b>Liabilities:</b>																				
Accounts payable	-	-	-	-	-	-	3,794	3,794	-	-	-	33,665	132,360	-	12,780	-	-	-	178,805	182,599
Accrued payroll and related liabilities	62	-	-	-	-	-	-	62	-	-	-	-	-	-	-	-	-	-	62	62
Due to other funds	-	-	-	-	-	-	13,523	13,523	-	-	-	-	-	-	-	-	-	-	13,523	13,523
Deferred revenue	-	-	-	15,434	-	-	1,260	16,694	-	-	-	7,500	-	-	-	-	-	-	7,500	24,194
<b>Total liabilities</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>15,434</b>	<b>-</b>	<b>-</b>	<b>18,577</b>	<b>34,073</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,165</b>	<b>132,360</b>	<b>-</b>	<b>12,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,305</b>	<b>220,378</b>
<b>Fund balances:</b>																				
Reserved for debt service and capital projects	-	-	-	-	-	-	-	-	-	315,463	315,463	-	415,274	48,651	-	-	-	-	463,925	779,388
Unreserved - designated:																				
Library	29,289	-	-	-	-	-	-	29,289	-	-	-	-	-	-	-	-	-	-	-	29,289
Fire department	-	53,948	-	-	-	-	-	53,948	-	-	-	-	-	-	-	-	-	-	-	53,948
Animal shelter	-	-	7,173	-	-	-	-	7,173	-	-	-	-	-	-	-	-	-	-	-	7,173
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,520	-	-	6,520	6,520	
Capital outlay	-	-	-	-	-	-	-	-	-	-	298,109	-	-	841,922	-	711,321	-	1,851,352	1,851,352	
Community schools	-	-	-	-	699	-	-	699	-	-	-	-	-	-	-	-	-	-	699	699
Sustainability global warming	-	-	-	-	-	107	-	107	-	-	-	-	-	-	-	-	-	-	107	107
Deficit	-	-	-	-	-	-	(3,744)	(3,744)	-	-	-	-	-	-	-	-	-	-	(3,744)	(3,744)
<b>Total fund balances (deficit)</b>	<b>29,289</b>	<b>53,948</b>	<b>7,173</b>	<b>-</b>	<b>699</b>	<b>107</b>	<b>(3,744)</b>	<b>87,472</b>	<b>-</b>	<b>315,463</b>	<b>315,463</b>	<b>298,109</b>	<b>415,274</b>	<b>48,651</b>	<b>841,922</b>	<b>6,520</b>	<b>711,321</b>	<b>2,321,797</b>	<b>2,724,732</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 29,351</b>	<b>53,948</b>	<b>7,173</b>	<b>15,434</b>	<b>699</b>	<b>107</b>	<b>14,833</b>	<b>121,545</b>	<b>-</b>	<b>315,463</b>	<b>315,463</b>	<b>339,274</b>	<b>547,634</b>	<b>48,651</b>	<b>854,702</b>	<b>6,520</b>	<b>711,321</b>	<b>2,508,102</b>	<b>2,945,110</b>	

**CITY OF ILLINOIS, ALASKA**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2007**

	Special Revenue Funds							Debt Service Funds			Capital Project Funds						Total Nonmajor Governmental Funds		
	Library Donations	Fire Department Donations	Animal Shelter	Retainage Reimburse- ments	Community Schools	Sustainability Global Warming	Noncapital Projects	Total	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Total	City Facilities	New City Hall	HART Trail	Depreciation Reserves	Land Reserves		Fleet Reserve Allocation	Total
<b>Revenues:</b>																			
Sales tax	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	48,197	-	-	-	48,197	48,197
Intergovernmental	-	-	-	-	-	-	52,460	52,460	-	-	133,493	204,844	-	-	-	-	-	338,337	390,797
Special assessments	-	-	-	-	-	-	-	-	2,558	2,558	-	-	-	-	-	-	-	-	2,558
Investment income	1,521	1,912	377	-	-	-	1,770	5,580	58	8,712	8,770	40,149	-	454	32,644	181	20,477	93,905	108,255
Donations	1,048	40,554	-	-	547	107	-	42,256	-	-	-	-	-	-	-	-	-	-	42,256
Other	-	-	-	9,320	-	-	6,574	15,894	-	-	-	-	-	-	-	-	-	-	15,894
<b>Total revenues</b>	<u>2,569</u>	<u>42,466</u>	<u>377</u>	<u>9,320</u>	<u>547</u>	<u>107</u>	<u>60,804</u>	<u>116,190</u>	<u>58</u>	<u>11,270</u>	<u>11,328</u>	<u>173,642</u>	<u>204,844</u>	<u>48,651</u>	<u>32,644</u>	<u>181</u>	<u>20,477</u>	<u>480,439</u>	<u>607,957</u>
<b>Expenditures:</b>																			
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	480	-	-	-	480	480
Public safety	-	-	-	-	-	-	41,301	41,301	-	-	37,959	-	-	-	-	-	-	37,959	79,260
Public works	-	-	-	9,320	-	-	17,100	26,420	-	-	1,371	-	-	514	-	-	-	1,885	28,305
Library	1,030	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community service	-	-	-	-	45	-	-	45	-	-	-	-	-	543	-	-	-	543	588
Debt service:																			
Principal	-	-	-	-	-	-	-	-	5,280	475,000	480,280	-	-	-	-	-	-	-	480,280
Interest	-	-	-	-	-	-	-	-	301	20,781	21,082	-	-	-	-	-	-	-	21,082
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	227,297	204,844	-	418,209	-	186,638	1,036,988	1,036,988
<b>Total expenditures</b>	<u>1,030</u>	<u>-</u>	<u>-</u>	<u>9,320</u>	<u>45</u>	<u>-</u>	<u>58,401</u>	<u>68,796</u>	<u>5,581</u>	<u>495,781</u>	<u>501,362</u>	<u>266,627</u>	<u>204,844</u>	<u>-</u>	<u>419,746</u>	<u>-</u>	<u>186,638</u>	<u>1,077,855</u>	<u>1,648,013</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,539</u>	<u>42,466</u>	<u>377</u>	<u>-</u>	<u>502</u>	<u>107</u>	<u>2,403</u>	<u>47,394</u>	<u>(5,523)</u>	<u>(484,511)</u>	<u>(490,034)</u>	<u>(92,985)</u>	<u>-</u>	<u>48,651</u>	<u>(387,102)</u>	<u>181</u>	<u>(166,161)</u>	<u>(597,416)</u>	<u>(1,040,056)</u>
<b>Other financing sources (uses):</b>																			
Transfers in	-	-	-	-	-	-	25,000	25,000	2,868	495,781	498,649	56,520	415,274	-	1,116,860	1,867	384,752	1,975,573	2,499,222
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(22,000)	-	-	(498,436)	-	(320,889)	(841,325)	(841,325)
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>2,868</u>	<u>495,781</u>	<u>498,649</u>	<u>34,520</u>	<u>415,274</u>	<u>-</u>	<u>618,424</u>	<u>1,867</u>	<u>63,863</u>	<u>1,134,248</u>	<u>1,657,897</u>
<b>Net change in fund balances</b>	<u>1,539</u>	<u>42,466</u>	<u>377</u>	<u>-</u>	<u>502</u>	<u>107</u>	<u>27,403</u>	<u>72,394</u>	<u>(2,655)</u>	<u>11,270</u>	<u>8,615</u>	<u>(58,165)</u>	<u>415,274</u>	<u>48,651</u>	<u>231,322</u>	<u>2,048</u>	<u>(102,298)</u>	<u>536,832</u>	<u>617,841</u>
<b>Beginning fund balances (deficit)</b>	<u>27,750</u>	<u>11,482</u>	<u>6,796</u>	<u>-</u>	<u>197</u>	<u>-</u>	<u>(31,147)</u>	<u>15,078</u>	<u>2,655</u>	<u>304,193</u>	<u>306,848</u>	<u>356,274</u>	<u>-</u>	<u>-</u>	<u>610,600</u>	<u>4,472</u>	<u>813,619</u>	<u>1,784,965</u>	<u>2,106,891</u>
<b>Ending fund balances (deficit)</b>	<u>\$ 29,289</u>	<u>53,948</u>	<u>7,173</u>	<u>-</u>	<u>699</u>	<u>107</u>	<u>(3,744)</u>	<u>87,472</u>	<u>-</u>	<u>315,463</u>	<u>315,463</u>	<u>298,109</u>	<u>415,274</u>	<u>48,651</u>	<u>841,922</u>	<u>6,520</u>	<u>711,321</u>	<u>2,321,797</u>	<u>2,724,732</u>

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## GENERAL FUND

The General Fund accounts for the financial operations of the City of Homer which are not accounted for in any other fund. Principal sources of revenues are sales taxes, property taxes, charges for services, and intergovernmental revenues. Primary expenditures in the General Fund are for general government, public safety, and public works.

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Balance Sheet**  
**December 31, 2007**  
(With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ <u>2,751,615</u>	<u>1,333,554</u>
Receivables:		
Property taxes - delinquent	118,802	158,505
Less allowance for doubtful accounts	<u>(17,386)</u>	<u>(73,250)</u>
Net property taxes receivable	101,416	85,255
Sales taxes	831,316	888,374
Assessments	380,912	391,810
Other	<u>129,432</u>	<u>311,256</u>
Total receivables	<u>1,443,076</u>	<u>1,676,695</u>
Due from other funds	1,291,577	1,383,916
Inventory	33,588	33,192
Prepaid items	<u>263,322</u>	<u>227,082</u>
Total assets	\$ <u>5,783,178</u>	<u>4,654,439</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	151,284	171,733
Accrued payroll and related liabilities	116,244	90,658
Deferred revenue	135,531	91,455
Deferred assessments	380,912	391,810
Deposits	<u>-</u>	<u>15,686</u>
Total liabilities	<u>783,971</u>	<u>761,342</u>
Fund balance:		
Reserved for inventory and prepaid items	296,910	260,274
Unreserved:		
Designated:		
Interfund loan for animal shelter	300,000	350,000
PERS	171,314	-
Undesignated	<u>4,230,983</u>	<u>3,282,823</u>
Total fund balance	<u>4,999,207</u>	<u>3,893,097</u>
Total liabilities and fund balance	\$ <u>5,783,178</u>	<u>4,654,439</u>

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>		Variance Positive (Negative)	<u>2006</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,605,283	2,501,693	(103,590)	2,382,936
Sales taxes	4,832,297	4,938,456	106,159	4,536,542
Penalties and interest	4,055	2,931	(1,124)	3,159
<b>Total taxes</b>	<u>7,441,635</u>	<u>7,443,080</u>	<u>1,445</u>	<u>6,922,637</u>
<b>Licenses and permits</b>	<u>60,750</u>	<u>43,765</u>	<u>(16,985)</u>	<u>46,096</u>
<b>Intergovernmental:</b>				
Municipal energy assistance	-	544,922	544,922	-
State PERS relief	-	302,637	302,637	-
Utility cooperative	29,000	28,168	(832)	27,874
Alcohol beverage tax	23,500	18,450	(5,050)	24,875
Public safety	536,745	537,224	479	517,824
Library grant	6,250	6,350	100	6,250
Public works	34,000	34,000	-	34,000
Reimbursements	1,000	5,745	4,745	330
Other grants	-	4,940	4,940	-
<b>Total intergovernmental</b>	<u>630,495</u>	<u>1,482,436</u>	<u>851,941</u>	<u>611,153</u>
<b>Charges for services:</b>				
Administrative services	1,283,976	1,283,986	10	1,135,379
Ambulance services	120,000	211,005	91,005	143,141
Fire contracts	242,000	224,530	(17,470)	158,640
Camping fees	211,000	183,310	(27,690)	173,204
Rents and leases	131,791	133,461	1,670	189,647
Airport services	153,558	170,944	17,386	143,604
Community school fees	60,000	38,696	(21,304)	18,549
Miscellaneous services	149,538	136,533	(13,005)	174,674
<b>Total charges for services</b>	<u>2,351,863</u>	<u>2,382,465</u>	<u>30,602</u>	<u>2,136,838</u>
<b>Special assessments</b>	<u>-</u>	<u>12,244</u>	<u>12,244</u>	<u>7,251</u>
<b>Investment income</b>	<u>35,000</u>	<u>89,191</u>	<u>54,191</u>	<u>53,775</u>
<b>Fines and forfeitures</b>	<u>21,420</u>	<u>19,941</u>	<u>(1,479)</u>	<u>19,435</u>
<b>Legal settlement</b>	<u>8,200</u>	<u>-</u>	<u>(8,200)</u>	<u>200,404</u>
<b>Total revenues</b>	<u>10,549,363</u>	<u>11,473,122</u>	<u>923,759</u>	<u>9,997,589</u>

