

# City of Homer



## **Comprehensive Annual Financial Report**

YEAR ENDED DECEMBER 31, 2005

# CITY OF HOMER, ALASKA

## Comprehensive Annual Financial Report

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*City of Homer*

*Homer, Alaska*

June 4, 2006

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, 2005. 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, 2005, 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, 2005, 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.

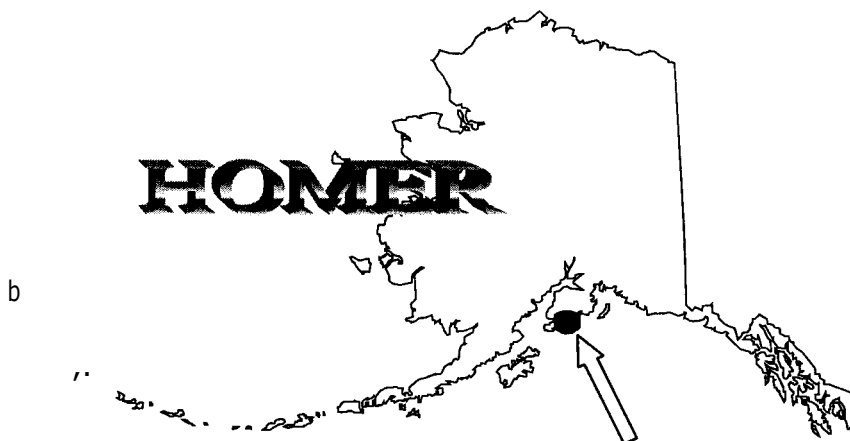
Also included in the Financial Section is management's discussion and analysis (MD&A) that provides users of the basic financial statements a narrative introduction, overview, and analysis of those statements. The basic financial statements, including the accompanying notes, represent the core of the 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 a number of 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 2005 and 2006 construction seasons, capital projects-planned, completed, or in progress-include the following.

- **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 Program (HARP), as initiated through Local Improvement Districts.

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<sup>1</sup> Financial policies can be located beginning on page xv of the City of Homer Annual 2006 Budget.



- Hillside Acres water and sewer LID. This project was completed in 2005.
- Thompson Drive and East End Road sewer LIDs. These projects were bid with the Alaska DOT East End Road reconstruction project, completed in late summer 2005. East End Road water and sewer extensions to Kachemak Drive. In coordination with the ADOT East End Road project, the City's existing water and sewer main was extended to Kachemak Drive in 2005. Other improvements included replacement of old PVC water main within project limits. Kachemak City and adjacent residents are funding a portion of the sewer main.
- Kachemak Drive sewer and water improvements, Phase 1. This LID project will extend sewer improvements from Ocean Drive to the vicinity of the Homer Airport. Construction is expected to be completed by the end of summer 2006. Phase 2 will extend water and sewer service to properties on Kachemak Drive south of East End road. Design work will begin in summer 2006 with construction anticipated in 2007-2008.
- Ocean Drive Loop sewer improvements. Construction for this LID project is expected to be completed by late summer 2006.
- Spruceview/Noview LID road construction. Work will be completed in late summer 2006.
- Repaving six City streets. HARP funds will be used to repave major portions of Main Street, Bayview Avenue, Kachemak Way, and Heath Street; and the entire length of Ben Walters Lane and Rochelle Road in summer 2006. These repaving projects will include a wider pavement section to serve as pedestrian walkways.
- Heath Street extension. This project from Pioneer Avenue to Anderson Street will be designed over the next two years, with construction anticipated in 2008.
- Water Treatment Plant improvements. This project will improve Homer's capacity to meet increasingly stringent drinking water quality regulations and increasing demands for water over the next 20 years. Design work will be completed in 2006 with construction in 2007.
- Deep Water Dock expansion. \$2 M in federal funding and \$1.7 M in state funding has been secured for this project so far. Design work and feasibility analysis will be accomplished in 2006-2007.
- New Homer Public Library. Construction at the Hazel Avenue site began in late May 2005. A grand opening is planned for mid-September 2006.
- Large equipment storage shed at Public Works. The 12-bay storage shed was constructed by Public Works employees during summer 2005.
- New Homer City Hall. The Alaska Legislature appropriated \$2 M for FY 2007 for this project. Design work will begin after a specific site in Town Center is identified.
- **Kenai Peninsula Borough projects**
  - South Peninsula Hospital expansion. Construction for this \$20+M project is expected to begin in spring 2007.

- **State of Alaska projects**

- East End Road rehabilitation, Pioneer Ave. to Kachemak Drive. This project, completed in late summer 2005, included construction of a separated paved trail. The 2006-2008 State Transportation Improvement Plan (STIP) calls for work to continue from Kachemak Drive to McNeil Canyon School.
- Bartlett/Hohe Street upgrades. This work, completed in fall 2005, also provided paved sidewalks along the streets.
- Paving Skyline Drive East. This project, to be completed in summer 2006, will extend pavement on Skyline Drive from East Hill Road to Ohlsen Mt. Road.
- Kenai Peninsula College/Kachemak Bay Campus expansion. This major expansion project was completed in summer 2005.
- Homer Airport expansion. If funding and permitting requirements are met, this \$30 M project will provide a parallel taxiway to the existing runway, construct a public use helipad, and expand parking, among other improvements. In addition, it will provide a new transient floatplane parking dock plus an access road and boathouse for Beluga Lake floatplane haul-out.

- **Major private projects**

- Seldovia Village Tribe Health Center. This project on East End Road was completed in 2005.
- Kenai Peninsula Housing Initiatives Brookside Project. This 8-unit housing project for people with disabilities was constructed on Mattox Street in 2005.
- Various private development subdivision projects. Homer has seen a significant increase in private residential development within City limits since 2005, including subdivision approvals for Stream Hill Park, Barnett's South Slope/Quiet Creek Park, and Foothills/Sunset View Estates.
- Fred Meyer retail center. Plans for a 66,000 square foot Fred Meyer store have been submitted to the City of Homer for approval. The store would be the first major development in Homer's new "Town Center."

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 really 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 2005, there was a total of 23.4 million pounds of fish delivered to the Homer docks. These included halibut (13,633,196), grey cod (2,914,000), black cod (2,278,000) and salmon (7,534,000).

### **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 will provide 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 started on the adult softball complex at Jack Gist Park and will be ongoing through the 2006 construction season. New swing sets have been installed at Jeffrey Park, and are scheduled for installation at Ben Walters Park. The Parks and Recs Division is also continuing the Beautification Program by providing reduced cost plants to area businesses for the tourist season.

### **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 2006 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 three-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.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 9,392	9,080	15,690	15,626	25,082	24,706
Buildings	7,256	6,321	12,236	13,129	19,492	19,450
Improvements other than buildings	450	457	38,875	38,041	39,325	38,498
Machinery & equipment	1,913	2,102	2,077	2,147	3,990	4,249
Infrastructure	17,035	16,440	198	154	17,233	16,594
Construction in progress	<u>4,731</u>	<u>2,001</u>	<u>5,017</u>	<u>3,775</u>	<u>9,748</u>	<u>5,776</u>
Total capital assets	\$ <u>40,777</u>	<u>36,401</u>	<u>74,093</u>	<u>72,872</u>	<u>114,870</u>	<u>109,273</u>

Major capital asset events during the 2005 year included:

- New animal shelter
- Pole barn
- Bridge Creek reservoir

Construction in progress associated with business-type activities includes the Hillside Acres Project and the PRV (Pressure Reducing Valve Project). Construction in progress for the governmental activities includes the construction of the new library and Jack Gist Park.

Additional information on the City's capital assets can be found in note 5 on pages 37-38 of this report.

**Table A-4**  
**City of Homer's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
GO bonds	\$ 920	1,340	-	-	920	1,340
Revenue bonds	-	-	870	1,105	870	1,105
Special assessment bonds	10	15	-	-	10	15
Notes payable	-	-	7,479	5,138	7,479	5,138
Capital leases	<u>212</u>	<u>301</u>	-	-	<u>212</u>	<u>301</u>
Total	1,142	1,656	8,349	6,243	9,491	7,899
Compensated absences	370	393	247	251	617	644
Net pension obligation	501	226	233	102	734	328
Loss on refinancing	-	-	<u>(29)</u>	<u>(38)</u>	<u>(29)</u>	<u>(38)</u>
Total long-term debt	\$ <u>2,013</u>	<u>2,275</u>	<u>8,800</u>	<u>6,558</u>	<u>10,813</u>	<u>8,833</u>

Long-term debt - At the end of the 2005 year, the City of Homer had total bonded debt outstanding of \$9,491 as detailed in Table A-4. This excludes \$617 related to compensated absences, \$734 for net pension obligation and \$29 of deferred loss on refunding bonds.

## 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 PI 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, 2004.

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.

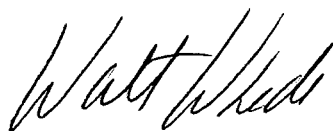
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

### Acknowledgements

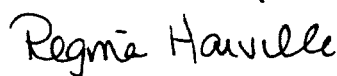
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the City of Homer. We would like to particularly express our appreciation to Lisa Vaughn, Laurel Moore, Michele McCandlish, Joanne Perret, Jo Earls and Lori Sorrows of the 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**

Doug Stark

Mary E. (Beth) Wythe

Matt Shadle

Val McLay

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

Mary Calhoun

Regina Harville

Bob Painter

Helen Hill

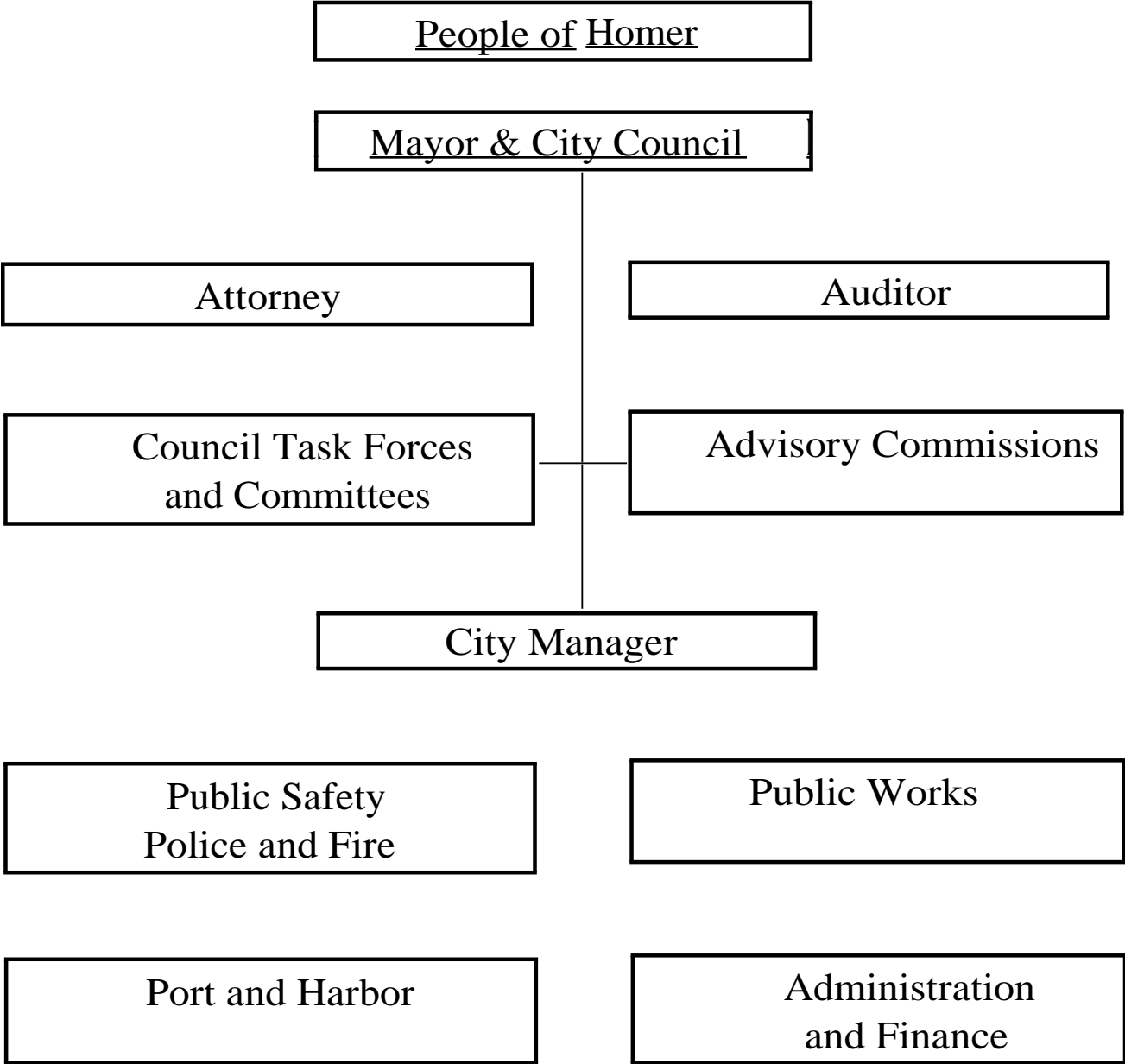
Whitney "Beth" McKibbon

Mark Robl

Steve Dean

Carey Meyer

# City of Homer Organizational Chart





# 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, 2004

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

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# MIKUNDA, COTTRELL & CO.

*A Professional Corporation*

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

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[www.mcc-cpa.com](http://www.mcc-cpa.com)

## 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, 2005 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, 2005, 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.

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.

Honorable Mayor and  
Members of the City Council

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2006, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 and 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.

April 14, 2006

## CITY OF HOMER

### Management's Discussion and Analysis

December 31, 2005

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, 2005. 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

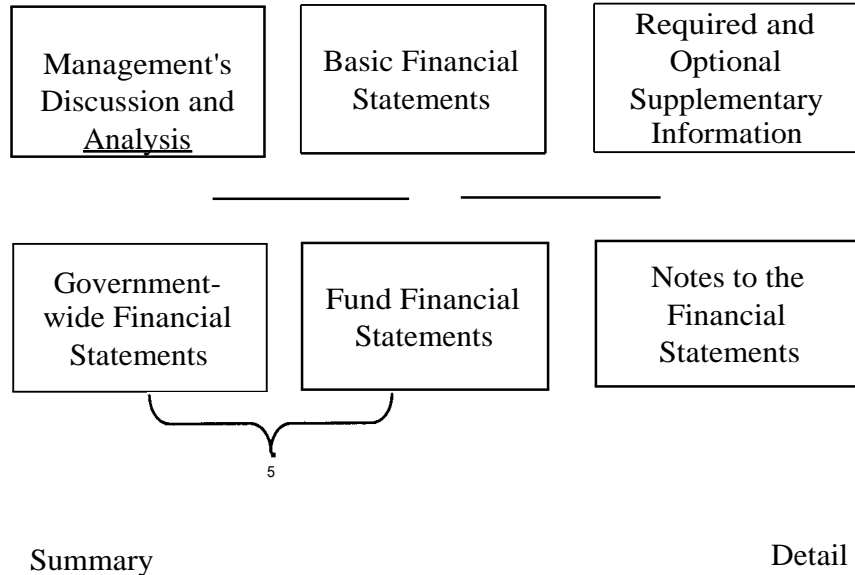
- The City's assets exceeded its liabilities at the close of the 2005 fiscal year by \$117,480. This amount represents an increase over the previous year by \$4,466. This increase in net assets is attributed to operating revenues exceeding operating expenses in the City's governmental funds.
- As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$7,651, an increase of \$1,568. The increase is a result of operating revenues exceeding operating expenditures in the City's governmental funds.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,186 or 27.3% of total fund expenditures.
- At year-end, the City of Homer's outstanding debt totals \$10,813, an increase of \$1,980 from the previous year.

#### 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**

	Fund Statements		
	Government-wide Statements	Governmental Funds	<u>Proprietary Funds</u>
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 financial 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 twelve 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 the 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 an internal service fund to account for its self-insured health benefits.

The proprietary fund financial statements provide separate information for Homer's port & harbor and utility system, 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 27-48 of this report.

### **Government-wide Financial Analysis**

At the close of the 2005 fiscal year, the City's net assets (assets exceeding liabilities) totaled \$117,480 (see Table A-1). Of this amount \$105,435, or 89.7%, 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 \$3,769 in the governmental activities is for debt service and capital projects. In the business-type activities, the balance of \$2,870 is also for debt service and capital projects. The unrestricted amount totals \$5,406, 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, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

	<b>Governmental Activities</b>		<b>Business - Type Activities</b>		<b>Total Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current and other assets	\$10,461	7,532	6,442	7,836	16,903	15,368
Capital assets	40,777	36,401	74,093	72,872	114,870	109,273
Total assets	<u>51,238</u>	<u>43,933</u>	<u>80,535</u>	<u>80,708</u>	<u>131,773</u>	<u>124,641</u>
Long-term liabilities						
outstanding	2,013	2,275	8,800	6,972	10,813	9,247
Other liabilities	1,903	675	1,577	1,705	3,480	2,380
Total liabilities	<u>3,916</u>	<u>2,950</u>	<u>10,377</u>	<u>8,677</u>	<u>14,293</u>	<u>11,627</u>
Net assets:						
Invested in capital assets, net of related debt	39,634	34,745	65,801	66,667	105,435	101,412
Restricted	3,769	3,237	2,870	2,316	6,639	5,553
Unrestricted	3,919	3,001	1,487	3,048	5,406	6,049
Total net assets	<u>\$47,322</u>	<u>40,983</u>	<u>70,158</u>	<u>72,031</u>	<u>117,480</u>	<u>113,014</u>

As reflected in Table A-2, the City's net assets increased by \$4,466, or less than 4% during the 2005 fiscal year. Revenues exceeded expenses in the governmental activities by \$6,339 and expenses exceeded revenues in the business-type activities by \$1,873. Key elements of the increases and decreases follow:

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Program revenues:</b>						
Charges for services	\$ 1,193	1,573	5,113	5,249	6,306	6,822
Operating grants and contributions	729	402			729	402
Capital grants and contributions	4,361	1,273	290	951	4,651	2,224
<b>General revenues:</b>						
Property taxes	2,092	1,889			2,092	1,889
Sales taxes	5,120	3,770	1,031	1,020	6,151	4,790
Other	376	207	303	215	679	422
Total revenues	<u>\$ 13,871</u>	<u>9,114</u>	<u>6,737</u>	<u>7,435</u>	<u>20,608</u>	<u>16,549</u>

**Table A-2  
City of Homer's Change in Net Assets, continued**

	Governmental Activities		Business-Type Activities		Total Activities	
	2005	2004	2005	2004	2005	2004
Expenses:						
General government	\$1,800	1,870			1,800	1,870
Public safety	3,322	3,102		-	3,322	3,102
Public works	1,066	2,137			1,066	2,137
Library	294	473		-	294	473
Airport	149	173			149	173
Parks and recreation	357	377	-		357	377
Community service contributions	583	181		-	583	181
Unallocated interest	71	91			71	91
Port and harbor			3,885	3,710	3,885	3,710
Water and sewer			4,615	4,250	4,615	4,250
Total expenses	7,642	8,404	8,500	7,960	16,142	16,364
Increase (decrease) in net assets before transfers	6,229	710	(1,763)	(525)	4,466	185
Transfers	110	51	(110)	(51)		
Increase (decrease) in net assets	6,339	761	(1,873)	(576)	4,466	185
Beginning net assets	40,983	40,222	72,031	72,607	113,014	112,829
Ending net assets	\$47,322	40,983	70,158	72,031	117,480	113,014

### **Governmental Activities**

Governmental activities increased the City of Homer's net assets by \$6,339 which is due in part 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. The City's sales tax collections in fiscal year 2005 increase by \$1,350, or 35.8% higher than amounts received in 2004. Property taxes increased by \$203 or 10.7% from the previous year. These increases in revenue were conservatively anticipated in the City's 2005 budget. Despite the increases in revenue, our program activities did not experience much growth as we had another year of increases in our insurance and benefit expenses.