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

	2007		Variance Positive (Negative)	2006
	Budget	Actual		Actual
<b>Expenditures:</b>				
<b>General government:</b>				
<b>City council/mayor:</b>				
Salaries and benefits	\$ 9,859	21,227	(11,368)	9,419
Supplies	9,700	4,239	5,461	10,116
Other services and charges	<u>270,681</u>	<u>263,434</u>	<u>7,247</u>	<u>283,042</u>
<b>Total city council/mayor</b>	<u>290,240</u>	<u>288,900</u>	<u>1,340</u>	<u>302,577</u>
<b>City clerk:</b>				
Salaries and benefits	279,462	245,366	34,096	253,927
Supplies	8,200	3,538	4,662	3,689
Other services and charges	<u>46,150</u>	<u>33,676</u>	<u>12,474</u>	<u>32,867</u>
<b>Total city clerk</b>	<u>333,812</u>	<u>282,580</u>	<u>51,232</u>	<u>290,483</u>
<b>City manager:</b>				
Salaries and benefits	311,964	303,037	8,927	260,888
Supplies	3,000	2,926	74	5,907
Other services and charges	<u>25,971</u>	<u>30,551</u>	<u>(4,580)</u>	<u>14,813</u>
<b>Total city manager</b>	<u>340,935</u>	<u>336,514</u>	<u>4,421</u>	<u>281,608</u>
<b>Administrative services:</b>				
Salaries and benefits	853,902	838,136	15,766	717,759
Supplies	55,450	54,747	703	10,443
Other services and charges	<u>231,683</u>	<u>201,686</u>	<u>29,997</u>	<u>108,283</u>
<b>Total administrative services</b>	<u>1,141,035</u>	<u>1,094,569</u>	<u>46,466</u>	<u>836,485</u>
<b>Planning and zoning/property management:</b>				
Salaries and benefits	337,746	326,495	11,251	275,441
Supplies	4,300	4,537	(237)	58,017
Other services and charges	<u>28,498</u>	<u>16,209</u>	<u>12,289</u>	<u>64,225</u>
<b>Total planning and zoning/     property management</b>	<u>370,544</u>	<u>347,241</u>	<u>23,303</u>	<u>397,683</u>
<b>City hall complex:</b>				
Salaries and benefits	-	44	(44)	-
Supplies	14,850	12,726	2,124	9,510
Other services and charges	<u>140,979</u>	<u>126,244</u>	<u>14,735</u>	<u>101,115</u>
<b>Total city hall complex</b>	<u>155,829</u>	<u>139,014</u>	<u>16,815</u>	<u>110,625</u>
<b>Non-departmental -</b>				
Salaries and benefits	-	95,849	(95,849)	-
<b>Total general government</b>	<u>2,632,395</u>	<u>2,584,667</u>	<u>47,728</u>	<u>2,219,461</u>

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Expenditures, continued:</b>				
<b>Public safety:</b>				
<b>Police department:</b>				
Salaries and benefits	\$ 1,749,266	1,592,811	156,455	1,450,100
Supplies	68,250	71,971	(3,721)	75,058
Other services and charges	<u>225,235</u>	<u>211,776</u>	<u>13,459</u>	<u>195,771</u>
Total police department	<u>2,042,751</u>	<u>1,876,558</u>	<u>166,193</u>	<u>1,720,929</u>
<b>Jail:</b>				
Salaries and benefits	551,647	560,764	(9,117)	506,946
Supplies	25,700	25,546	154	24,103
Other services and charges	<u>46,045</u>	<u>67,933</u>	<u>(21,888)</u>	<u>42,295</u>
Total jail	<u>623,392</u>	<u>654,243</u>	<u>(30,851)</u>	<u>573,344</u>
<b>Animal control:</b>				
Supplies	15,000	25,516	(10,516)	20,109
Other services and charges	<u>119,501</u>	<u>114,925</u>	<u>4,576</u>	<u>96,935</u>
Total animal control	<u>134,501</u>	<u>140,441</u>	<u>(5,940)</u>	<u>117,044</u>
<b>Emergency services:</b>				
Salaries and benefits	706,591	662,319	44,272	605,639
Supplies	44,500	39,846	4,654	34,529
Other services and charges	<u>241,462</u>	<u>169,629</u>	<u>71,833</u>	<u>204,954</u>
Total emergency services	<u>992,553</u>	<u>871,794</u>	<u>120,759</u>	<u>845,122</u>
Total public safety	<u>3,793,197</u>	<u>3,543,036</u>	<u>250,161</u>	<u>3,256,439</u>
<b>Public works:</b>				
<b>Administration:</b>				
Salaries and benefits	189,933	174,159	15,774	136,604
Supplies	5,000	5,371	(371)	4,217
Other services and charges	<u>63,043</u>	<u>73,273</u>	<u>(10,230)</u>	<u>70,805</u>
Total administration	<u>257,976</u>	<u>252,803</u>	<u>5,173</u>	<u>211,626</u>
<b>Maintenance:</b>				
Salaries and benefits	191,403	170,375	21,028	147,220
Supplies	14,720	16,674	(1,954)	17,431
Other services and charges	92,000	95,010	(3,010)	63,662
Capital outlay	-	-	-	-
Total maintenance	<u>298,123</u>	<u>282,059</u>	<u>16,064</u>	<u>228,313</u>

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Expenditures, continued:</b>				
<b>Public works, continued:</b>				
<b>Janitorial:</b>				
Salaries and benefits	\$ 112,701	111,022	1,679	101,486
Supplies	12,000	11,119	881	7,885
Other services and charges	15,000	13,115	1,885	7,839
<b>Total janitorial</b>	<u>139,701</u>	<u>135,256</u>	<u>4,445</u>	<u>117,210</u>
<b>Streets:</b>				
Salaries and benefits	212,790	213,419	(629)	203,289
Supplies	109,500	130,393	(20,893)	141,885
Other services and charges	113,950	34,205	79,745	28,761
<b>Total streets</b>	<u>436,240</u>	<u>378,017</u>	<u>58,223</u>	<u>373,935</u>
<b>Motor pool:</b>				
Salaries and benefits	203,881	170,017	33,864	176,393
Supplies	63,250	70,320	(7,070)	69,875
Other services and charges	148,600	167,084	(18,484)	160,702
<b>Total motor pool</b>	<u>415,731</u>	<u>407,421</u>	<u>8,310</u>	<u>406,970</u>
<b>Engineer/inspector:</b>				
Salaries and benefits	144,467	131,913	12,554	110,323
Supplies	3,700	4,843	(1,143)	3,388
Other services and charges	15,375	7,562	7,813	7,733
<b>Total engineer/inspector</b>	<u>163,542</u>	<u>144,318</u>	<u>19,224</u>	<u>121,444</u>
<b>Capital outlay - lease purchase</b>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>46,601</u>
<b>Total public works</b>	<u>1,716,313</u>	<u>1,599,874</u>	<u>116,439</u>	<u>1,506,099</u>
<b>Library:</b>				
Salaries and benefits	446,317	445,797	520	345,801
Supplies	42,602	37,483	5,119	23,287
Other services and charges	97,932	109,747	(11,815)	80,201
<b>Total library</b>	<u>586,851</u>	<u>593,027</u>	<u>(6,176)</u>	<u>449,289</u>
<b>Airport:</b>				
Salaries and benefits	73,827	72,361	1,466	58,479
Supplies	23,500	23,605	(105)	24,132
Other services and charges	88,188	99,714	(11,526)	96,893
<b>Total airport</b>	<u>185,515</u>	<u>195,680</u>	<u>(10,165)</u>	<u>179,504</u>

**CITY OF HOMER, ALASKA**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

	2007		Variance Positive (Negative)	2006
	Budget	Actual		Actual
<b>Expenditures, continued:</b>				
<b>Parks and recreation:</b>				
Salaries and benefits	\$ 267,112	249,410	17,702	240,223
Supplies	19,000	26,023	(7,023)	28,898
Other services and charges	126,568	109,264	17,304	97,906
<b>Total parks and recreation</b>	<u>412,680</u>	<u>384,697</u>	<u>27,983</u>	<u>367,027</u>
<b>Community services:</b>				
<b>Community service contributions:</b>				
Chamber of Commerce	-	5,000	(5,000)	-
Museum	90,000	90,000	-	80,000
Homer Foundation Non-Profit	50,000	50,000	-	80,000
<b>Total community service contributions</b>	<u>140,000</u>	<u>145,000</u>	<u>(5,000)</u>	<u>160,000</u>
<b>Community schools:</b>				
Salaries and benefits	94,592	72,581	22,011	38,391
Supplies	3,500	990	2,510	2,415
Other services and charges	21,396	16,672	4,724	7,052
<b>Total community schools</b>	<u>119,488</u>	<u>90,243</u>	<u>29,245</u>	<u>47,858</u>
<b>Total community services</b>	<u>259,488</u>	<u>235,243</u>	<u>24,245</u>	<u>207,858</u>
<b>Debt service on loans and capital leases:</b>				
Principal	158,890	128,151	30,739	204,736
Interest	145,867	92,454	53,413	24,089
<b>Total debt service</b>	<u>304,757</u>	<u>220,605</u>	<u>84,152</u>	<u>228,825</u>
<b>Total expenditures</b>	<u>9,891,196</u>	<u>9,356,829</u>	<u>534,367</u>	<u>8,414,502</u>
<b>Excess of revenues over expenditures</b>	658,167	2,116,293	1,458,126	1,583,087
<b>Other financing sources (uses):</b>				
Proceeds from capital lease	-	-	-	46,601
Transfers in	-	-	-	20,000
Transfers out	(676,021)	(1,010,183)	(334,162)	(623,743)
<b>Net other financing sources (uses)</b>	<u>(676,021)</u>	<u>(1,010,183)</u>	<u>(334,162)</u>	<u>(557,142)</u>
<b>Net change in fund balance</b>	\$ <u>(17,854)</u>	1,106,110	<u>1,123,964</u>	1,025,945
Beginning fund balance		<u>3,893,097</u>		<u>2,867,152</u>
Ending fund balance		<u>4,999,207</u>		<u>3,893,097</u>

## SPECIAL REVENUE FUNDS

A Special Revenue Fund is established to finance particular activities and is created from receipts of designated revenues.

**Library Donations** – This fund accounts for donations made to the library that have been earmarked for supplies.

**Fire Department Donations** – This fund accounts for donations made to the fire department that have been earmarked for supplies.

**Animal Shelter** – This fund accounts for donations made for construction of the Homer animal shelter.

**Retainage Reimbursements** – This fund accounts for deposits customers have provided for specific projects until their completion.

**Community Schools** – This fund accounts for donations to be used for community schools.

**Sustainability Global Warming** – This fund accounts for donations for sustainable global warming.

**Noncapital Projects** – This fund accounts for projects and grant-related activities that are not capitalized.

**CITY OF HOMER, ALASKA**  
**Special Revenue Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

<u>Assets</u>	<u>Library</u> <u>Donations</u>	<u>Fire</u> <u>Department</u> <u>Donations</u>	<u>Animal</u> <u>Shelter</u>	<u>Retainage</u> <u>Reimburse -</u> <u>ments</u>	<u>Community</u> <u>Schools</u>	<u>Sustainability</u> <u>Global</u> <u>Warming</u>	<u>Noncapital</u> <u>Projects</u>	<u>Totals</u>
Cash and investments	\$ 29,351	53,948	7,173	14,174	699	107	-	105,452
Accounts receivable:								
Grants	-	-	-	-	-	-	14,833	14,833
Other	-	-	-	1,260	-	-	-	1,260
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>29,351</u>	<u>53,948</u>	<u>7,173</u>	<u>15,434</u>	<u>699</u>	<u>107</u>	<u>14,833</u>	<u>121,545</u>
 <u>Liabilities and Fund Balances (Deficit)</u>								
<b>Liabilities:</b>								
Accounts payable	-	-	-	-	-	-	3,794	3,794
Accrued payroll and related liabilities	62	-	-	-	-	-	-	62
Deferred revenue	-	-	-	15,434	-	-	1,260	16,694
Due to other funds	-	-	-	-	-	-	13,523	13,523
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>62</u>	<u>-</u>	<u>-</u>	<u>15,434</u>	<u>-</u>	<u>-</u>	<u>18,577</u>	<u>34,073</u>
 <b>Fund balances:</b>								
Unreserved	29,289	53,948	7,173	-	699	107	-	91,216
Deficit	-	-	-	-	-	-	(3,744)	(3,744)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>29,289</u>	<u>53,948</u>	<u>7,173</u>	<u>-</u>	<u>699</u>	<u>107</u>	<u>(3,744)</u>	<u>87,472</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	\$ <u>29,351</u>	<u>53,948</u>	<u>7,173</u>	<u>15,434</u>	<u>699</u>	<u>107</u>	<u>14,833</u>	<u>121,545</u>