Property taxes reflect the increase in construction and assessed values. The last few years have seen a definite increase in the building of homes and businesses. This is now being 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 \$40, and the second part was direct contributions to the museum for \$80, and Community Schools for \$27.

### **Business-Type Activities**

The City's business-type activities resulted in a \$1,873 decrease in net assets. Port and harbor activities contributed \$1,184 to the decrease, while the Utility (water and sewer) activities contributed \$732 to the decrease, and an increase of \$43 was attributed to the internal service fund.

*Port and Harbor Program* revenues in 2005 totaled \$2,576 including \$68 in capital grants. This is a decrease of \$827 from 2004, primarily caused by a significant decrease in capital grants which totaled \$723 for 2004.

- Port and harbor operating revenues were \$172 lower than the previous year. The Gates lease was lost in 2005 reflecting lost revenue of \$174.
- Port and harbor net non-operating revenues increased \$168. This is attributed to the increase in litigation settlements and funds received for PERS relief from the State of Alaska;
- Port and harbor capital contributions were \$68 due to state and federal grants to complete restrooms and the launch ramp;
- Unrestricted net assets of the Port and Harbor Fund at the end of the year amounted to a deficit of (\$715).

The *Utility Program* revenues in 2005 totaled \$2,827 including \$221 in capital grants. This is an increase of \$30 from 2004, primarily caused by an increase in water charges and connection fees which totaled \$1,344 for 2005. The decrease in net assets related to the Utility system were a result of:

- Utility operating revenues that were \$36 higher than the previous year due to an increased customer base in 2005;
- Utility net non-operating revenues increased \$145 mainly as a result of an increase in sales tax revenue, an increase of investment income of \$30, and a decrease in interest expense of \$87;
- Utility operating expenses totaled \$4,378, an increase of \$459 from 2004. Water expenses increased by \$203 and sewer expenses increased by \$87. This is primarily due to an increase in salaries, fuel and chemical costs. Depreciation also increased by \$169;
- Utility Fund reported unrestricted net assets of \$2,232.

### **Internal Service Fund**

The City also maintains an *Internal Service Fund* to account for the self-insured employee health plan. At the end of 2005, there was a deficit in net assets of \$89, compared to a deficit of \$229 at the end of 2004.

## **Financial Analysis of the Government 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, 2005, the City's governmental funds reported combined ending fund balances of \$7,651, an increase of \$1,568 compared to balances a year earlier. Of the ending balance, \$2,186, or 28.6% is unreserved and undesignated and is available to the City for future spending. Most of the remaining fund balance is reserved or designated for debt service and capital projects (\$5,205), reserved for inventory and prepaid items (\$281), or designated for the interfund loan for the animal shelter (\$400). The increase in total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$8,398 compared to revenues of \$9,253. The \$855 increase in the General Fund fund balance was \$824 more than the final budgeted increase of \$31.
- The City maintains five 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 fund balances of the capital project funds were increased by \$1,182.

## **General Fund Budgetary Highlights**

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

- Original revenue budget was \$6,814; final \$8,012; net increase of \$1,198.
- Original expenditure budget was \$7,699; final \$7,756; net increase of \$57.

The budgeted revenues and other sources over expenditures and other uses was increased from \$31 to \$855.

## **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, 2005, totals \$115 (net of accumulated depreciation). This amount represents a \$6 increase over the previous year and is attributed primarily to the construction in process on the new library.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 9,392	9,080	15,690	15,626	25,082	24,706
Buildings	7,256	6,321	12,236	13,129	19,492	19,450
Improvements other than buildings	450	457	38,875	38,041	39,325	38,498
Machinery & equipment	1,913	2,102	2,077	2,147	3,990	4,249
Infrastructure	17,035	16,440	198	154	17,233	16,594
Construction in progress	<u>4,731</u>	<u>2,001</u>	<u>5,017</u>	<u>3,775</u>	<u>9,748</u>	<u>5,776</u>
Total capital assets	\$ <u>40,777</u>	<u>36,401</u>	<u>74,093</u>	<u>72,872</u>	<u>114,870</u>	<u>109,273</u>

Major capital asset events during the 2005 year included:

- New animal shelter
- Pole barn
- Bridge Creek reservoir

Construction in progress associated with business-type activities includes the Hillside Acres Project and the PRV (Pressure Reducing Valve Project). Construction in progress for the governmental activities includes the construction of the new library and Jack Gist Park.

Additional information on the City's capital assets can be found in note 5 on pages 37-38 of this report.

**Table A-4**  
**City of Homer's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
GO bonds	\$ 920	1,340	-	-	920	1,340
Revenue bonds	-	-	870	1,105	870	1,105
Special assessment bonds	10	15	-	-	10	15
Notes payable	-	-	7,479	5,138	7,479	5,138
Capital leases	<u>212</u>	<u>301</u>	<u>-</u>	<u>-</u>	<u>212</u>	<u>301</u>
Total	1,142	1,656	8,349	6,243	9,491	7,899
Compensated absences	370	393	247	251	617	644
Net pension obligation	501	226	233	102	734	328
Loss on refinancing	<u>-</u>	<u>-</u>	<u>(29)</u>	<u>(38)</u>	<u>(29)</u>	<u>(38)</u>
Total long-term debt	\$ <u>2,013</u>	<u>2,275</u>	<u>8,800</u>	<u>6,558</u>	<u>10,813</u>	<u>8,833</u>

Long-term debt - At the end of the 2005 year, the City of Homer had total bonded debt outstanding of \$9,491 as detailed in Table A-4. This excludes \$617 related to compensated absences, \$734 for net pension obligation and \$29 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 \$3,431 and \$3,417, respectively. And in August 2003, the City entered into another agreement with ADEC for a Clean Water Loan of \$150. These loans are a combination of federal and state monies. The Clean Water loans bear interest at 1.5% and the Drinking Water loan bears interest at 2.5%. Loan repayments began one year following completion of the plans and specifications or initiation of operation of the facilities.

The City of Homer issues bonded debt through the State of Alaska Municipal Bond Bank. The State of Alaska Municipal 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 39-41 of this report.

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

- In March 2005, city residents approved a 1 % increase to the sales tax charged on goods and services, an increase from 3.5% to 4.5%.
- Due to the increase in the sales tax rate, the City Council reduced the property tax mill rate from 5.5 mills to 4.5 mills in 2005.
- The City is constructing a new Library in 2005/2006 which will increase our O & M cost as this facility comes on line.
- The new Animal Shelter was open for operations in 2005.

These various factors were taken into consideration in the development of the City's 2006 annual budget. The annual budget is adopted for the General, Port and Harbor, and Utility Funds. Major aspects of the adopted 2006 budget include:

- An increase to rates associated with the *Sewer consumption* being increased from \$8.12 per thousand gallons to \$8.77 per thousand gallons;
- A decrease to *Water Consumption rates*. In 2005 the rate was \$5.25 per 1000 gallons, and in 2006 it is \$5.01 per 1000 gallons;
- A 2% *Cost of living* increase was budgeted for in 2006.
- The City was notified by the state retirement system that our *PERS* rates will be increasing by 5%.

### **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)

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**BASIC FINANCIAL STATEMENTS**

## CITY OF HOMER, ALASKA

## Statement of Net Assets

December 31, 2005

Assets	Governmental Activities	Business- type Activities	Total
Cash and investments	\$ 6,653,821	695,282	7,349,103
Receivables, net of allowance for doubtful accounts:			
Accounts		447,137	447,137
Sales and property taxes	955,523	178,938	1,134,461
State and federal grants	1,327,650	1,081,338	2,408,988
Assessments	903,607	795,807	1,699,414
Litigation settlement	-	367,511	367,511
Other	207,715	-	207,715
Internal balances	132,291	(132,291)	-
Inventory	40,459	225,871	266,330
Prepaid items	240,284	64,227	304,511
Restricted cash and investments		2,691,307	2,691,307
Bond issuance costs, net		26,971	26,971
Capital assets not being depreciated - land and construction in progress	14,122,487	20,707,542	34,830,029
Other capital assets, net of accumulated depreciation	26,654,243	53,385,547	80,039,790
<b>Total assets</b>	<b>\$ 51,238,080</b>	<b>80,535,187</b>	<b>131,773,267</b>
<b>Liabilities</b>			
Accounts payable	1,736,681	383,479	2,120,160
Accrued payroll and related liabilities	137,060	42,394	179,454
Accrued interest		154,531	154,531
Prepaid rentals and deposits		582,858	582,858
Unearned revenue	13,045	18,000	31,045
Noncurrent liabilities:			
Unearned revenue	15,857	396,000	411,857
Due within one year:			
Accrued leave	62,558	25,519	88,077
Notes payable	-	311,881	311,881
Bonds payable	450,280	250,000	700,280
Capital lease obligations	92,393	-	92,393
Due in more than one year:			
Accrued leave	307,084	221,649	528,733
Notes payable	-	7,167,200	7,167,200
Bonds payable, net of deferred loss	480,247	590,366	1,070,613
Capital lease obligations	119,864	-	119,864
Net pension obligation	500,933	233,481	734,414
<b>Total liabilities</b>	<b>3,916,002</b>	<b>10,377,358</b>	<b>14,293,360</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	39,633,946	65,800,613	105,434,559
Restricted for debt service and capital projects	3,768,592	2,870,245	6,638,837
Unrestricted	3,919,540	1,486,971	5,406,511
<b>Total net assets</b>	<b>47,322,078</b>	<b>70,157,829</b>	<b>117,479,907</b>
<b>Total liabilities and net assets</b>	<b>51,238,080</b>	<b>80,535,187</b>	<b>131,773,267</b>

See accompanying notes to basic financial statements.

## CITY OF HOMER, ALASKA

## Statement of Activities

Year Ended December 31, 2005

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	\$ 1,800,060	433,860	30,000	247,884	(1,088,316)		(1,088,316)
Public safety	3,322,075	389,826	544,409	121,992	(2,265,848)		(2,265,848)
Public works	1,066,319	61,572		-	(1,004,747)		(1,004,747)
Library	293,831	-	154,831	3,507,733	3,368,733		3,368,733
Airport	149,341	125,316	-	-	(24,025)		(24,025)
Parks and recreation	356,721	181,924		483,859	309,062		309,062
Community services	582,677			-	(582,677)		(582,677)
Unallocated interest	70,829			-	(70,829)		(70,829)
Total governmental activities	7,641,853	1,192,498	729,240	4,361,468	(1,358,647)		(1,358,647)
<b>Business-type:</b>							
Port and harbor	3,885,187	2,507,815		68,090		(1,309,282)	(1,309,282)
Water and sewer utility	4,615,144	2,605,377		221,412		(1,788,355)	(1,788,355)
Total business-type activities	8,500,331	5,113,192		289,502	-	(3,097,637)	(3,097,637)
Total	16,142,184	6,305,690	729,240	4,650,970	(1,358,647)	(3,097,637)	(4,456,284)
<b>General revenues:</b>							
Taxes:							
Property taxes				\$ 2,091,977	-		2,091,977
Sales taxes				5,119,528	1,031,167		6,150,695
Grants and entitlements not restricted to a specific purpose				225,879	-		225,879
Investment income				150,223	101,060		251,283
Other				-	202,080		202,080
Transfers				110,000	(110,000)		-
Total general revenues and transfers				7,697,607	1,224,307		8,921,914
Changes in net assets					6,338,960	(1,873,330)	4,465,630
Beginning net assets					40,983,118	72,031,159	113,014,277
Ending net assets				\$ 47,322,078	70,157,829		117,479,907

See accompanying notes to basic financial statements.

## CITY OF HOMER, ALASKA

Governmental Funds

Balance Sheet

December 31, 2005

Assets	Major Funds			Total Governmental Funds
	General	City Facilities Capital Protect	Nonmajor Funds	
Cash and investments	\$ 1,601,782		5,052,039	6,653,821
Receivables, net of allowance for doubtful accounts:				
Property taxes	61,928			61,928
Sales taxes	714,657		178,938	893,595
Assessments	901,377		2,230	903,607
State and federal grants	-	1,327,650		1,327,650
Other	159,684		15,963	175,647
Due from other funds	674,672			674,672
Inventory	40,459			40,459
Prepaid items	240,284			240,284
<b>Total assets</b>	<b>\$ 4,394,843</b>	<b>1,327,650</b>	<b><u>5,249,170</u></b>	<b>10,971,663</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	406,521	1,253,807		1,660,328
Accrued payroll and related liabilities	132,746	2,658	1,656	137,060
Deferred revenue	71,190	3,783	-	74,973
Deferred assessments	901,377		2,230	903,607
Due to other funds		489,198	39,604	528,802
Deposits	15,857			15,857
<b>Total liabilities</b>	<b>1,527,691</b>	<b>1,749,446</b>	<b>43,490</b>	<b>3,320,627</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
Debt service and capital projects			3,768,592	3,768,592
Inventory and prepaid items	280,743			280,743
<b>Unreserved:</b>				
<b>Designated:</b>				
Interfund loan for animal shelter	400,000			400,000
<b>Special revenue funds:</b>				
Library			8,982	8,982
Fire department			15,522	15,522
Animal shelter			10,088	10,088
Capital project funds - capital outlay			1,435,923	1,435,923
<b>Undesignated:</b>				
General Fund	2,186,409			2,186,409
Capital Project Funds (deficit)		(421,796)	(33,427)	(455,223)
<b>Total fund balances (deficit)</b>	<b>2,867,152</b>	<b>(421,796)</b>	<b>5,205,680</b>	<b>7,651,036</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,394,843</b>	<b>1,327,650</b>	<b>5,249,170</b>	<b>10,971,663</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, 2005

Total fund balances for governmental funds \$ 7,651,036

Total net assets reported for governmental activities in the  
Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of:

Land	\$ 9,391,788	
Buildings	7,256,076	
Improvements other than buildings	449,618	
Machinery and equipment	1,913,136	
Infrastructure	17,035,413	
Construction in progress	4,730,699	
Total capital assets		40,776,730

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent property taxes receivable	61,928	
Special assessments not yet due	903,607	
Total other long-term assets		965,535

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.

(57,864)

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:

General obligation bonds payable	(920,000)	
Capital lease obligations	(212,257)	
Special assessment bonds payable	(10,527)	
Accrued leave	(369,642)	
Net pension obligation	(500,933)	
Total long term liabilities		(2,013,359)

Total net assets of governmental activities \$ 47,322,078

**CITY OF HOMER, ALASKA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended December 31, 2005

	Major Funds			
	General	City Facilities Capital Pro'ect	Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 2,102,170			2,102,170
Sales taxes	4,088,361		1,031,167	5,119,528
Licenses and permits	42,717		-	42,717
Intergovernmental	765,957	2,908,286	66,086	3,740,329
Charges for services	2,183,048		-	2,183,048
Special assessments	12,711		2,751	15,462
Investment income	30,419	13,867	105,937	150,223
Fines and forfeitures	23,269		-	23,269
Donations		1,210,298	152,076	1,362,374
Other	4,821	9,782	8,759	23,362
Total revenues	9,253,473	4,142,233	1,366,776	14,762,482
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,621,084	4,390	64,056	2,689,530
Public safety	3,014,408	14,408	24,870	3,053,686
Public works	1,293,092	51,450	147,351	1,491,893
Library	368,969		5,963	374,932
Airport	146,221		-	146,221
Parks and recreation	327,682		10,677	338,359
Community services	147,000	435,677		582,677
<b>Debt service:</b>				
Principal	88,360		425,280	513,640
Interest	12,056		58,773	70,829
Capital outlay		3,797,714	245,443	4,043,157
Total expenditures	8,018,872	4,303,639	982,413	13,304,924
Excess of revenues over (under) expenditures	1,234,601	(161,406)	384,363	1,457,558
<b>Other financing sources (uses):</b>				
Transfers in		711,602	1,786,659	2,498,261
Transfers out	(379,460)	(902,187)	(1,106,614)	(2,388,261)
Net other financing sources (uses)	(379,460)	(190,585)	680,045	110,000
Net change in fund balances	855,141	(351,991)	1,064,408	1,567,558
Beginning fund balances (deficit)	2,012,011	(69,805)	4,141,272	6,083,478
Ending fund balances (deficit)	\$ 2,867,152	(421,796)	5,205,680	7,651,036

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, 2005

Net change in fund balances - total governmental funds	\$ 1,567,558
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 (\$5,243,761) exceeded depreciation (\$1,116,253).	4,127,508
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	247,884
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.	36,470
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$513,640) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net assets.	513,640
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.	
Decrease in accrued leave	\$ 22,847
Increase in net pension obligation	(274,813)
	(251,966)
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.	97,866
Change in net assets of governmental activities	\$ 6,338,960

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, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,073,603	5,041,661	6,195,352	1,153,691
Licenses and permits	60,575	137,575	42,717	(94,858)
Intergovernmental	536,700	584,200	765,957	181,757
Charges for services	1,074,930	2,180,953	2,183,048	2,095
Special assessments			12,711	12,711
Investment income	27,200	27,200	30,419	3,219
Fines and forfeitures	40,600	40,600	23,269	(17,331)
Total revenues	<u>6,813,608</u>	<u>8,012,189</u>	<u>9,253,473</u>	<u>1,241,284</u>
<b>Expenditures:</b>				
General government	2,209,823	2,214,263	2,621,084	(406,821)
Public safety	3,107,864	3,107,864	3,014,408	93,456
Public works	1,284,652	1,326,652	1,293,092	33,560
Library	390,406	390,406	368,969	21,437
Airport	133,872	133,872	146,221	(12,349)
Parks and recreation	323,175	334,293	327,682	6,611
Community services	147,000	147,000	147,000	
Debt service:				
Principal	96,511	89,806	88,360	1,446
Interest	5,351	12,056	12,056	
Total expenditures	<u>7,698,654</u>	<u>7,756,212</u>	<u>8,018,872</u>	<u>(262,660)</u>
Excess of revenues over (under) expenditures	(885,046)	255,977	1,234,601	978,624
<b>Other financing sources (uses):</b>				
Transfers in	1,223,023	13,000		(13,000)
Transfers out	(337,977)	(238,000)	(379,460)	(141,460)
Net other financing sources (uses)	<u>885,046</u>	<u>(225,000)</u>	<u>(379,460)</u>	<u>(154,460)</u>
Net change in fund balance	<u>\$</u>	<u>30,977</u>	<u>855,141</u>	<u>824,164</u>
Beginning fund balance			<u>2,012,011</u>	
Ending fund balance			\$ 2,867,152	

See accompanying notes to basic financial statements.