**CITY OF HOENR, ALASKA**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2007**

	Library <u>Donations</u>	Fire Department <u>Donations</u>	Animal <u>Shelter</u>	Retainage Reimburse - <u>ments</u>	Community <u>Schools</u>	Sustainability Global <u>Warming</u>	Noncapital <u>Projects</u>	<u>Totals</u>
<b>Revenues:</b>								
Investment income	\$ 1,521	1,912	377	-	-	-	1,770	5,580
Intergovernmental	-	-	-	-	-	-	52,460	52,460
Donations	1,048	40,554	-	-	547	107	-	42,256
Other	-	-	-	9,320	-	-	6,574	15,894
<b>Total revenues</b>	<u>2,569</u>	<u>42,466</u>	<u>377</u>	<u>9,320</u>	<u>547</u>	<u>107</u>	<u>60,804</u>	<u>116,190</u>
<b>Expenditures:</b>								
Public safety	-	-	-	-	-	-	41,301	41,301
Community services	1,030	-	-	-	45	-	-	1,075
Public works	-	-	-	9,320	-	-	17,100	26,420
<b>Total expenditures</b>	<u>1,030</u>	<u>-</u>	<u>-</u>	<u>9,320</u>	<u>45</u>	<u>-</u>	<u>58,401</u>	<u>68,796</u>
<b>Excess of revenues over expenditures</b>	1,539	42,466	377	-	502	107	2,403	47,394
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	-	-	25,000	25,000
Transfers out	-	-	-	-	-	-	-	-
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
<b>Net change in fund balances</b>	1,539	42,466	377	-	502	107	27,403	72,394
<b>Beginning fund balances (deficit)</b>	<u>27,750</u>	<u>11,482</u>	<u>6,796</u>	<u>-</u>	<u>197</u>	<u>-</u>	<u>(31,147)</u>	<u>15,078</u>
<b>Ending fund balances (deficit)</b>	<u>\$ 29,289</u>	<u>53,948</u>	<u>7,173</u>	<u>-</u>	<u>699</u>	<u>107</u>	<u>(3,744)</u>	<u>87,472</u>

## DEBT SERVICE FUNDS

These funds are established to account for the accumulation and disbursements of monies needed to comply with the interest and principal redemption requirements of general obligation and special assessment bonds.

**1987 Rangeview Special Assessment Bonds** – This fund accounts for the 1987 street special assessment bonds. Financing is provided by special assessments levied against benefited property.

**General Obligation Bonds and 1990 Special Assessment Bonds** – This fund accounts for the following bond issues:

1990 Special Assessment Bonds

1998 General Obligation Refunding Bonds

**CITY OF HOMER, ALASKA**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

		1987 Rangeview Special Assessment <u>Bonds</u>	General Obligation Bonds and 1990 Special Assessment <u>Bonds</u>	<u>Totals</u>
<u>Assets</u>				
Cash and investments	\$	-	315,463	315,463
<u>Fund Balances</u>				
Fund balances - reserved for debt service	\$	-	315,463	315,463

**CITY OF HOMER, ALASKA**  
 Debt Service Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended December 31, 2007

	1987 Rangeview Special Assessment <u>Bonds</u>	General Obligation Bonds and 1990 Special Assessment <u>Bonds</u>	<u>Totals</u>
<b>Revenues:</b>			
Special assessments	\$ -	2,558	2,558
Investment income	<u>58</u>	<u>8,712</u>	<u>8,770</u>
Total revenues	<u>58</u>	<u>11,270</u>	<u>11,328</u>
<b>Expenditures:</b>			
<b>Debt service:</b>			
Principal	5,280	475,000	480,280
Interest	<u>301</u>	<u>20,781</u>	<u>21,082</u>
Total expenditures	<u>5,581</u>	<u>495,781</u>	<u>501,362</u>
Excess of revenues over (under) expenditures	(5,523)	(484,511)	(490,034)
Other financing sources - transfers in	<u>2,868</u>	<u>495,781</u>	<u>498,649</u>
Net change in fund balances	(2,655)	11,270	8,615
Beginning fund balances	<u>2,655</u>	<u>304,193</u>	<u>306,848</u>
Ending fund balances	\$ <u>-</u>	<u>315,463</u>	<u>315,463</u>

## CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the financial resources expended to acquire or construct major capital assets of a relatively permanent nature. Such financial resources include grants, contributions, bond proceeds, and operating transfers from other funds.

Capital Project Funds provide a formal mechanism to ensure that revenues dedicated to a certain project are used only for that project and enable the City administration to report to grantors of Capital Project Fund revenue that their requirements regarding the use of the revenues are fully satisfied.

**City Facilities** – This fund accounts for capital improvement projects for buildings and other facilities.

**Streets and Sidewalks** – This fund accounts for capital improvement projects for streets and sidewalks.

**New City Hall** – This fund accounts for the design of a new City hall and town center.

**HART Trails** – This fund accounts for improvements to City trails. It is funded by 10% of HAWSP sales tax designated specifically for City trails.

**Depreciation Reserves** – This fund accounts for monies set aside each year from the General Fund to be used for the maintenance of City buildings and the purchase of General Fund equipment.

**Land Reserve** – This fund accounts for the accumulation of capital to purchase land.

**Fleet Reserve Allocation** – This fund accounts for the accumulation of capital to purchase vehicles.

**CITY OF HOMER, ALASKA**  
**Capital Project Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

<u>Assets</u>	<u>City Facilities</u>	<u>Streets and Sidewalks</u>	<u>New City Hall</u>	<u>HART Trails</u>	<u>Depreciation Reserves</u>	<u>Land Reserve</u>	<u>Fleet Reserve Allocation</u>	<u>Totals</u>
Cash and investments	\$ 336,170	2,559,745	350,633	46,573	854,702	6,520	711,321	4,865,664
Receivables:								
Sales taxes	-	205,751	-	2,078	-	-	-	207,829
State and federal grants	2,405	-	197,001	-	-	-	-	199,406
Prepaid items	699	-	-	-	-	-	-	699
<b>Total assets</b>	<b>\$ 339,274</b>	<b>2,765,496</b>	<b>547,634</b>	<b>48,651</b>	<b>854,702</b>	<b>6,520</b>	<b>711,321</b>	<b>5,273,598</b>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	33,665	194,697	132,360	-	12,780	-	-	373,502
Deferred revenue	7,500	-	-	-	-	-	-	7,500
<b>Total liabilities</b>	<b>41,165</b>	<b>194,697</b>	<b>132,360</b>	<b>-</b>	<b>12,780</b>	<b>-</b>	<b>-</b>	<b>381,002</b>
Fund balances:								
Reserved for capital projects	-	2,570,799	415,274	48,651	-	-	-	3,034,724
Unreserved - designated for capital outlay and land	298,109	-	-	-	841,922	6,520	711,321	1,857,872
<b>Total fund balances</b>	<b>298,109</b>	<b>2,570,799</b>	<b>415,274</b>	<b>48,651</b>	<b>841,922</b>	<b>6,520</b>	<b>711,321</b>	<b>4,892,596</b>
<b>Total liabilities and fund balances</b>	<b>\$ 339,274</b>	<b>2,765,496</b>	<b>547,634</b>	<b>48,651</b>	<b>854,702</b>	<b>6,520</b>	<b>711,321</b>	<b>5,273,598</b>

**CITY OF HOMER, ALASKA**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2007**

	<u>City Facilities</u>	<u>Streets and Sidewalks</u>	<u>New City Hall</u>	<u>HART Trails</u>	<u>Depreciation Reserves</u>	<u>Land Reserve</u>	<u>Fleet Reserve Allocation</u>	<u>Totals</u>
<b>Revenues:</b>								
Sales taxes	\$ -	1,186,825	-	48,197	-	-	-	1,235,022
Intergovernmental	133,493	-	204,844	-	-	-	-	338,337
Investment income	40,149	93,541	-	454	32,644	181	20,477	187,446
Other	-	1,145	-	-	-	-	-	1,145
<b>Total revenues</b>	<u>173,642</u>	<u>1,281,511</u>	<u>204,844</u>	<u>48,651</u>	<u>32,644</u>	<u>181</u>	<u>20,477</u>	<u>1,761,950</u>
<b>Expenditures:</b>								
General government	-	-	-	-	480	-	-	480
Public safety	37,959	-	-	-	-	-	-	37,959
Public works	1,371	121,866	-	-	514	-	-	123,751
Community services	-	-	-	-	543	-	-	543
Capital outlay	227,297	1,384,953	204,844	-	418,209	-	186,638	2,421,941
<b>Total expenditures</b>	<u>266,627</u>	<u>1,506,819</u>	<u>204,844</u>	<u>-</u>	<u>419,746</u>	<u>-</u>	<u>186,638</u>	<u>2,584,674</u>
<b>Excess of revenues over (under) expenditures</b>	(92,985)	(225,308)	-	48,651	(387,102)	181	(166,161)	(822,724)
<b>Other financing sources (uses):</b>								
Transfers in	56,820	-	415,274	-	1,116,860	1,867	384,752	1,975,573
Transfers out	(22,000)	(498,650)	-	-	(498,436)	-	(320,889)	(1,339,975)
<b>Net other financing sources (uses)</b>	<u>34,820</u>	<u>(498,650)</u>	<u>415,274</u>	<u>-</u>	<u>618,424</u>	<u>1,867</u>	<u>63,863</u>	<u>635,598</u>
<b>Net change in fund balances</b>	(58,165)	(723,958)	415,274	48,651	231,322	2,048	(102,298)	(187,126)
<b>Beginning fund balances</b>	<u>356,274</u>	<u>3,294,757</u>	<u>-</u>	<u>-</u>	<u>610,600</u>	<u>4,472</u>	<u>813,619</u>	<u>5,079,722</u>
<b>Ending fund balances</b>	\$ <u>298,109</u>	<u>2,570,799</u>	<u>415,274</u>	<u>48,651</u>	<u>841,922</u>	<u>6,520</u>	<u>711,321</u>	<u>4,892,596</u>

## ENTERPRISE FUNDS

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business operations. The City of Homer utilizes two Enterprise Funds.

**Port of Homer** – This fund accounts for the operations of the port and harbor.

**Water and Sewer Utility** – This fund accounts for the operations of the water and sewer utility providing services to the residents of the City.

**CITY OF HOMER, ALASKA**  
 Port of Homer Enterprise Fund  
 Statement of Net Assets  
 December 31, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
<b>Current assets:</b>		
Cash and investments	\$ -	231,454
Receivables:		
Accounts, net of allowance for doubtful accounts of \$71,816 (\$53,413 in 2006)	158,440	213,970
State and federal grants	-	100,000
Litigation settlement - current	100,000	100,000
Net receivables	<u>258,440</u>	<u>413,970</u>
Inventory	12,810	9,948
Prepaid items	36,234	28,833
Total current assets	<u>307,484</u>	<u>684,205</u>
Restricted assets - cash and investments restricted for debt service	168,420	168,420
Bond issuance costs, net of accumulated amortization of \$21,324 (\$15,993 in 2006)	10,662	15,993
Long-term portion of litigation settlement receivable, net of 6% discount of \$16,660 (\$32,698 in 2006)	83,340	167,302
Property, plant and equipment:		
Property, plant and equipment in service	52,624,937	52,321,044
Land and land improvements	15,254,041	15,254,041
Construction work in progress	90,091	129,332
Less accumulated depreciation	<u>(22,345,324)</u>	<u>(20,966,906)</u>
Net property, plant and equipment	<u>45,623,745</u>	<u>46,737,511</u>
Total assets	<u>\$ 46,193,651</u>	<u>47,773,431</u>
<u>Liabilities and Net Assets</u>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	100,825	110,971
Accrued payroll and related liabilities	29,389	21,408
Accrued leave	34,797	17,245
Accrued interest	2,192	5,939
Current portion of bonds payable	180,000	170,000
Current portion of capital lease	17,248	16,302
Prepaid berth rentals and deposits	585,552	556,660
Due to other funds	18,415	-
Unearned lease revenue	18,000	18,000
Total current liabilities	<u>986,418</u>	<u>916,525</u>
<b>Noncurrent liabilities, net of current portion:</b>		
Unearned lease revenue	360,000	378,000
Accrued leave	133,621	106,558
Revenue bonds, net of deferred loss of \$12,214 (\$18,321 in 2006)	172,786	346,679
Capital lease	27,765	45,013
Net pension/OPEB obligation	258,340	216,309
Total noncurrent liabilities	<u>952,512</u>	<u>1,092,559</u>
Total liabilities	<u>1,938,930</u>	<u>2,009,084</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	45,236,608	46,175,510
Restricted for debt service	168,420	168,420
Unrestricted (deficit)	<u>(1,150,307)</u>	<u>(579,583)</u>
Total net assets	<u>44,254,721</u>	<u>45,764,347</u>
Total liabilities and net assets	<u>\$ 46,193,651</u>	<u>47,773,431</u>

**CITY OF HOMER, ALASKA**  
**Port of Homer Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Harbor	\$ 1,628,913	1,551,356
Main dock	120,465	139,754
Fish dock	793,499	685,538
Deep water dock	45,385	117,045
Rents, leases and storage	93,229	41,270
Fish grinder	12,266	12,065
Total operating revenues	<u>2,693,757</u>	<u>2,547,028</u>
Operating expenses:		
Harbor	1,121,517	1,069,736
Main dock	78,800	57,411
Fish dock	620,015	558,609
Deep water dock	53,274	50,190
Fish grinder	28,448	24,506
Administration	1,127,724	935,424
Depreciation	1,378,419	1,380,114
Total operating expenses	<u>4,408,197</u>	<u>4,075,990</u>
Operating loss	<u>(1,714,440)</u>	<u>(1,528,962)</u>
Nonoperating revenues (expenses):		
Investment income	45,721	31,269
Interest expense	(29,008)	(35,201)
Litigation settlements	16,038	626,751
Amortization of bond issuance costs	(5,331)	(5,331)
State PERS relief	71,315	-
State grant - smolt stocking	10,000	-
Other income	97,956	85,864
Net nonoperating revenues (expenses)	<u>206,691</u>	<u>703,352</u>
Loss before contributions and transfers	<u>(1,507,749)</u>	<u>(825,610)</u>
Capital contributions	55,187	-
Transfers in	22,000	-
Transfers out	<u>(79,064)</u>	<u>(91,155)</u>
Change in net assets	<u>(1,509,626)</u>	<u>(916,765)</u>
Beginning net assets	<u>45,764,347</u>	<u>46,681,112</u>
Ending net assets	<u>\$ 44,254,721</u>	<u>45,764,347</u>

**CITY OF HOMER, ALASKA**  
Port of Homer Enterprise Fund  
Statement of Cash Flows  
Year Ended December 31, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 2,858,135	2,553,141
Payments to suppliers	(1,233,564)	(1,460,257)
Payments to employees	(1,650,681)	(1,137,987)
Litigation settlements (net)	<u>100,000</u>	<u>726,960</u>
Net cash flows from operating activities	<u>73,890</u>	<u>681,857</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers out	(79,064)	(91,155)
Noncapital State grant	<u>10,000</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(69,064)</u>	<u>(91,155)</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(186,302)	(169,860)
Interest payments on long-term debt	(26,648)	(30,523)
Acquisition of property, plant and equipment	(264,653)	(169,745)
Increase (decrease) in due to other funds	18,415	(101,544)
Capital contributions received	155,187	81,155
Transfers in	<u>22,000</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(282,001)</u>	<u>(390,517)</u>
<b>Cash flows from investing activities - investment income received</b>	<u>45,721</u>	<u>31,269</u>
Net increase (decrease) in cash and investments	(231,454)	231,454
Beginning cash and investments	<u>399,874</u>	<u>168,420</u>
Ending cash and investments	\$ <u>168,420</u>	<u>399,874</u>
<b>Cash and investments at end of year:</b>		
Cash and investments	-	231,454
Cash and investments restricted for debt service	<u>168,420</u>	<u>168,420</u>
	\$ <u>168,420</u>	<u>399,874</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (1,714,440)	(1,528,962)
<b>Adjustments to reconcile operating loss to net cash flows from operating activities:</b>		
Depreciation	1,378,419	1,380,114
Noncash expense - PERS relief	71,315	-
Increase in allowance for doubtful accounts	18,403	23,706
Amortization of deferred lease revenue	(18,000)	(18,000)
Litigation settlements	16,038	626,751
Miscellaneous nonoperating revenues	97,956	85,864
<b>(Increase) decrease in assets:</b>		
Accounts receivable	37,127	(96,918)
Inventory	(2,862)	(582)
Prepaid items	(7,401)	(737)
Litigation settlement receivable	83,962	100,209
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	(10,146)	(17,385)
Accrued payroll and related liabilities	7,981	(282)
Accrued leave	44,615	20,707
Prepaid berth rentals and deposits	28,892	11,461
Net pension/OPEB obligation	<u>42,031</u>	<u>95,911</u>
Net cash flows from operating activities	\$ <u>73,890</u>	<u>681,857</u>
<b>Noncash capital and related financing activities - equipment acquired with capital lease</b>	\$ -	<u>66,175</u>

**CITY OF HOMER, ALASKA**  
**Port of Homer Enterprise Fund**  
**Combining Schedule of Port of Homer Capital Projects**  
**Year Ended December 31, 2007**

	<u>Float Fingers</u>	<u>Fish Outfall System</u>	<u>System Telemetry</u>	<u>Ramp Improvements</u>	<u>High Mast Lights</u>	<u>Port Equipment</u>	<u>Port Improvements</u>	<u>Totals</u>
<b>Funding sources:</b>								
State and federal grants	\$ -	-	-	55,187	-	-	-	55,187
Port of Homer funds	<u>18,411</u>	<u>6,800</u>	<u>11,750</u>	<u>-</u>	<u>99,870</u>	<u>13,866</u>	<u>47,168</u>	<u>197,865</u>
<b>Total funding sources</b>	<u>18,411</u>	<u>6,800</u>	<u>11,750</u>	<u>55,187</u>	<u>99,870</u>	<u>13,866</u>	<u>47,168</u>	<u>253,052</u>
								-
<b>Disbursements</b>	\$ <u>18,411</u>	<u>6,800</u>	<u>11,750</u>	<u>55,187</u>	<u>99,870</u>	<u>13,866</u>	<u>47,168</u>	<u>253,052</u>

**CITY OF HOMER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Statement of Net Assets**  
**December 31, 2007**  
**(With Comparative Amounts for 2006)**

<u>Assets</u>	<u>2007</u>	<u>2006</u>
<b>Current assets:</b>		
<b>Receivables:</b>		
Accounts, net of allowance for doubtful accounts of \$35,905 (\$41,368 in 2006)	\$ 292,325	273,508
Sales taxes	207,829	222,094
Assessments due within one year	160,186	224,800
State and federal grants and loans	<u>3,201,281</u>	<u>3,028,344</u>
<b>Net receivables</b>	<u>3,861,621</u>	<u>3,748,746</u>
<b>Inventory</b>	248,802	250,294
<b>Prepaid items</b>	<u>47,520</u>	<u>38,567</u>
<b>Total current assets</b>	<u>4,157,943</u>	<u>4,037,607</u>
<b>Restricted assets - cash and investments restricted for debt service and construction</b>	<u>3,038,437</u>	<u>3,195,453</u>
<b>Assessments due after one year</b>	<u>2,687,916</u>	<u>2,001,759</u>
<b>Bond issuance costs, net of accumulated amortization of \$11,295 (\$8,471 in 2006)</b>	<u>-</u>	<u>2,824</u>
<b>Property, plant and equipment:</b>		
Property, plant and equipment in service	58,620,620	56,949,020
Land	448,227	436,227
Construction work in progress	1,053,340	459,822
Less accumulated depreciation	<u>(32,813,779)</u>	<u>(30,797,166)</u>
<b>Net property, plant and equipment</b>	<u>27,308,408</u>	<u>27,047,903</u>
<b>Total assets</b>	<u>\$ 37,192,704</u>	<u>36,285,546</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	252,569	98,038
Accrued payroll and related liabilities	27,333	22,241
Accrued leave	50,318	17,906
Accrued interest	50,292	45,701
Current portion of notes payable	599,548	581,611
Current portion of bonds payable, net of deferred loss of \$2,603 in 2006	-	82,397
Current portion of capital lease	41,047	38,797
Due to other funds	1,259,639	1,303,081
Customer utility deposits	<u>35,590</u>	<u>39,097</u>
<b>Total current liabilities</b>	<u>2,316,336</u>	<u>2,228,869</u>
<b>Noncurrent liabilities, net of current portion:</b>		
Accrued leave	131,187	146,462
Notes payable	9,561,063	8,957,495
Capital lease	67,750	108,797
Net pension/OPEB obligation	<u>243,500</u>	<u>203,657</u>
<b>Total noncurrent liabilities</b>	<u>10,003,500</u>	<u>9,416,411</u>
<b>Total liabilities</b>	<u>12,319,836</u>	<u>11,645,280</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	17,039,000	17,281,630
Restricted for debt service and capital projects	7,568,358	3,415,383
Unrestricted	<u>265,510</u>	<u>3,943,253</u>
<b>Total net assets</b>	<u>24,872,868</u>	<u>24,640,266</u>
<b>Total liabilities and net assets</b>	<u>\$ 37,192,704</u>	<u>36,285,546</u>

**CITY OF HOMER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Water charges and connection fees	\$ 1,267,186	1,199,744
Sewer charges and connection fees	<u>1,419,399</u>	<u>1,380,994</u>
Total operating revenues	<u>2,686,585</u>	<u>2,580,738</u>
Operating expenses:		
Water department:		
Treatment plant operations and testing	316,322	319,346
Pumping system	68,138	62,425
Distribution system and reservoir	262,413	270,348
Water meters	111,520	123,717
Water hydrants	87,171	73,907
Administration	<u>799,379</u>	<u>565,627</u>
Total water department	<u>1,644,943</u>	<u>1,415,370</u>
Sewer department:		
Treatment plant	706,129	488,992
Collection system	183,753	163,619
Lift station	-	124,906
Administration	<u>615,985</u>	<u>615,823</u>
Total sewer department	<u>1,505,867</u>	<u>1,393,340</u>
Depreciation	<u>2,016,613</u>	<u>1,784,143</u>
Total operating expenses	<u>5,167,423</u>	<u>4,592,853</u>
Operating loss	(2,480,838)	(2,012,115)

**CITY OF HOMER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets, continued**

	<u>2007</u>	<u>2006</u>
Nonoperating revenues (expenses):		
Investment income	\$ 271,545	116,439
Interest expense	(147,640)	(141,990)
Sales taxes	1,235,022	1,134,096
Amortization of bond issuance costs	(2,824)	(2,824)
Water/sewer master plan	-	(24,460)
State PERS relief	67,491	-
Other income	47,979	164,597
Other expenses	-	(7,590)
Net nonoperating revenues (expenses)	<u>1,471,573</u>	<u>1,238,268</u>
Loss before contributions and transfers	(1,009,265)	(773,847)
Capital contributions	1,333,867	2,274,619
Transfers out	<u>(92,000)</u>	<u>(367,970)</u>
Change in net assets	232,602	1,132,802
Beginning net assets	<u>24,640,266</u>	<u>23,507,464</u>
Ending net assets	\$ <u>24,872,868</u>	<u>24,640,266</u>

**CITY OF HOMER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,712,240	2,779,644
Payments to suppliers	(1,225,901)	(1,742,229)
Payments to employees	<u>(1,648,276)</u>	<u>(1,179,434)</u>
Net cash flows from operating activities	<u>(161,937)</u>	<u>(142,019)</u>
Cash flows from noncapital financing activities - transfers out	<u>(92,000)</u>	<u>(367,970)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(721,597)	(671,788)
Interest payments on long-term debt	(140,446)	(240,849)
Proceeds from long-term borrowing	1,219,305	643,413
Acquisition of property, plant and equipment	(2,277,118)	(2,473,068)
Capital contributions received	539,387	719,105
Sales tax revenue received	1,249,287	1,090,940
Increase (decrease) in due to other funds	<u>(43,442)</u>	<u>1,303,081</u>
Net cash flows from capital and related financing activities	<u>(174,624)</u>	<u>370,834</u>
Cash flows from investing activities - investment income received	<u>271,545</u>	<u>116,439</u>
Net decrease in cash and investments	(157,016)	(22,716)
Beginning cash and investments	<u>3,195,453</u>	<u>3,218,169</u>
Ending cash and investments	\$ <u>3,038,437</u>	<u>3,195,453</u>
Cash and investments at end of year:		
Cash and investments	-	-
Cash and investments restricted for debt service and construction	<u>3,038,437</u>	<u>3,195,453</u>
	\$ <u>3,038,437</u>	<u>3,195,453</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (2,480,838)	(2,012,115)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,016,613	1,784,143
Noncash expense - PERS relief	67,491	-
Decrease in allowance for doubtful accounts	(5,463)	(13,136)
Miscellaneous nonoperating revenues	47,979	164,597
Miscellaneous nonoperating expenses	-	(32,050)
(Increase) decrease in assets:		
Accounts receivable	(13,354)	46,007
Inventory	1,492	(33,789)
Prepaid items	(8,953)	(2,436)
Increase (decrease) in liabilities:		
Accounts payable	154,531	(157,085)
Accrued payroll and related liabilities	5,092	1,537
Accrued leave	17,137	20,296
Customer deposits	(3,507)	1,438
Net pension/OPEB obligation	<u>39,843</u>	<u>90,574</u>
Net cash flows from operating activities	\$ <u>(161,937)</u>	<u>(142,019)</u>
Noncash capital and related financing activities - equipment acquired with capital lease	\$ -	<u>147,593</u>

**CITY OF HOOPER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Combining Schedule of Water and Sewer Utility Capital Projects**  
**Year Ended December 31, 2007**