## CITY OF HOMER, ALASKA

## Proprietary Funds

## Statement of Net Assets

December 31, 2005

Assets	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
<b>Current assets:</b>				
Cash and investments	\$	695,282	695,282	
Receivables, net of allowance for doubtful accounts:				
Accounts	140,758	306,379	447,137	32,068
Sales taxes		178,938	178,938	
Assessments due within one year		125,596	125,596	
State and federal grants and loans	181,155	900,183	1,081,338	
Litigation settlement	121,000		121,000	
Inventory	9,366	216,505	225,871	
Prepaid items	28,096	36,131	64,227	
Total current assets	480,375	2,459,014	2,939,389	32,068
<b>Noncurrent assets:</b>				
Restricted assets - cash and investments	168,420	2,522,887	2,691,307	
Assessments due after one year	-	670,211	670,211	
Bond issuance costs, net	21,324	5,647	26,971	
Litigation settlement receivable, net of current portion	246,511		246,511	
Capital assets, net of accumulated depreciation	47,881,705	26,211,384	74,093,089	
Total noncurrent assets	48,317,960	29,410,129	77,728,089	
Total assets	\$ 48,798,335	31,869,143	80,667,478	32,068
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	128,356	255,123	383,479	76,353
Accrued payroll and related liabilities	21,690	20,704	42,394	
Accrued leave	13,207	12,312	25,519	
Accrued interest	7,368	147,163	154,531	
Current portion of long-term debt	165,000	396,881	561,881	
Prepaid rentals and deposits	545,199	37,659	582,858	
Due to other funds	101,544		101,544	44,326
Deferred lease revenue	18,000		18,000	-
Total current liabilities	1,000,364	869,842	1,870,206	120,679
<b>Noncurrent liabilities, net of current portion:</b>				
Deferred lease revenue	396,000	-	396,000	
Accrued leave	89,889	131,760	221,649	
Notes payable	-	7,167,200	7,167,200	
Revenue bonds payable, net of deferred loss	510,572	79,794	590,366	
Net pension obligation	120,398	113,083	233,481	
Total noncurrent liabilities	1,116,859	7,491,837	8,608,696	
Total liabilities	2,117,223	8,361,679	10,478,902	120,679
<b>Net Assets</b>				
Invested in capital assets, net of related debt	47,227,457	18,573,156	65,800,613	
Restricted for debt service and capital projects	168,420	2,701,825	2,870,245	
Unrestricted (deficit)	(714,765)	2,232,483	1,517,718	(88,611)
Total net assets	46,681,112	23,507,464	70,188,576	(88,611)
Total liabilities and net assets	\$ 48,798,335	31,869,143		32,068
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(30,747)	
Net assets of business-type activities			\$ 70,157,829	

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, 2005

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer utility	Total	
Operating revenues- charges for services:				
Port	\$ 2,507,815		2,507,815	
Water and sewer		2,605,377	2,605,377	
Interfund insurance charges				1,194,783
Total operating revenues	<u>2,507,815</u>	<u>2,605,377</u>	<u>5,113,192</u>	<u>1,194,783</u>
Operating expenses:				
Operations	1,636,721	1,427,493	3,064,214	
Administration	858,628	1,170,016	2,028,644	57,213
Depreciation	1,366,913	1,780,181	3,147,094	
Claims				709,504
Insurance premiums				287,491
Total operating expenses	<u>3,862,262</u>	<u>4,377,690</u>	<u>8,239,952</u>	<u>1,054,208</u>
Operating income (loss)	(1,354,447)	(1,772,313)	(3,126,760)	140,575
Nonoperating revenues (expenses):				
Investment income	19,565	81,495	101,060	
Interest expense	(41,392)	(52,316)	(93,708)	
Litigation settlement	25,274		25,274	
Sales taxes		1,031,167	1,031,167	
Amortization of bond issuance costs	(5,331)	(2,824)	(8,155)	
Other income	104,534	72,272	176,806	
Other expenses		(201,225)	(201,225)	
Net nonoperating revenues (expenses)	<u>102,650</u>	<u>928,569</u>	<u>1,031,219</u>	
Income (loss) before contributions and transfers	(1,251,797)	(843,744)	(2,095,541)	140,575
Capital contributions	68,090	221,412	289,502	
Transfers out		(110,000)	(110,000)	
Change in net assets	(1,183,707)	(732,332)	(1,916,039)	140,575
Beginning net assets (deficit)	<u>47,864,819</u>	<u>24,239,796</u>		<u>(229,186)</u>
Ending net assets (deficit)	<u>\$ 46,681,112</u>	<u>23,507,464</u>		<u>(88,611)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			42,709	
Change in net assets of business-type activities			<u>\$ (1,873,330)</u>	

See accompanying notes to basic financial statements.

## CITY OF HOMER, ALASKA

Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2005

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,638,965	2,542,582	5,181,547	-
Receipts from interfund services provided				1,166,567
Payments to suppliers	(1,356,280)	(2,244,065)	(3,600,345)	
Payments to employees	(1,056,205)	(1,105,107)	(2,161,312)	
Litigation settlement	121,000	-	121,000	
Payments for insurance claims and administration				(1,056,175)
Net cash flows from operating activities	347,480	(806,590)	(459,110)	110,392
Cash flows from noncapital financing activities - decrease in due to other funds				(110,392)
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(155,000)	(381,200)	(536,200)	
Interest payments on long-term debt	(36,916)	(57,140)	(94,056)	
Acquisition of property, plant and equipment	(774,341)	(3,518,257)	(4,292,598)	
Proceeds from long-term borrowing		2,077,858	2,077,858	
Decrease in due to other funds	(31,183)		(31,183)	
Capital contributions received	630,395	105,644	736,039	
Principal collections on special assessments		125,596	125,596	
Sales tax revenue received		1,021,260	1,021,260	
Transfer out		(110,000)	(110,000)	
Net cash flows from capital and related financing activities	(367,045)	(736,239)	(1,103,284)	
Cash flows from investing activities - investment income received	19,565	81,495	101,060	
Net increase (decrease) in cash and investments		(1,461,334)	(1,461,334)	
Beginning cash and investments	168,420	4,679,503	4,847,923	
Ending cash and investments	\$ 168,420	3,218,169	3,386,589	
Cash and investments at end of year:				
Cash and investments		695,282	695,282	
Cash and investments restricted for debt service and construction	168,420	2,522,887	2,691,307	
	\$ 168,420	3,218,169	3,386,589	

See accompanying notes to basic financial statements.

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

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,354,447)	(1,772,313)	(3,126,760)	140,575
Adjustments to reconcile operating income loss to net cash flows from operating activities:				
Depreciation	1,366,913	1,780,181	3,147,094	
Noncash expense - PERS relief	40,172	39,241	79,413	
Increase (decrease) in allowance for doubtful accounts	(1,479)	33,661	32,182	
Amortization of deferred lease revenue	(18,000)		(18,000)	
Litigation settlement	25,274		25,274	
Miscellaneous nonoperating revenues	64,362	33,031	97,393	
Miscellaneous nonoperating expenses		(201,225)	(201,225)	
(Increase) decrease in assets:				
Accounts receivable	43,307	(135,634)	(92,327)	(28,216)
Inventory	2,749	(46,548)	(43,799)	
Prepaid items	3,282	5,293	8,575	
Litigation settlement receivable	95,726		95,726	
Increase (decrease) in liabilities:				
Accounts payable	(8,655)	(631,373)	(640,028)	(1,967)
Accrued payroll and related liabilities	(2,629)	3,414	785	
Accrued leave	(19,241)	15,834	(3,407)	
Prepaid rentals and deposits	42,961	6,147	49,108	
Net pension obligation	67,185	63,701	130,886	
Net cash flows from operating activities	\$ 347,480	(806,590)	(459,110)	110,392

See accompanying notes to basic financial statements.

# CITY OF HOMIER, ALASKA

## Notes to Basic Financial Statements

December 31, 2005

(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. The City 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, licenses, 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 cash is 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 *City Facilities Capital Project Fund* accounts for operating grants and capital improvement projects for buildings and other facilities.

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 a single Internal Service Fund which accounts for the activities relating to the City's self-insured health benefit plan. This fund reports revenues charged to the other funds based on premiums established 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 dedicated 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.

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

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

##### **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.

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."



## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

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

##### 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.

##### 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.

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

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

##### Capital Assets, continued

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.

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.

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).