	<u>Vehicles and Other Equipment</u>	<u>Water Storage</u>	<u>Hillside Acres LID</u>	<u>East End Road LID</u>	<u>Kachemak Drive Phase I</u>	<u>Kachemak Drive Phase II</u>	<u>Water Treatment Plant Modification</u>	<u>Paintbrush Booster Station</u>	<u>Totals</u>
<b>Funding sources:</b>									
State and federal grants	\$ -	-	-	-	-	-	510,416	-	510,416
Water and Sewer Utility funds and capitalization loans	<u>69,324</u>	<u>31,278</u>	<u>12,000</u>	<u>19,695</u>	<u>1,037,881</u>	<u>216,321</u>	<u>200,950</u>	<u>169,152</u>	<u>1,756,601</u>
<b>Total funding sources</b>	<b>\$ <u>69,324</u></b>	<b><u>31,278</u></b>	<b><u>12,000</u></b>	<b><u>19,695</u></b>	<b><u>1,037,881</u></b>	<b><u>216,321</u></b>	<b><u>711,366</u></b>	<b><u>169,152</u></b>	<b><u>2,267,017</u></b>
<b>Disbursements:</b>									
Salaries and benefits	-	-	-	-	15,771	16,945	16,657	5,275	54,648
Other services and charges	-	2,061	-	-	9,900	199,376	694,709	105,235	1,011,281
Capital outlay	<u>69,324</u>	<u>29,217</u>	<u>12,000</u>	<u>19,695</u>	<u>1,012,210</u>	<u>-</u>	<u>-</u>	<u>58,642</u>	<u>1,201,088</u>
<b>Total disbursements</b>	<b>\$ <u>69,324</u></b>	<b><u>31,278</u></b>	<b><u>12,000</u></b>	<b><u>19,695</u></b>	<b><u>1,037,881</u></b>	<b><u>216,321</u></b>	<b><u>711,366</u></b>	<b><u>169,152</u></b>	<b><u>2,267,017</u></b>

## INTERNAL SERVICE FUNDS

An Internal Service Fund accounts for the financing of goods or services provided to other City departments on a cost-reimbursement basis.

**Risk Management Fund** – This fund accounts for money received from other City funds to pay for the cost of medical, dental, vision and weekly income benefits self-insurance claims.

**Leave Cash-out Fund** – This fund accounts for anticipated employee leave cash outs.

**PERS Funding** – This fund accounts for funds set aside for future PERS obligation.

**CITY OF HOMER, ALASKA**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**December 31, 2007**

<u>Assets</u>	<u>Risk Management</u>	<u>Leave Cash-out</u>	<u>PERS Funding</u>	<u>Total</u>
Cash and investments	\$ 359,705	7,464	7,080	374,249
Accounts receivable	<u>10,814</u>	<u>-</u>	<u>-</u>	<u>10,814</u>
<b>Total assets</b>	<b>\$ <u>370,519</u></b>	<b><u>7,464</u></b>	<b><u>7,080</u></b>	<b><u>385,063</u></b>
<u>Liabilities and Net Assets</u>				
Liabilities - accounts payable	<u>92,988</u>	<u>-</u>	<u>-</u>	<u>92,988</u>
Net assets - unrestricted	<u>277,531</u>	<u>7,464</u>	<u>7,080</u>	<u>292,075</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>370,519</u></b>	<b><u>7,464</u></b>	<b><u>7,080</u></b>	<b><u>385,063</u></b>

**CITY OF HOMER, ALASKA**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**

	<u>Risk</u> <u>Management</u>	<u>Leave</u> <u>Cash-out</u>	<u>PERS</u> <u>Funding</u>	<u>Total</u>
Operating revenues - interfund charges	\$ <u>1,580,346</u>	<u>140,000</u>	<u>-</u>	<u>1,720,346</u>
Operating expenses:				
Personnel	-	132,536	-	132,536
Claims	1,075,895	-	-	1,075,895
Insurance premiums	309,163	-	-	309,163
Administration	<u>57,954</u>	<u>-</u>	<u>-</u>	<u>57,954</u>
Total operating expenses	<u>1,443,012</u>	<u>132,536</u>	<u>-</u>	<u>1,575,548</u>
Operating income	137,334	7,464	-	144,798
Nonoperating revenues - investment income	<u>-</u>	<u>-</u>	<u>7,080</u>	<u>7,080</u>
Change in net assets	137,334	7,464	7,080	151,878
Beginning net assets	<u>140,197</u>	<u>-</u>	<u>-</u>	<u>140,197</u>
Ending net assets	\$ <u>277,531</u>	<u>7,464</u>	<u>7,080</u>	<u>292,075</u>

**CITY OF HOMER, ALASKA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>Risk</u> <u>Management</u>	<u>Leave</u> <u>Cash-out</u>	<u>PERS</u> <u>Funding</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from interfund services provided	\$ 1,637,015	140,000	-	1,777,015
Payments to employees	-	(132,536)	-	(132,536)
Payments for insurance claims and administration	<u>(1,414,267)</u>	<u>-</u>	<u>-</u>	<u>(1,414,267)</u>
<b>Net cash flows from operating activities</b>	<b>222,748</b>	<b>7,464</b>	<b>-</b>	<b>230,212</b>
<b>Cash flows from investing activities -</b>				
investment income received	<u>-</u>	<u>-</u>	<u>7,080</u>	<u>7,080</u>
<b>Net increase in cash and investments</b>	<b>222,748</b>	<b>7,464</b>	<b>7,080</b>	<b>237,292</b>
<b>Beginning cash and investments</b>	<u>136,957</u>	<u>-</u>	<u>-</u>	<u>136,957</u>
<b>Ending cash and investments</b>	<b>\$ <u>359,705</u></b>	<b><u>7,464</u></b>	<b><u>7,080</u></b>	<b><u>374,249</u></b>
<b>Reconciliation of operating income to net cash</b>				
<b>provided by operating activities:</b>				
Operating income	\$ 137,334	7,464	-	144,798
<b>Adjustments to reconcile operating income to</b>				
<b>net cashflows from operating activities:</b>				
Decrease in accounts receivable	56,669	-	-	56,669
Increase in accounts payable	<u>28,745</u>	<u>-</u>	<u>-</u>	<u>28,745</u>
<b>Net cash flows from operating activities</b>	<b>\$ <u>222,748</u></b>	<b><u>7,464</u></b>	<b><u>-</u></b>	<b><u>230,212</u></b>

**CITY OF HOMER, ALASKA**  
**Risk Management Internal Service Fund**  
**Statement of Net Assets**  
**December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments		\$ 359,705	136,957
Accounts receivable		<u>10,814</u>	<u>67,483</u>
<b>Total assets</b>		<b>\$ <u>370,519</u></b>	<b><u>204,440</u></b>
 <u>Liabilities and Net Assets</u>  			
Liabilities - accounts payable		<u>92,988</u>	<u>64,243</u>
Net assets - unrestricted		<u>277,531</u>	<u>140,197</u>
<b>Total liabilities and net assets</b>		<b>\$ <u>370,519</u></b>	<b><u>204,440</u></b>

**CITY OF HOMER, ALASKA**  
**Risk Management Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets (Deficit)**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Operating revenues - interfund insurance charges	\$ <u>1,580,346</u>	<u>1,465,067</u>
Operating expenses:		
Claims	1,075,895	910,818
Insurance premiums	309,163	272,821
Administration	<u>57,954</u>	<u>52,620</u>
Total operating expenses	<u>1,443,012</u>	<u>1,236,259</u>
Change in net assets	137,334	228,808
Beginning net assets (deficit)	<u>140,197</u>	<u>(88,611)</u>
Ending net assets	\$ <u>277,531</u>	<u>140,197</u>

**CITY OF HOMER, ALASKA**  
**Risk Management Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,637,015	1,429,652
Payments for insurance claims and administration	<u>(1,414,267)</u>	<u>(1,248,369)</u>
Net cash flows from operating activities	222,748	181,283
 Cash flows from noncapital financing activities - decrease in due to other funds	 <u>-</u>	 <u>(44,326)</u>
 Net increase in cash and investments	 222,748	 136,957
 Beginning cash and investments	 <u>136,957</u>	 <u>-</u>
 Ending cash and investments	 \$ <u>359,705</u>	 <u>136,957</u>
 Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 137,334	228,808
Adjustments to reconcile operating income to net cash flows from operating activities:		
(Increase) decrease in accounts receivable	56,669	(35,415)
Increase (decrease) in accounts payable	<u>28,745</u>	<u>(12,110)</u>
Net cash flows from operating activities	\$ <u>222,748</u>	<u>181,283</u>

**CITY OF HOMER, ALASKA**  
**Leave Cash-out Internal Service Fund**  
**Statement of Net Assets**  
**December 31, 2007**

	<u>Assets</u>	<u>2007</u>
Cash and investments		\$ <u>7,464</u>
	<u>Net Assets</u>	
Net assets		\$ <u>7,464</u>

**CITY OF HOMER, ALASKA**  
**Leave Cash-out Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**

	<u>2007</u>
Operating revenues - interfund leave cash-out charges	\$ <u>140,000</u>
Operating expenses - salaries and benefits	<u>132,536</u>
Change in net assets	7,464
Beginning net assets	<u>-</u>
Ending net assets	\$ <u>7,464</u>

**CITY OF HOMER, ALASKA**  
**Leave Cash-out Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**

	<u>2007</u>
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 140,000
Payments to employees	<u>(132,536)</u>
Net cash flows from operating activities	7,464
 Beginning cash and investments	 <u>-</u>
 Ending cash and investments	 \$ <u>7,464</u>
 Reconciliation of operating income to net cash provided by operating activities -	
Operating income	\$ <u>7,464</u>

**CITY OF HOMER, ALASKA**  
**PERS Funding Internal Service Fund**  
**Statement of Net Assets**  
**December 31, 2007**

	<u>Assets</u>	<u>2007</u>
Cash and investments		\$ <u>7,080</u>
	<u>Net Assets</u>	
Net assets		\$ <u>7,080</u>

**CITY OF HOMER, ALASKA**  
**PERS Funding Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2007**

	<u>2007</u>
Nonoperating revenues - investment income	\$ 7,080
Beginning net assets	<u>-</u>
Ending net assets	\$ <u>7,080</u>

**CITY OF HOMER, ALASKA**  
**PERS Funding Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**

	<u>2007</u>
Cash flows from investing activities - investment income received	\$ 7,080
Beginning cash and investments	<u>-</u>
Ending cash and investments	\$ <u>7,080</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**CITY OF HOMER, ALASKA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2007 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2007 Receivable (Deferred)</u>
<b>DEPARTMENT OF AGRICULTURE</b>							
Passed through the State of Alaska							
Department of Natural Resources -							
Volunteer Fire Assistance	39879	10.664	7,500	-	-	7,500	(7,500)
Total Department of Agriculture				-	-	7,500	(7,500)
<b>DEPARTMENT OF COMMERCE</b>							
Homer Public Library	07-01-05664	11.300	1,115,000	281,282	-	281,282	-
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
Passed through the State of Alaska Department of Military and Veteran Affairs:							
Law Enforcement Terrorism Prevention Program	05 LE T PP 34051	97.074	164,047	28,347	20,674	49,021	-
Law Enforcement Terrorism Prevention Program	34051	97.074	40,946	-	40,946	40,946	-
Hazard Mitigation 2002 Flood	1445.00004	83.548	9,000	-	77	77	-
Emergency Operations Plan	34021	97.073	15,590	13,402	2,948	16,350	-
Total Department of Homeland Security				41,749	64,645	106,394	-
<b>DEPARTMENT OF INTERIOR</b>							
Passed through the State of Alaska							
Department of Natural Resources -							
Jack Gist Recreational Park	02-00369	15.916	169,792	8,420	37,685	46,105	-
Passed through the State of Alaska							
Department of Fish and Game -							
Harbor Restrooms and Fish Cleaning Facility (75% Federal)	CO-OP 04-047	15.605	319,238	-	41,391	41,391	-
Total Department of Interior				8,420	79,076	87,496	-
<b>ENVIRONMENTAL PROTECTION AGENCY</b>							
Wetland Development Grant	CD-97051401	66.461	127,302	3,201	1,163	4,325	39
Passed through the State of Alaska Department of Environmental Conservation:							
Water Storage Reservoir Construction (75% Federal)	40904	66.606	1,179,000	117,900	-	117,900	-
Water Improvements Phase 2 (75% Federal)	40906	66.606	252,000	61,379	190,621	178,079	73,921
Clean Water Loan (83% Federal)	409051	66.458	124,500	16,796	-	10,622	6,174
Clean Water Loan (83% Federal)	409081	66.458	2,697,500	961,328	746,456	902,102	805,682
Clean Water Loan (83% Federal)	409031	66.458	2,873,794	844,615	-	-	844,615
Drinking Water Loan (82% Federal)	409101	66.468	385,400	19,580	245,821	-	265,401
Drinking Water Loan (82% Federal)	409041	66.468	2,779,243	427,223	-	-	427,223
Total Environmental Protection Agency				2,452,022	1,184,061	1,213,028	2,423,055

**CITY OF HOMER, ALASKA**  
Schedule of Expenditures of Federal Awards, continued

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2007 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2007 Receivable (Deferred)</u>
<b>DEPARTMENT OF TRANSPORTATION</b>							
Passed through the State of Alaska Department of Transportation and Public Facilities:							
Kachemak Bay Multi-Purpose							
Ocean Dock	MOA 75267	20.205	\$ 2,997,000	90,000	-	90,000	-
ASTEP DUI Enforcement	154AL-07-14-01	20.607	15,120	-	11,442	11,442	-
ASTEP DUI Enforcement	154AL-08-00-01	20.607	6,132	-	2,721	-	2,721
ASTEP DUI Enforcement	FY2006	20.607	10,769	3,147	-	3,147	-
ASTEP Seat Belt Enforcement	406 07-10-02	20.609	4,320	-	3,521	3,521	-
ASTEP Seat Belt Enforcement	402 07-06-01	20.609	3,240	-	1,767	1,767	-
ASTEP Seat Belt Enforcement	402OP-08-04-03	20.609	2,040	-	309	-	309
ASTEP Seat Belt Enforcement	GRT -76362	20.600	5,431	144	-	144	-
Enhanced Accident Investigation	402PT-07-06-09	20.600	15,319	7,749	7,570	15,319	-
Commercial Vehicle Inspection	06-PD-003	20.218	6,605	1,805	-	1,805	-
Commercial Vehicle Enforcement	07-PD-003	20.218	6,605	-	6,605	6,605	-
Lifesavers 2007 National Conference	OP-07-04-03-1	20.600	1,931	-	1,931	1,931	-
Scenic Byways (80% Federal)	75813	20.205	120,960	14,576	9,411	14,576	9,411
Total Department of Transportation				117,421	45,277	150,257	12,441
Total Federal Financial Assistance			\$	2,900,894	1,373,059	1,845,957	2,427,996

**CITY OF HOMER, ALASKA**  
**Schedule of State Financial Assistance**  
**Year Ended December 31, 2007**

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>January 1, 2007 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>December 31, 2007 Receivable (Deferred)</u>
<b>DEPARTMENT OF ADMINISTRATION</b>						
*PERS Relief	SB231	248,456	-	248,456	248,456	-
*PERS Relief	SB53	192,986	-	192,986	192,986	-
Total Department of Administration			-	441,442	441,442	-
<b>DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT</b>						
Rescue System Upgrade	07-DC-221	28,000	-	28,000	25,595	2,405
*Homer City Hall	07-DC-497	2,000,000	-	204,844	7,844	196,999
*Municipal Energy Assistance Program	2007	544,922	-	544,922	544,922	-
Silver Salmon Smolt Stocking	07-DC-222	10,000	-	10,000	10,000	-
Total Department of Commerce, Community, and Economic Development			-	787,766	588,361	199,404
<b>DEPARTMENT OF PUBLIC SAFETY</b>						
Police Training Services	2007	2,500	-	2,500	2,500	-
<b>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>						
Sterling Hwy Corridor Mgmt Plan (20% State)	75813	30,240	3,644	2,353	3,644	2,353
Kachemak Bay Multi-Purpose Ocean Dock (10% State)	75267	333,000	10,000	-	10,000	-
Total Department of Transportation and Public Facilities			13,644	2,353	13,644	2,353
<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>						
1.0 MG Water Storage Tank-Design	40902	72,000	7,200	-	7,200	-
*Water Improvements Ph 2-Design (25% State)	40906	84,000	20,460	63,540	59,360	24,640
*Water Treatment Plant Upgrade	40907	1,036,603	-	256,255	52,279	203,976
1.0 MG Water Storage Tank-Design & Construction (25% State)	40904	393,000	39,300	-	39,300	-
East End Road Water and Sewer Extension	40905	41,776	41,776	-	-	41,776
Total Department of Environmental Conservation			108,736	319,795	158,139	270,392
<b>DEPARTMENT OF FISH AND GAME</b>						
Harbor Restrooms & Fish Cleaning Facility (25% State)	CO-OP 04-047	106,413	-	13,797	13,797	-
Total State Financial Assistance			\$ 122,380	1,567,653	1,217,883	472,150

\* Major Program

## **CITY OF HOMER, ALASKA**

### **Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**

**Year Ended December 31, 2007**

#### **Basis of Presentation**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of City of Homer and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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### **III. STATISTICAL SECTION**

**CITY OF HOMER, ALASKA**  
**Statistical Section**  
**(Unaudited)**

This part of the City of Homer's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This section includes data for the City (i.e., the primary government) only and does not include the City's discretely presented component units. This information has not been audited by the independent auditor.

<b>Contents</b>	<b><u>Page</u></b>
<b>Financial Trends</b> These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.	100-105
<b>Revenue Capacity</b> These tables contain information that may assist the reader in assessing the viability of the City's "own-source" revenue sources.	106-111
<b>Debt Capacity</b> These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	112-113
<b>Demographic and Economic Information</b> These tables offer economic and demographic indicators that are commonly used for financial analysis and that can inform one's understanding the City's present and ongoing financial status.	114-116
<b>Operating Information</b> These tables contain service and infrastructure indicators that can inform one's understanding how the information in the City's financial statements relates to the services the City provides and the activities it performs.	117
<b>Source:</b> Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.	

**CITY OF HOMER, ALASKA**  
**Government-wide Net Assets by Category**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Governmental Activities</b>					
Investment in capital assets, net of related debt	\$ 43,879,310	42,266,274	39,633,946	34,744,914	34,357,797
Restricted	3,350,187	3,601,605	3,768,592	3,237,361	2,743,871
Unrestricted	<u>6,014,887</u>	<u>4,932,592</u>	<u>3,919,540</u>	<u>3,000,843</u>	<u>3,120,310</u>
<b>Total Governmental Activities Net Assets</b>	<b><u>53,244,384</u></b>	<b><u>50,800,471</u></b>	<b><u>47,322,078</u></b>	<b><u>40,983,118</u></b>	<b><u>40,221,978</u></b>
<b>Business-type Activities</b>					
Investment in capital assets, net of related debt	62,275,608	63,457,140	65,800,613	66,667,055	66,924,353
Restricted	7,736,778	3,583,803	2,870,245	2,316,028	2,314,557
Unrestricted	<u>(806,158)</u>	<u>3,406,230</u>	<u>1,486,971</u>	<u>3,048,076</u>	<u>3,368,162</u>
<b>Total Business-type Activities Net Assets</b>	<b><u>\$ 69,206,228</u></b>	<b><u>70,447,173</u></b>	<b><u>70,157,829</u></b>	<b><u>72,031,159</u></b>	<b><u>72,607,072</u></b>
<b>Primary Government</b>					
Investment in capital assets, net of related debt	106,154,918	105,723,414	105,434,559	101,411,969	101,282,150
Restricted	11,086,965	7,185,408	6,638,837	5,553,389	5,058,428
Unrestricted	<u>5,208,729</u>	<u>8,338,822</u>	<u>5,406,511</u>	<u>6,048,919</u>	<u>6,488,472</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$ 122,450,612</u></b>	<b><u>121,247,644</u></b>	<b><u>117,479,907</u></b>	<b><u>113,014,277</u></b>	<b><u>112,829,050</u></b>

**CITY OF HOMER, ALASKA**  
**Changes in Net Assets - Total**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Program Revenues</b>					
Governmental Activities	\$ 2,194,833	3,416,278	6,283,206	3,248,057	2,467,984
Business-type Activities	<u>6,915,331</u>	<u>7,652,846</u>	<u>5,402,694</u>	<u>6,200,508</u>	<u>8,342,731</u>
<b>Total Program Revenues</b>	<u>9,110,164</u>	<u>11,069,124</u>	<u>11,685,900</u>	<u>9,448,565</u>	<u>10,810,715</u>
<b>General Revenues</b>					
Governmental Activities	9,898,941	8,564,382	7,587,607	5,866,677	5,781,119
Business-type Activities	<u>1,717,132</u>	<u>1,908,555</u>	<u>1,334,307</u>	<u>1,234,411</u>	<u>1,374,944</u>
<b>Total General Revenues</b>	<u>11,616,073</u>	<u>10,472,937</u>	<u>8,921,914</u>	<u>7,101,088</u>	<u>7,156,063</u>
<b>Total Revenues</b>	<b>20,726,237</b>	<b>21,542,061</b>	<b>20,607,814</b>	<b>16,549,653</b>	<b>17,966,778</b>
<b>Expenses</b>					
Governmental Activities	9,798,925	8,961,392	7,641,853	8,404,279	7,339,577
Business-type Activities	<u>9,724,344</u>	<u>8,812,932</u>	<u>8,500,331</u>	<u>7,960,147</u>	<u>7,451,416</u>
<b>Total Expenses</b>	<u>19,523,269</u>	<u>17,774,324</u>	<u>16,142,184</u>	<u>16,364,426</u>	<u>14,790,993</u>
<b>Changes in Net Assets</b>	1,202,968	3,767,737	4,465,630	185,227	3,175,785
<b>Beginning Net Assets</b>	121,247,644	117,479,907	113,014,277	112,829,050	109,653,265
<b>Ending Net Assets</b>	<u>122,450,612</u>	<u>121,247,644</u>	<u>117,479,907</u>	<u>113,014,277</u>	<u>112,829,050</u>
<b>Change in Net Assets</b>	<b>\$ 1,202,968</b>	<b>3,767,737</b>	<b>4,465,630</b>	<b>185,227</b>	<b>3,175,785</b>

**CITY OF HOMER, ALASKA**  
**Changes in Net Assets - Governmental Activities**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Expenses</b>					
General government	\$ 1,621,298	1,453,282	1,800,060	1,870,428	1,040,890
Public safety	3,989,765	3,912,322	3,322,075	3,101,937	3,128,167
Public works	2,422,038	2,405,097	1,066,319	2,136,469	1,979,338
Library	805,570	370,404	293,831	473,298	370,272
Airport	200,331	152,414	149,341	173,258	174,868
Parks & recreation	410,556	391,303	356,721	377,010	397,241
Community services	235,831	211,894	582,677	180,964	147,891
Unallocated interest	113,536	64,676	70,829	90,915	100,910
<b>Total Expenses</b>	<b>9,798,925</b>	<b>8,961,392</b>	<b>7,641,853</b>	<b>8,404,279</b>	<b>7,339,577</b>
<b>Program Revenues</b>					
Charges for services	1,217,061	1,159,602	1,192,498	1,572,697	1,553,139
Operating grants & contributions	638,290	640,601	729,240	401,998	589,364
Capital grants & contributions	339,482	1,616,075	4,361,468	1,273,362	325,481
<b>Total Program Revenues</b>	<b>2,194,833</b>	<b>3,416,278</b>	<b>6,283,206</b>	<b>3,248,057</b>	<b>2,467,984</b>
<b>General Revenues</b>					
<b>Taxes:</b>					
Property	2,529,614	2,406,263	2,091,977	1,888,761	1,785,092
Sales	6,173,478	5,670,638	5,119,528	3,770,288	3,506,170
Other	1,195,849	487,481	376,102	207,628	489,857
<b>Total General Revenues</b>	<b>9,898,941</b>	<b>8,564,382</b>	<b>7,587,607</b>	<b>5,866,677</b>	<b>5,781,119</b>
<b>Total Revenues</b>	<b>12,093,774</b>	<b>11,980,660</b>	<b>13,870,813</b>	<b>9,114,734</b>	<b>8,249,103</b>
Increase in net assets before transfers	2,294,849	3,019,268	6,228,960	710,455	909,526
Transfers	149,064	459,125	110,000	50,685	(199,442)
Increase in net assets	2,443,913	3,478,393	6,338,960	761,140	710,084
Beginning net assets	50,800,471	47,322,078	40,983,118	40,221,978	39,511,894
Ending net assets	53,244,384	50,800,471	47,322,078	40,983,118	40,221,978
Change in net assets	\$ 2,443,913	3,478,393	6,338,960	761,140	710,084