##### 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 or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Summary of Significant Accounting Policies, continued**

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 total data for the prior year have been presented in 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, 2005, follows:

***Due from other funds:***

Due to the General Fund from the City Facilities Capital Project Fund for advances to cover the cost of projects	\$ 489,198
Due to the General Fund from the Port of Homer Enterprise Fund for advances to cover the cost of projects	101,544
Due to the General Fund from the Internal Service Fund for advances to cover operating costs	44,326
Due to the General Fund from the Nonmajor Special Revenue Funds for advances to cover the cost of projects	<u>39,604</u>
Total amount due from other funds	<u>\$ 674,672</u>

***Transfers:***

From General Fund to City Facilities Capital Project Fund to cover capital costs	\$ 52,754
From General Fund to nonmajor governmental funds to cover capital costs	296,706
From City Facilities Capital Project Fund to nonmajor governmental fund to create a new fund	902,187
From General Fund to nonmajor governmental funds to cover debt service	30,000
From nonmajor governmental funds to other nonmajor governmental funds to cover debt service	447,766
From nonmajor governmental funds to City Facilities Capital Project Fund to cover capital costs	658,848
From Water and Sewer Enterprise Fund to nonmajor governmental funds to cover capital costs	<u>110,000</u>
Total transfers to other funds	<u>\$2,498,261</u>

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

(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, 2005.

Bank deposits	\$ 84,802
Investments	<u>9 955 608</u>
	<u>\$ 10,040,410</u>
Cash and investments	\$ 7,349,103
Restricted cash and investments	<u>2,691,307</u>
	<u>\$ 10,040,410</u>

**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.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Cash and Investments, continued**

*Interest rate risk*

Investment maturities at December 31, 2005 are as follows:

Investment Type	Fair Value	<u>Investment Maturities (in Years)</u>	
		Less Than 1,	1-5
U.S. Treasuries	\$ 175,461	175,461	
U.S. government agencies	4,303,222	1,847,363	2,455,859
Repurchase agreement	137,580	137,580	
Total subject to interest rate risk	4,616,263	2,160,404	2,455,859
Certificates of deposit	1,236,584		
Pooled investments	4,102,761		
Total investments	\$ 9,955,608		

*Credit Risk*

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, 2005, the share value of investments in the AML pool is approximately equal to fair value.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**(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, 2005, 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:

	General	City Facilities	Port of Homer	Water and Sewer	Nonmajor and other funds	Total
Receivables:						
Accounts			170,465	360,883	32,068	563,416
Taxes	848,505	-		178,938	178,938	1,206,381
State and federal grants	-	1,327,650	181,155	900,183		2,408,988
Special assessments	901,377			795,807	2,230	1,699,414
Litigation settlement			367,511		-	367,511
Other	159,684				15,963	175,647
Total receivables	1,909,566	1,327,650	719,131	2,235,811	229,199	6,421,357
Less allowance for uncollectibles	(71,920)		(529,707)	(54,504)		(156,131)
Net receivables	\$ 1,837,646	1,327,650	689,424	2,181,307	229,199	6,265,226

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, 2005, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable (General Fund)	\$ 61,928
Special assessments not yet due (General Fund)	901,377
Special assessments not yet due (Debt Service Funds)	2,230
Grant drawdowns prior to meeting all eligibility requirements	<u>13,045</u>
Total deferred/unearned revenue for governmental funds	<u>\$978,580</u>

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended December 31, 2005 follows:

	Balance January 1, 2005	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2005
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 9,080,213	311,575		9,391,788
Construction in progress	2,001,593	374,206	1,012,961	473,069
Total assets not being depreciated	11,081,806	4,053,642	1,012,961	14,122,487
<i>Capital assets being depreciated:</i>				
Buildings	9,152,683	1,194,444		10,347,127
Improvements other than buildings	841,204	24,309		865,513
Machinery and equipment	4,041,574	85,342		4,126,916
Infrastructure	25,183,234	1,146,869		26,330,103
Total assets being depreciated	39,218,695	2,450,964		41,669,659
Less accumulated depreciation for:				
Buildings	2,831,611	259,440		3,091,051
Improvements other than buildings	383,797	32,098		415,895
Machinery and equipment	1,940,182	273,598		2,213,780
Infrastructure	8,743,573	551,117		9,294,690
Total accumulated depreciation	13,899,163	1,116,253		15,015,416
Total capital assets being depreciated, net	25,319,532	1,334,711		26,654,243
Governmental activity capital assets, net	\$ 36,401,338	5,388,353	1,012,961	40,776,730
<b>Business-type activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,626,307	63,961		15,690,268
Construction in progress	3,774,499	377,449	2,288,157	5,017,274
Total assets not being depreciated	19,400,806	3,594,893	2,288,157	20,707,542
<i>Capital assets being depreciated:</i>				
Buildings	34,090,920	441,608		34,532,528
Improvements other than buildings	58,895,726	2,493,908		61,389,634
Machinery and equipment	5,402,432	58,234		5,460,666
Infrastructure	534,812	67,722		602,534
Total assets being depreciated	98,923,890	3,061,472		101,985,362
Less accumulated depreciation for:				
Buildings	20,961,499	1,335,662		22,297,161
Improvements other than buildings	20,855,181	1,659,355		22,514,536
Machinery and equipment	3,255,161	128,669		3,383,830
Infrastructure	380,880	23,408		404,288
Total accumulated depreciation	45,452,721	3,147,094		48,599,815
Total capital assets being depreciated, net	53,471,169	(85,622)		53,385,547
Business-type activity capital assets, net	\$ 72,871,975	3,509,271	2,288,157	74,093,089

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### **Capital Assets, continued**

Depreciation expense was charged to the functions as follows:

<b>Governmental activities</b>	
General government	\$160,552
Public safety	218,528
Public works	682,801
Library	25,400
Airport	1,088
Parks and recreation	27,884
Total depreciation expense - governmental activities	<u>1,116,253</u>
<b>Business-type activities</b>	
Port and harbor	1,366,913
Water and sewer utility	<u>178,018</u>
Total depreciation expense - business-type activities	<u>3,147,094</u>
Total depreciation expense	<u>\$4,263,347</u>

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 deferred revenue are as follows:

Original cost assigned to building	\$630,000
Revenue recognized	<u>(216,000)</u>
	<u>\$414,000</u>
Current deferred revenue	\$18,000
Noncurrent deferred revenue	<u>396,000</u>
	<u>\$414,000</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, 2005:

	Balance January 1, 2005	<u>Additions</u>	<u>Retired</u>	Balance December 31, 2005	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
General obligation bonds:					
\$3,095,000 1998 street and sidewalk general obligation refunding bonds, due in future annual installments of \$445,000 to \$475,000 plus interest at 4% to 4.375% through January 1, 2008	\$1,340,000		420,000	920,000	445,000
Special assessment bonds:					
\$105,567 1987 street special assessment bonds, due in future annual installments of \$5,280 plus interest at 6.375% through 2006, with the balance of \$5,247 due in 2007	15,807	-	5,280	10,527	5,280
Capital lease obligation payable in various monthly amounts including interest at 4.57%	127,441	-	27,811	99,630	29,104
Capital lease obligation payable in quarterly installments of \$16,814, including interest at 4.45% through 2007	173,176	-	60,549	112,627	63,289
Accrued leave	392,489	352,599	375,446	369,642	62,558
Net pension obligation	226,120	701,710	426,897	500,933	
Total governmental activities long-term liabilities	<u>\$ 2,275,033</u>	<u>1,054,309</u>	<u>1,315,983</u>	<u>2,013,359</u>	<u>605,231</u>

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

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Long-Term Debt, continued**

	Balance January 1, 2005	Additions	Retired	Balance December 31, 2005	Due Within One Year
<b><u>Business-type activities</u></b>					
Revenue bonds:					
\$1,595,000 1998 port revenue refunding bonds, due in future annual installments of \$155,000 to \$185,000 plus interest at 4% to 4.5% through October 1, 2009	\$ 855,000		155,000	700,000	165,000
\$705,000 1998 sewer revenue refunding bonds, due in future annual installments of \$85,000 plus interest at 4% to 4.3% through October 1, 2007	250,000		80,000	170,000	85,000
Notes payable:					
\$5,064,500 1989 Sewer Utility Alaska Clean Water loan, due in future annual installments of \$341,024 including interest at 1.5% through September 30, 2011	2,244,080		301,200	1,942,880	311,881
\$3,431,113 (maximum) 2002 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	1,436,383	1,045,107		2,481,490	
\$3,416,603 (maximum) 2002 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 2.5%	1,357,296	1,570,316		2,927,612	
\$150,000 (maximum) 2003 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	100,505	26,594		127,099	
Accrued leave	250,575	146,670	150,077	247,168	25,519
Net pension obligation	<u>102,595</u>	<u>334,037</u>	<u>203,151</u>	<u>233,481</u>	
Total business-type activities long-term liabilities	\$ 6,596,434	<u>3,122,724</u>	<u>889,428</u>	<u>8,829,730</u>	<u>587,400</u>
Less deferred loss on refunding	<u>(38,344)</u>			<u>(29,634)</u>	
	<u>\$6,558,090</u>			<u>8,800,096</u>	

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### Long-Term Debt, continued

In November of 2002, the City entered into agreements with the Alaska Department of Environmental Conservation (ADEC) for a Clean Water Loan and a Drinking Water Loan in the maximum amounts of \$3,431,113 and \$3,416,603, respectively. In August of 2003, the City entered into another agreement with ADEC for a Clean Water Loan of \$150,000. Loan repayments begin one year following completion of the plans and specifications or initiation of operation of the facilities.

The City has been approved for loans from the United States Department of Agriculture (USDA) totaling \$2.1 million to assist with the construction costs of the new library.