**CITY OF HOMER, ALASKA**  
**Changes in Net Assets - Business-type Activities**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Program Revenues</b>					
Charges for services	\$ 5,526,277	5,378,227	5,113,192	5,249,325	5,070,978
Capital grants & contributions	<u>1,389,054</u>	<u>2,274,619</u>	<u>289,502</u>	<u>951,183</u>	<u>3,271,753</u>
<b>Total Program Revenues</b>	<u>6,915,331</u>	<u>7,652,846</u>	<u>5,402,694</u>	<u>6,200,508</u>	<u>8,342,731</u>
<b>General Revenues</b>					
Sales tax	1,235,022	1,134,096	1,031,167	1,019,645	956,353
Other	<u>482,110</u>	<u>774,459</u>	<u>303,140</u>	<u>214,766</u>	<u>418,591</u>
<b>Total General Revenues</b>	<u>1,717,132</u>	<u>1,908,555</u>	<u>1,334,307</u>	<u>1,234,411</u>	<u>1,374,944</u>
<b>Total Revenues</b>	<u>8,632,463</u>	<u>9,561,401</u>	<u>6,737,001</u>	<u>7,434,919</u>	<u>9,717,675</u>
<b>Expenses</b>					
Port & Harbor	4,406,311	4,075,045	3,885,187	3,709,842	3,561,815
Water & Sewer	<u>5,318,033</u>	<u>4,737,887</u>	<u>4,615,144</u>	<u>4,250,305</u>	<u>3,889,601</u>
<b>Total Expenses</b>	<u>9,724,344</u>	<u>8,812,932</u>	<u>8,500,331</u>	<u>7,960,147</u>	<u>7,451,416</u>
Increase (decrease) in net assets before transfers	(1,091,881)	748,469	(1,763,330)	(525,228)	2,266,259
Transfers	<u>(149,064)</u>	<u>(459,125)</u>	<u>(110,000)</u>	<u>(50,685)</u>	<u>199,442</u>
<b>Increase (decrease) net assets</b>	<u>(1,240,945)</u>	<u>289,344</u>	<u>(1,873,330)</u>	<u>(575,913)</u>	<u>2,465,701</u>
Beginning net assets	70,447,173	70,157,829	72,031,159	72,607,072	70,141,371
Ending net assets	<u>69,206,228</u>	<u>70,447,173</u>	<u>70,157,829</u>	<u>72,031,159</u>	<u>72,607,072</u>
<b>Change in net assets</b>	<u>\$ (1,240,945)</u>	<u>289,344</u>	<u>(1,873,330)</u>	<u>(575,913)</u>	<u>2,465,701</u>

**CITY OF HOMER, ALASKA**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Governmental Funds</b>										
Reserved	\$ 3,647,097	3,861,879	4,049,335	3,551,320	3,012,150	495,301	167,374	166,446	145,574	113,839
Unreserved	<u>6,647,641</u>	<u>5,432,866</u>	<u>3,601,701</u>	<u>2,532,158</u>	<u>3,219,348</u>	<u>6,077,707</u>	<u>5,756,624</u>	<u>5,523,063</u>	<u>3,368,047</u>	<u>2,992,240</u>
<b>Total Governmental Funds</b>	<b>\$ 10,294,738</b>	<b>9,294,745</b>	<b>7,651,036</b>	<b>6,083,478</b>	<b>6,231,498</b>	<b>6,573,008</b>	<b>5,923,998</b>	<b>5,689,509</b>	<b>3,513,621</b>	<b>3,106,079</b>
<b>Change in Fund Balances</b>	999,993	1,643,709	1,567,558	(148,020)	(341,510)	649,010	234,489	2,175,888	407,542	30,802
<b>Percentage of Change</b>	10.8%	21.5%	25.8%	-2.4%	-5.2%	11.0%	4.1%	61.9%	13.1%	1.0%

**CITY OF HOMER, ALASKA**  
**Changes in Fund Balance - General Fund**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues:</b>										
Taxes	\$ 7,440,149	6,922,637	6,195,352	4,603,632	4,361,019	3,962,127	3,504,746	3,382,688	3,327,801	3,042,702
Licenses and permits	43,765	46,096	42,717	88,411	18,930	17,000	12,520	10,042	143,271	55,244
Intergovernmental	1,482,436	611,153	765,957	547,114	680,330	765,845	784,840	781,218	355,322	412,066
Fines and forfeitures	19,941	19,435	23,269	24,444	36,321	35,577	19,489	25,044	-	1,563,540
Charges for services	2,382,465	2,136,838	2,183,048	2,028,181	1,991,495	2,045,851	1,393,570	1,326,039	1,527,933	201,534
Investment income	89,191	53,775	30,419	9,002	13,571	45,387	83,189	174,395	160,919	35,709
Special assessments	12,244	7,251	12,711	13,725	25,335	18,197	29,776	49,289	29,889	-
Legal settlement	-	200,404	-	-	-	-	91,930	-	-	-
Miscellaneous	2,931	-	4,821	3,428	-	-	-	-	-	-
<b>Total revenues</b>	<b>\$ 11,473,122</b>	<b>9,997,589</b>	<b>9,258,294</b>	<b>7,317,937</b>	<b>7,127,001</b>	<b>6,889,984</b>	<b>5,920,060</b>	<b>5,748,715</b>	<b>5,545,135</b>	<b>5,310,795</b>
<b>Expenditures:</b>										
General government	\$ 2,584,667	2,219,461	2,621,084	2,388,044	1,747,060	1,688,822	1,684,884	1,449,470	1,421,672	1,534,640
Library	593,027	449,289	368,969	341,287	352,380	331,765	298,541	279,252	284,742	259,443
Public safety	3,543,036	3,256,439	3,014,408	2,852,376	2,663,261	2,427,407	2,164,793	2,043,570	2,608,205	2,198,709
Public works	1,599,874	1,506,099	1,293,092	1,217,189	1,197,669	1,040,359	803,036	691,683	773,563	709,758
Airport	195,680	179,504	146,221	128,278	145,981	124,311	107,541	132,894	134,262	114,317
Parks and recreation	384,697	367,027	327,682	300,281	318,118	386,188	342,943	302,097	217,261	172,243
Community services	235,243	207,858	147,000	146,546	120,000	128,757	109,796	122,359	161,884	181,634
Economic development	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	3,851
<b>Debt service:</b>										
Principal retirement	128,151	204,736	88,360	84,699	39,481	137,625	169,837	159,864	131,301	98,616
Interest and fiscal charges	92,454	24,089	12,056	15,717	10,495	22,613	19,194	32,746	26,528	24,742
<b>Total expenditures</b>	<b>9,356,829</b>	<b>8,414,502</b>	<b>8,018,872</b>	<b>7,474,417</b>	<b>6,594,445</b>	<b>6,287,847</b>	<b>5,700,565</b>	<b>5,213,935</b>	<b>5,759,418</b>	<b>5,297,953</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 2,116,293</b>	<b>1,583,087</b>	<b>1,239,422</b>	<b>(156,480)</b>	<b>532,556</b>	<b>602,137</b>	<b>219,495</b>	<b>534,780</b>	<b>(214,283)</b>	<b>12,842</b>
<b>Other financing sources (uses):</b>										
Proceeds from capital lease	-	46,601	-	-	-	-	-	-	264,945	-
Transfers in	-	20,000	-	-	-	-	-	-	10,000	-
Transfers out	(1,010,183)	(623,743)	(379,460)	(351,047)	(619,700)	(229,522)	(201,485)	(108,700)	(373,022)	(342,314)
<b>Net other financing sources (uses)</b>	<b>(1,010,183)</b>	<b>(557,142)</b>	<b>(379,460)</b>	<b>(351,047)</b>	<b>(619,700)</b>	<b>(229,522)</b>	<b>(201,485)</b>	<b>(108,700)</b>	<b>(98,077)</b>	<b>(342,314)</b>
<b>Net change in fund balance</b>	<b>\$ 1,106,110</b>	<b>1,025,945</b>	<b>859,962</b>	<b>(507,527)</b>	<b>(87,144)</b>	<b>372,615</b>	<b>18,010</b>	<b>426,080</b>	<b>(312,360)</b>	<b>(329,472)</b>
<b>Debt service as a % of noncapital expenditures</b>	<b>2.3%</b>	<b>2.7%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>0.8%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>2.7%</b>	<b>2.3%</b>

**CITY OF HOMER, ALASKA  
Governmental Revenues by Source  
Last Ten Fiscal Years**

<u>Year Ended</u>	<u>Taxes</u>	<u>Licenses &amp; Permits</u>	<u>Inter-governmental</u>	<u>Charges For Services</u>	<u>Fines</u>	<u>Investment Income</u>	<u>Special Assessments and Interest</u>	<u>Other</u>	<u>Donations</u>	<u>Legal Settlements</u>	<u>Total</u>
2007	\$ 8,675,171	\$ 43,765	\$ 1,873,233	\$ 2,382,465	\$ 19,941	\$ 290,987	\$ 14,802	\$ 19,970	\$ 42,256	\$ -	\$ 13,362,590
2006	8,053,574	46,096	2,247,343	2,136,838	19,435	233,998	11,180	24,207	64,412	740,404	13,577,487
2005	7,221,698	42,717	3,740,329	2,183,048	23,269	150,223	15,462	23,362	1,362,374	-	14,762,482
2004	5,623,277	88,411	1,966,565	2,028,181	24,444	47,793	16,517	172,876	170,864	-	10,138,928
2003	5,317,372	18,930	1,354,063	1,991,495	36,321	66,649	39,571	68,973	140,794	-	9,034,168
2002	4,846,727	17,000	1,574,238	2,045,851	35,577	119,310	71,959	369,881	77,081	-	9,157,624
2001	4,281,198	12,520	1,038,386	1,393,570	19,489	198,034	65,682	129,177	-	91,930	7,229,986
2000	4,123,790	10,042	1,119,177	1,326,039	25,044	417,620	121,568	29,116	-	-	7,172,396
1999	4,070,334	12,547	486,130	1,527,933	17,108	254,793	163,446	116,627	-	-	6,648,918
1998	3,722,724	15,557	486,399	1,563,540	33,343	201,534	198,023	53,129	-	-	6,274,249

**CITY OF HOMER, ALASKA**  
**Tax Revenues by Source - Governmental Funds**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales Tax</b>	<b>Total</b>
2007	\$ 2,501,693	\$ 6,173,478	\$ 8,675,171
2006	2,382,936	5,670,638	8,053,574
2005	2,102,170	5,119,528	7,221,698
2004	1,888,761	3,737,944	5,626,705
2003	1,811,202	3,506,170	5,317,372
2002	1,603,317	3,243,410	4,846,727
2001	1,434,826	2,846,372	4,281,198
2000	1,407,579	2,716,211	4,123,790
1999	1,347,712	2,722,622	4,070,334
1998	1,240,627	2,482,097	3,722,724
Percentage Change In Dollars Over 10 Years	101.6%	148.7%	133.0%

**CITY OF HOMER, ALASKA  
Taxable Sales**

<u>Business</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Resource production	\$ 130,275	\$ 117,473	\$ 118,571	\$ 127,658	\$ 96,979	\$ 68,229
Sales	73,832,520	69,685,826	66,585,812	64,421,458	61,669,819	56,694,965
Construction	1,092,606	1,002,124	1,008,689	1,016,622	1,178,825	1,143,680
Property	7,083,552	6,178,499	5,880,695	6,139,463	5,605,925	5,332,901
Tourism	25,868,423	26,870,594	23,845,211	22,495,614	20,732,428	19,188,899
Services	18,207,092	15,186,841	14,546,416	14,523,104	14,034,427	13,133,915
Professional	2,669,585	2,578,844	2,411,633	2,386,438	2,351,152	2,280,076
Utility	4,494,479	4,456,860	3,855,271	3,464,301	3,561,037	3,289,105
Manufacturing	1,402,914	1,002,671	959,822	1,166,080	1,139,927	979,814
Transportation & warehousing	8,304,822	6,549,034	7,309,832	7,120,009	6,353,912	6,476,069
Wholesale	17,120,321	15,733,320	15,190,505	13,251,309	11,340,673	9,103,796
Government	<u>4,079,127</u>	<u>3,939,804</u>	<u>3,948,647</u>	<u>3,821,622</u>	<u>3,664,092</u>	<u>3,601,099</u>
<b>Total</b>	<b>\$ <u>164,285,716</u></b>	<b><u>153,301,890</u></b>	<b><u>145,661,104</u></b>	<b><u>139,933,678</u></b>	<b><u>131,729,196</u></b>	<b><u>121,292,548</u></b>

Data from the Kenai Peninsula Borough Sales Tax Office.  
Due to concerns of releasing proprietary information, similar LOB's have been grouped into categories.

LOB Categories	LOB's included in categories
Resource Production	Agriculture, Forestry, Fishing and Hunting, Mining, Timbering
Sales	Restaurant, Bar, Retail
Construction	Construction
Property	Rentals: Commercial, Residential, Personal Property, Non-residential Property, Trail Court
Tourism	Arts, Entertainment, Recreation, Guiding Land, Guiding Water, Accommodation, Food Service
Services	Administration, Support, Waste Management, Remediation, Educational Services, Financial/Insurance, Information, Other Services, Telecommunication
Professional	Health Social Services, Management of Companies, Enterprises, Professional, Scientific, Technical
Utility	Utilities
Manufacturing	Manufacturing - (Includes oil and gas manufacturing, fish processing)
Transportation & Warehousing	Transportation and Warehousing
Wholesale	Wholesale
Government	Public Administration - (Includes Native Organizations)

**CITY OF HOMER, ALASKA**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

Amounts

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>
2007	\$ 529,610,019	22,203,506	551,813,525
2006	500,195,962	20,345,978	520,541,940
2005	426,736,862	20,711,630	447,448,492
2004	348,552,362	17,324,836	365,877,198
2003	324,818,562	18,320,830	343,139,392
2002	307,199,562	19,730,539	326,930,101
2001	230,947,412	16,277,581	247,224,993
2000	223,830,212	17,663,028	241,493,240
1999	218,639,912	16,005,042	234,644,954
1998	191,928,412	23,381,415	215,309,827

Source: City of Homer Comprehensive Annual Financial Report  
Notes:

- 1 Kenai Peninsula Borough (assessed at 100% of value)
- 2 In 1998, the Kenai Peninsula Borough adopted Borough Ordinance 97-73 that created a flat tax for watercraft, creating \$100,000 personal property tax exemption, and increasing the motor vehicle tax.

**CITY OF HOMER, ALASKA**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**Tax Rates (Mils)**

<u>Fiscal Year</u>	<u>City of Homer</u>	<u>Kenai Peninsula Borough</u>	<u>South Peninsula Hospital Service Area</u>	<u>Kenai Peninsula College</u>	<u>Total</u>
2007	4.50	6.50	1.75	0.10	12.85
2006	4.50	6.50	1.75	0.10	12.85
2005	4.50	6.50	1.75	0.10	12.85
2004	5.00	6.50	1.75	0.10	13.35
2003	5.00	6.50	1.75	0.10	13.35
2002	5.00	6.50	1.75	0.10	13.35
2001	5.50	7.00	1.75	0.10	14.35
2000	5.50	7.50	2.00	0.10	15.10
1999	5.50	8.00	2.00	0.10	15.60
1998	5.50	8.30	2.00	0.08	15.88

Source: City of Homer, Alaska

Notes:

Overlapping rates are those of the City of Homer, Kenai Peninsula Borough, South Peninsula Hospital Service Area (a component unit of KPB), and Kenai Peninsula College that apply to property owners within the City of Homer.

Table 12

**CITY OF HOMER, ALASKA**  
**Principal Tax Payers**  
**December 31, 2007**  
**and December 31, 1998**

Owner	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
ACS of the Northland, Inc	\$ 10,633,297	1	4.25 %	\$ 6,324,435	1	5.10 %
Lands End Acquisition Corp	5,590,800	2	2.23	3,028,638	5	2.44
Tulin Charles E & Helen L	5,191,300	3	2.08	-	-	-
CGF Properties Inc	3,604,900	4	1.44	2,128,762	8	1.72
Homer Spit Properties, LLC	2,860,700	5	1.14	-	-	-
Johnson John R & Judith E	2,763,100	6	1.10	2,847,333	6	2.30
Moore Kenneth D & Roseleen L Trust	2,730,200	7	1.09	-	-	-
Valentin Caspaar, LLC	2,264,800	8	0.91	-	-	-
Wells Fargo Bank	2,215,100	9	0.89	3,688,846	4	2.97
Evarts Investment Company LLC	2,123,500	10	0.85	-	-	-
Circle De Pacific Corporation	-	-	-	5,031,662	2	4.06
Seward Fisheries/Icicle Seafoods	-	-	-	3,802,003	3	3.06
Spenard Builders Supply, Inc FKA	-	-	-	2,248,874	7	1.81
Harbor Enterprises, Inc	-	-	-	2,114,180	9	1.70
Herdon & Thomas Leasing	-	-	-	1,622,700	10	1.31
<b>Total</b>	<b>\$ 39,977,697</b>		<b>15.98</b>	<b>32,837,433</b>		<b>26.47</b>

Source: Kenai Peninsula Borough

Century Telephone Enterprises was acquired by ACS of the Northland Inc  
National Bank of Alaska was acquired by Wells Fargo  
The Bidarka Inn & Hunter Investments is owned by John R & Judith E Johnson

**CITY OF HOMER, ALASKA**  
**Ratios of Annual Debt Service Expenditures for**  
**General Bonded Debt to Total General Fund Expenditures**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Debt Service to General Fund Expenditures</u>
2007	\$ 475,000	\$ 21,082	\$ 496,082	\$ 9,356,829	5.30%
2006	445,000	39,916	484,916	8,414,502	5.76%
2005	420,000	57,766	477,766	8,018,872	5.96%
2004	390,000	73,854	463,854	7,474,417	6.21%
2003	365,000	88,734	453,734	6,594,445	6.88%
2002	345,000	101,831	446,831	6,287,847	7.11%
2001	320,000	115,054	435,054	5,700,565	7.63%
2000	300,000	127,054	427,054	5,213,935	8.19%
1999	265,000	154,913	419,913	5,759,418	7.29%
1998	205,000	220,981	425,981	5,297,953	8.04%

**Note:**

Principal and interest does not include debt service paid by the Water & Sewer, and Port Enterprise Funds.

**CITY OF HOMER, ALASKA**  
**Ratio of Net General Bonded Debt to Assessed Value Net Bonded Debt Per Capita**  
**Last Ten Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Gross Bonded Debt</b>	<b>Debt Service Funds Available</b>	<b>Net Bonded Debt</b>	<b>Percent of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2007	5454	\$ 551,813,525	\$ -	\$ -	\$ -	0.00%	0
2006	5454	520,541,940	475,000	306,848	168,152	0.03%	31
2005	5435	447,448,492	920,000	280,916	639,084	0.14%	118
2004	5332	365,877,198	1,340,000	268,601	1,071,399	0.29%	201
2003	4893	343,139,392	1,730,000	268,068	1,461,932	0.43%	299
2002	4721	326,930,101	2,095,000	259,028	1,835,972	0.56%	389
2001	3946	247,224,993	2,440,000	237,356	2,202,644	0.89%	558
2000	4205	241,493,240	2,460,000	209,678	2,550,322	1.06%	606
1999	4154	234,644,954	3,060,000	568,170	2,491,830	1.06%	600
1998	4126	215,309,827	3,325,000	860,359	2,464,641	1.14%	597

**Note:**

Population per Alaska Department of Community and Economic Development  
Gross Bonded Debt includes all long-term general obligation bonded debt.

**CITY OF HOMER, ALASKA  
Principal Employers - Lower Kenai Peninsula  
2007**

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Source:

Kenai Peninsula Borough:

According to the Kenai Peninsula Borough this information  
can no longer be provided since State of Alaska, House Bill 65 was signed into  
law June 13, 2008, for protection of personal information.

Note:

Comparative principal employers for 1998 is not available.

**CITY OF HOMER, ALASKA**  
**City Employees by Function/Program**  
**Last Ten Years**

<b>Function/program</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Administration	3	3	3	3	3	3	2	2	2	2
City Clerk	4	3	3	3	3	3	3	2	2	2
Community Schools	1	6	-	-	-	-	-	-	-	-
Planning & Zoning	4	4	4	4	3	3	3	3	3	3
Library	7	7	8	8	8	8	9	9	9	7
Finance	8	9	7	7	7	7	7	7	7	7
Human Resources	1	1	1	1	1	1	1	1	1	1
Info Technology	1	1	1	1	1	1	1	1	1	1
Public Safety	30	33	32	32	32	32	28	30	30	30
Public Works	32	34	39	39	40	39	37	34	33	26
Port and Harbor	<u>11</u>	<u>13</u>	<u>18</u>	<u>18</u>						
<b>Total</b>	<b><u>102</u></b>	<b><u>114</u></b>	<b><u>116</u></b>	<b><u>116</u></b>	<b><u>116</u></b>	<b><u>115</u></b>	<b><u>109</u></b>	<b><u>107</u></b>	<b><u>106</u></b>	<b><u>97</u></b>

## Source:

Personnel Office  
12/31/07 Wage Report

**CITY OF HOMER, ALASKA**  
**Demographic and Economic Statistics**  
**Last Ten Years**

	(1)	(2)		(1)	(3)	(2)	
<b>Year</b>	<b>Population</b>	<b>Annual Average Wage Per Worker</b>	<b>Per Capita Income</b>	<b>Total Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2007	5,502	\$ 30,795	\$ 5,725	\$ 169,434	39.7	1,135	6.7%
2006	5,454	31,164	5,714	169,968	38.8	1,119	8.6%
2005	5,435	30,696	5,648	166,833	38.8	1,248	8.6%
2004	5,332	34,663	6,501	184,823	38.8	1,238	11.1%
2003	4,893	33,069	6,758	161,806	38.8	1,250	12.1%
2002	4,721	34,032	7,209	160,665	38.8	1,284	12.0%
2001	3,946	34,584	8,764	136,468	38.8	1,276	10.6%
2000	4,205	32,275	7,675	135,716	32.4	1,311	10.2%
1999	4,154	30,523	7,348	126,793	32.4	1,343	10.5%
1998	4,126	30,050	7,283	123,986	32.4	1,321	9.8%

## Sources:

- (1 Alaska Department of Community and Economic Development
- (2 State of Alaska, Department of Labor
- (3 Kenai Peninsula Borough School District

**CITY OF HOMER, ALASKA**  
**Miscellaneous Statistical Data**  
**December 31, 2007**

Date of Incorporation	March 31, 1964
Authority for Incorporation	State of Alaska Borough Act of 1961
Form of Government	Council/Manager
Area in Square Miles	25
Miles of City Maintained Streets	46.5
Emergency Services:	
Number of Stations	1
Number of Employees, inclusive of volunteers	39
Police Protection:	
Number of Stations	1
Number of Employees	24
Municipal Water Department:	
Number of Consumers	1,406
Water Usage (in millions of gallons)	137
Miles of Water Lines	42
Municipal Sewer Department:	
Number of Consumers	1,354
Miles of Sewer Lines	49
Building Permits Issued	87
Parks:	
Number of Parks (220.57 acres)	18
Library:	
Number of Printed Books	32,105
Number of Audio Books	625
Number of Magazine/Newspaper Subscriptions	115
City Employees as of December 31, 2007 (full & part-time)	
Permanent - Full Time	100
Permanent - Part Time	7
Temporary - Temporary	16
Elections:	
Number of Registered Voters	4,172
Number of Voters who Cast Ballots in Last General Election	1,194
Percentage of Registered Voters Voting in Last General Election	28.6%
Demographics:	
Median Age (1)	39
Average Annual Wage per Worker	31,164
School Enrollment, City of Homer (3)	1,119
Unemployment Rate - Borough-Wide (2)	8.6%
Homeownership (1)	62.3%
Population	5,454

- (1) Alaska Department of Community & Economic Development  
(2) State of Alaska, Department of Labor (preliminary number)  
(3) Kenai Peninsula Borough School District

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## **IV. SINGLE AUDIT**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council  
City of Homer, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska, as of and for the year ended December 31, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 18, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and City Council  
City of Homer, Alaska

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of City of Homer's management, Honorable Mayor and City Council, federal awarding agencies and pass-through entities, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 18, 2008

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council  
City of Homer, Alaska

Compliance

We have audited the compliance of City of Homer, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City of Homer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Homer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Homer's compliance with those requirements.

In our opinion, City of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Honorable Mayor and City Council  
City of Homer, Alaska

Internal Control Over Compliance

The management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Homer's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Homer's management, Honorable Mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 18, 2008

**CITY OF HOMER, ALASKA**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2007**

There were no prior year audit findings.

**CITY OF HOMER, ALASKA**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2007**

**AUDIT RESULT**

**I. Summary of Auditor's Results:**

**Financial Statements:**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified?

\_\_\_yes x no

- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_yes x none reported

Noncompliance material to financial statements noted?

\_\_\_ yes x no

**Federal Awards:**

Internal control over major programs:

- Material weaknesses identified?

\_\_\_yes x no

- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_yes x none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_yes x no

**Major programs:**

<u>Agency</u>	<u>CFDA Number</u>	<u>Program</u>
Environmental Protection Agency	66.458	Alaska Clean Water Loan: Sewer Service Extension II
Environmental Protection Agency	66.468	Drinking Water Loan: Water Service Extensions, Phase II

Dollar threshold used to distinguish between Type A and B programs

\$300,000

Low-risk auditee

Yes

**II. Financial Statement Findings**

None noted

**III. Federal Awards Findings and Questioned Costs**

None noted

**CITY OF HOMER, ALASKA**

**Corrective Action Plan**

**Year Ended December 31, 2007**

**There are no current year findings; therefore no corrective action plan is required.**

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council  
City of Homer, Alaska

Compliance

We have audited the compliance of City of Homer with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended December 31, 2007. City of Homer's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Homer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Homer's compliance with those requirements.

In our opinion, City of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Homer's internal control over compliance.

Honorable Mayor and City Council  
City of Homer, Alaska

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Homer's management, Honorable Mayor and City Council, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 18, 2008