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:

#### **Governmental activities**

Year Ending December 31,	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$445,000	39,916	484,916	5,280	671	5,951
2007	475,000	20,781	495,781	5,247	334	5,581
	\$920,000	60,697	980,697	10,527	1,005	11,532

#### Business-type activities

Year Ending December 31,	Revenue Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$250,000	37,790	287,790	311,881	29,143	341,024
2007	255,000	27,165	282,165	316,560	24,465	341,025
2008	180,000	16,200	196,200	321,308	19,717	341,025
2009	185,000	8,325	193,325	326,128	14,897	341,025
2010			-	331,020	10,005	341,025
2011				335,983	5,042	341,025
	\$870,000	89,480	959,480	1,942,880	103,269	2,046,149

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

(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.

The Water and Sewer Utility water revenue bond and Port of Homer revenue bond require 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.

The Water and Sewer Utility sewer revenue bond requires that rates be maintained at a level that will produce net revenues before depreciation equal to at least 1.35 times the maximum debt service coming due.

	Port of Homer	Water and Sewer Utility
Operating income excluding depreciation expense	\$ 12,466	7,868
Add sales tax revenue dedicated for debt service		1,031,167
Available for debt requirement	12,466	1,039,035
Requirement	(244,403)	(124,561)
 Excess (shortfall) of revenue over requirement	 \$(231,937)	 914,474

(8) **Capital Leases**

The City leases capital equipment (ambulance, rescue truck, grader, and public works truck) with a historical cost of \$ 695,655 under capital lease arrangements. Future minimum lease payments at December 31, 2005 are as follows:

Year Ending December 31,	
2006	\$100,416
2007	83,602
2008	33,162
2009	8,290
Total minimum lease payments	225,470
Less amount representing interest	13,213
 Present value of minimum lease payments	 \$212,257

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

(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. A schedule of the changes in the claims liability for the years ended December 31, 2005 and 2004 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year	C4 ~
2004 health insurance	\$65303	722,872	709,855	78 320	
2005 health insurance	\$78,320	709,504	711471	76,353	

(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, 2005.

## CITY OF HOMER, ALASKA

### Notes to Basic Financial Statements, continued

#### **Risk Management, continued**

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.

#### (11) **Defined Benefit Pension Plan**

The following information conforms to the requirements of Governmental Accounting Standards Board (GASB) Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. In addition, this note includes the information required by GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City has elected to implement GASB Statement 45 effective with this financial statement.

#### **Description of 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, AK 99811-0203

#### **Funding Policy and Contribution Rates**

Employees are required to contribute 6.75% of their annual covered salary of which 4.20% is for pension and 2.55% is for healthcare. Peace officers and firefighters must contribute 7.50%. 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. Employer rates cannot be increased by more than five percentage points annually. During 2005, a significant difference exists between the actuarial rate and the actual rate due to the five point increase limit.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

**Funding Policy and Contribution Rates, continued**

The City's current contribution rates for PERS for 2005 follow:

	January 1 - June 30		July 1 - December 31	
	Adjusted Actual Rate	Actuarially Required Rate	Adjusted Actual Rate	Actuarially Required Rate
Pension	4.92%	13.88%	7.75%	13.56%
Postemployment healthcare	3.00%	8.47%	5.17%	9.06%
Total contribution rate	7.92%	22.35%	12.92%	22.62%

The employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The plan uses the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are also amortized over twenty-five years.

During 2005, the State of Alaska Legislature approved Senate Bill 46, which granted fiscal relief related to increased costs of the FY06 employer contribution rates. This relief was in the form of a cash payment made directly to the PERS on behalf of the participating employers and allowed the employers to pay the prior year rate. The amount of the fiscal relief payment for the City was \$245,743. For financial statement purposes, this amount has been reported as grant revenue and PERS expense and is effectively included in the Adjusted Actual Rates shown above.

The actuarially required contribution rates for the plan were determined as part of the June 30, 2002 (January to June) and the June 30, 2003 (July to December) actuarial valuations. The significant actuarial assumptions used in the June 30, 2003 valuation report follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years and 4.0% thereafter (Police and Fire 6.0% for the first five years and 4.5% thereafter);
3. Health cost inflation of 12.0% for 2004 and 2005, trending downward 0.5% per year to 7.0% in FY 15, 6.0% in FY 16 and 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; and
5. Asset valuation - recognizes 20% of the invested 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.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

**Annual Pension and Postemployment Healthcare Cost**

For the year ended December 31, 2005, the City's annual pension and other postemployment benefit (OPEB) costs were as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$615,815	392,813	1,008,628
Interest on net pension obligation	16,871	10,248	27,119
Adjustment to annual required contribution	<u>(18,076)</u>	<u>(10,981)</u>	<u>(29,057)</u>
Annual pension cost	614,610	392,080	1,006,690
Contributions made	<u>(364,219)</u>	<u>(236,772)</u>	<u>(600,991)</u>
Increase in net pension obligation	250,391	155,308	405,699
Net pension obligation, beginning of year	<u>204,494</u>	<u>124,221</u>	<u>328,715</u>
 Net pension obligation, end of year	 <u>\$454,885</u>	 <u>279,529</u>	 <u>734,414</u>

Three-year trend information for PERS follows:

	Year Ending June 30	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed
Pension	2003	\$ 82,870	\$ 82,870	100%
	2004	316,732	112,238	35%
	2005	614,610	364,219	59%

	Year Ending June 30	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Contributed
Postemployment healthcare	2003	\$ 35,077	\$ 35,077	100%
	2004	192,401	68,180	35%
	2005	392,081	236,773	60%



**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:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
June 30, 2002:						
Pension	\$ 12,646,000	\$ 16,618,000	\$ 3,972,000	76%	\$ 4,347,000	91%
Postemployment healthcare	7,683,000	10,097,000	2,414,000	76%	4,347,000	56%
June 30, 2003:						
Pension	13,040,000	16,772,000	3,732,000	78%	4,190,000	89%
Postemployment healthcare	8,715,000	11,210,000	2,495,000	78%	4,190,000	60%
June 30, 2004:						
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%

(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.

**CITY OF HOMER, ALASKA**

Notes to Basic Financial Statements, continued

(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	.75%
Road projects	.75%
General Fund - undesignated	3.00%
Kenai Peninsula Borough	<u>2.00%</u>
Total sales tax percentage	<u>6.50%</u>

(15) **Subsequent Events**

Subsequent to year end, the City settled a litigation issue relating to Harbor construction. As a result of the settlement agreement, the City received \$800,000 in April 2006.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF HOMER, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2005

Exhibit E-1

	Special Revenue Funds				Debt Service Funds			Capital Project Funds				Total Nonmajor Governmental Funds		
	Library Donations	Fire Department Donations	Animal Shelter	Noncapital Projects	Total	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Total	Streets and Sidewalks	Depreciation Reserves	Land Reserve		Fleet Reserve Allocation	Total
<b>Assets</b>														
Cash and investments	\$ 8,982	12,072	10,088	-	31,142	8,001	272,915	280,916	3,308,738	945,914	4,352	480,977	4,739,981	5,052,039
Receivables, net:														
Sales tax	-	-	-	-	-	-	-	-	178,938	-	-	-	178,938	178,938
Assessments	-	-	-	-	-	377	1,853	2,230	-	-	-	-	-	2,230
Other	-	3,450	-	7,833	11,283	-	-	-	-	4,680	-	-	4,680	15,963
<b>Total assets</b>	<b>\$ 8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>7,833</b>	<b>42,425</b>	<b>8,378</b>	<b>274,768</b>	<b>283,146</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>4,923,599</b>	<b>5,249,170</b>
<b>Liabilities and Fund Balances</b>														
<b>Liabilities:</b>														
Accrued payroll and related liabilities	-	-	-	1,656	1,656	-	-	-	-	-	-	-	-	1,656
Due to other funds	-	-	-	39,604	39,604	-	-	-	-	-	-	-	-	39,604
Deferred assessments	-	-	-	-	-	377	1,853	2,230	-	-	-	-	-	2,230
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,260</b>	<b>41,260</b>	<b>377</b>	<b>1,853</b>	<b>2,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,490</b>
<b>Fund balances:</b>														
Reserved for debt service and capital projects	-	-	-	-	-	8,001	272,915	280,916	3,487,676	-	-	-	3,487,676	3,768,592
Unreserved - designated:														
Library	8,982	-	-	-	8,982	-	-	-	-	-	-	-	-	8,982
Fire department	-	15,522	-	-	15,522	-	-	-	-	-	-	-	-	15,522
Animal shelter	-	-	10,088	-	10,088	-	-	-	-	-	-	-	-	10,088
Land	-	-	-	-	-	-	-	-	-	-	4,352	-	4,352	4,352
Capital outlay	-	-	-	-	-	-	-	-	-	950,594	-	480,977	1,431,571	1,431,571
Deficit	-	-	-	(33,427)	(33,427)	-	-	-	-	-	-	-	-	(33,427)
<b>Total fund balances (deficit)</b>	<b>8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>(33,427)</b>	<b>1,165</b>	<b>8,001</b>	<b>272,915</b>	<b>280,916</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>4,923,599</b>	<b>5,205,680</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>7,833</b>	<b>42,425</b>	<b>8,378</b>	<b>274,768</b>	<b>283,146</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>4,923,599</b>	<b>5,249,170</b>

**CITY OF HOMER, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2005

	Special Revenue Funds					Debt Service Funds			Capital Project Funds				Total Nonmajor Governmental Funds	
	Library Donations	Fire Department Donations	Animal Shelter	Noncapital Projects	Total	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Total	Streets and Sidewalks	Depreciation Reserves	Land Reserve	Fleet Reserve Allocation		Total
<b>Revenues:</b>														
Sales tax	-	-	-	-	-	-	-	-	1,031,167	-	-	-	1,031,167	1,031,167
Intergovernmental	-	-	-	66,086	66,086	-	-	-	-	-	-	-	-	66,086
Special assessments	\$ -	-	-	-	-	2,050	701	2,751	-	-	-	-	-	2,751
Investment income	17,230	375	728	-	18,333	282	15,569	15,851	61,117	615	938	9,083	71,753	105,937
Donations	148,581	3,495	-	-	152,076	-	-	-	-	-	-	-	-	152,076
Other	-	-	-	-	-	-	-	-	-	8,759	-	-	8,759	8,759
<b>Total revenues</b>	<u>165,811</u>	<u>3,870</u>	<u>728</u>	<u>66,086</u>	<u>236,495</u>	<u>2,332</u>	<u>16,270</u>	<u>18,602</u>	<u>1,092,284</u>	<u>9,374</u>	<u>938</u>	<u>9,083</u>	<u>1,111,679</u>	<u>1,366,776</u>
<b>Expenditures:</b>														
General government	-	-	-	44,396	44,396	-	-	-	-	19,660	-	-	19,660	64,056
Library	-	-	-	-	-	-	-	-	-	5,963	-	-	5,963	5,963
Public safety	-	45	-	12,473	12,518	-	-	-	-	12,352	-	-	12,352	24,870
Public works	-	-	-	21,749	21,749	-	-	-	125,602	-	-	-	125,602	147,351
Parks and recreation	-	-	-	24	24	-	-	-	-	10,653	-	-	10,653	10,677
Debt service:														
Principal	-	-	-	-	-	5,280	420,000	425,280	-	-	-	-	-	425,280
Interest	-	-	-	-	-	1,007	57,766	58,773	-	-	-	-	-	58,773
Capital outlay	-	-	-	-	-	-	-	-	-	181,482	63,961	-	245,443	245,443
<b>Total expenditures</b>	<u>-</u>	<u>45</u>	<u>-</u>	<u>78,642</u>	<u>78,687</u>	<u>6,287</u>	<u>477,766</u>	<u>484,053</u>	<u>125,602</u>	<u>230,110</u>	<u>63,961</u>	<u>-</u>	<u>419,673</u>	<u>982,413</u>
<b>Excess of revenues over (under) expenditures</b>	<u>165,811</u>	<u>3,825</u>	<u>728</u>	<u>(12,556)</u>	<u>157,808</u>	<u>(3,955)</u>	<u>(461,496)</u>	<u>(465,451)</u>	<u>966,682</u>	<u>(220,736)</u>	<u>(63,023)</u>	<u>9,083</u>	<u>692,006</u>	<u>384,363</u>
<b>Other financing sources (uses):</b>														
Transfers in	-	-	9,360	-	9,360	-	477,766	477,766	-	1,181,330	-	118,203	1,299,533	1,786,659
Transfers out	(627,977)	-	-	(20,871)	(648,848)	-	-	-	(447,766)	(10,000)	-	-	(457,766)	(1,106,614)
<b>Net other financing sources (uses)</b>	<u>(627,977)</u>	<u>-</u>	<u>9,360</u>	<u>(20,871)</u>	<u>(639,488)</u>	<u>-</u>	<u>477,766</u>	<u>477,766</u>	<u>(447,766)</u>	<u>1,171,330</u>	<u>-</u>	<u>118,203</u>	<u>841,767</u>	<u>680,045</u>
<b>Net change in fund balances</b>	<u>(462,166)</u>	<u>3,825</u>	<u>10,088</u>	<u>(33,427)</u>	<u>(481,680)</u>	<u>(3,955)</u>	<u>16,270</u>	<u>12,315</u>	<u>518,916</u>	<u>950,594</u>	<u>(63,023)</u>	<u>127,286</u>	<u>1,533,773</u>	<u>1,064,408</u>
<b>Beginning fund balances</b>	<u>471,148</u>	<u>11,697</u>	<u>-</u>	<u>-</u>	<u>482,845</u>	<u>11,956</u>	<u>256,645</u>	<u>268,601</u>	<u>2,968,760</u>	<u>-</u>	<u>67,375</u>	<u>353,691</u>	<u>3,389,826</u>	<u>4,141,272</u>
<b>Ending fund balances (deficit)</b>	<u>\$ 8,982</u>	<u>15,522</u>	<u>10,088</u>	<u>(33,427)</u>	<u>1,165</u>	<u>8,001</u>	<u>272,915</u>	<u>280,916</u>	<u>3,487,676</u>	<u>950,594</u>	<u>4,352</u>	<u>480,977</u>	<u>4,923,599</u>	<u>5,205,680</u>

## 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, 2005

(With Comparative Amounts for 2004)

Assets	2005	2004
Cash and investments	\$ 1,601,782	458,928
Receivables:		
Property taxes - delinquent	133,848	134,266
Less allowance for doubtful accounts	(71,920)	(62,145)
Net property taxes receivable	61,928	72,121
Sales taxes	714,657	449,961
Assessments	901,377	857,533
Other	159,684	189,150
Total receivables	1,837,646	1,568,765
Due from other funds	674,672	974,895
Inventory	40,459	84,252
Prepaid items	240,284	229,707
Total assets	\$ 4,394,843	3,316,547
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	406,521	226,614
Accrued payroll and related liabilities	132,746	131,550
Deferred revenue	71,190	78,371
Deferred assessments	901,377	852,224
Deposits	15,857	15,777
Total liabilities	1,527,691	1,304,536
Fund balance:		
Reserved for inventory and prepaid items	280,743	313,959
Unreserved:		
Designated for interfund loan for animal shelter	400,000	450,000
Undesignated	2,186,409	1,248,052
Total fund balance	2,867,152	2,012,011
Total liabilities and fund balance	\$ 4,394,843	3,316,547

**CITY OF HOMER, ALASKA**  
 General Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 Year Ended December 31, 2005  
 (With Comparative Amounts for 2004)

	2005		Variance Positive (Negative)	2004
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 1,893,379	2,102,170	208,791	1,885,333
Sales taxes	3,141,282	4,088,361	947,079	2,718,299
Penalties and interest	7,000	4,821	(2,179)	3,428
Total taxes	5,041,661	6,195,352	1,153,691	4,607,060
Licenses and permits	137,575	42,717	(94,858)	88,411
Intergovernmental:				
Utility cooperative	25,500	28,101	2,601	26,548
Alcohol beverage license	22,000	23,250	1,250	23,850
Public safety	464,500	499,828	35,328	446,378
Library grants	6,000	6,250	250	6,300
Public works	34,000	34,000		34,000
Reimbursements	24,000	3,199	(20,801)	210
Other grants	8,200	171,329	163,129	9,828
Total intergovernmental	584,200	765,957	181,757	547,114
Charges for services:				
Administrative services	1,223,023	1,176,023	(47,000)	1,043,766
Ambulance services	100,000	125,983	25,983	122,395
Fire contracts	216,558	237,481	20,923	213,247
Camping fees	175,000	181,294	6,294	149,762
Rents and leases	215,687	207,608	(8,079)	223,440
Donations	8,000	460	(7,540)	4,952
Airport services	137,790	125,316	(12,474)	131,072
Miscellaneous services	104,895	128,883	23,988	139,547
Total charges for services	2,180,953	2,183,048	2,095	2,028,181
Special assessments		12,711	12,711	13,725
Investment income	27,200	30,419	3,219	9,002
Fines and forfeitures	40,600	23,269	(17,331)	24,444
Total revenues	8,012,189	9,253,473	1,241,284	7,317,937

## CITY OF HOMER, ALASKA

## General Fund

Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual, continued

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	\$ 4,959	6,012	(1,053)	4,793
Supplies	6,700	4,176	2,524	4,974
Other services and charges	233,126	679,952	(446,826)	613,201
Total city council/mayor	244,785	690,140	(445,355)	622,968
City clerk:				
Salaries and benefits	216,848	218,592	(1,744)	214,517
Supplies	3,744	2,859	885	3,772
Other services and charges	30,271	31,412	(1,141)	40,250
Total city clerk	250,863	252,863	(2,000)	258,539
City manager:				
Salaries and benefits	252,394	246,275	6,119	212,355
Supplies	2,350	3,313	(963)	1,511
Other services and charges	17,894	19,704	(1,810)	17,888
Capital outlay		2,000	(2,000)	
Total city manager	272,638	271,292	1,346	231,754
Financial services:				
Salaries and benefits	798,346	803,177	(4,831)	702,931
Supplies	10,050	13,617	(3,567)	10,047
Other services and charges	110,454	88,372	22,082	109,212
Total financial services	918,850	905,166	13,684	822,190
Planning and zoning/property management:				
Salaries and benefits	302,301	276,959	25,342	230,635
Supplies	36,850	50,251	(13,401)	49,812
Other services and charges	72,093	57,497	14,596	54,156
Total planning and zoning/ property management	411,244	384,707	26,537	334,603
City hall complex:				
Salaries and benefits		191	(191)	677
Supplies	12,800	12,660	140	11,809
Other services and charges	103,083	104,065	(982)	105,504
Total city hall complex	115,883	116,916	(1,033)	117,990
Total general government	2,214,263	2,621,084	(406,821)	2,388,044

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

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Expenditures, continued:				
Public safety:				
Police department:				
Salaries and benefits	\$ 59,900	56,798	3,102	59,161
Supplies	1,421,825	1,413,170	8,655	1,324,888
Other services and charges	191,259	196,949	(5,690)	187,093
Total police department	1,672,984	1,666,917	6,067	1,571,142
Jail:				
Salaries and benefits	483,307	456,941	26,366	446,831
Supplies	23,250	21,841	1,409	20,631
Other services and charges	49,027	41,858	7,169	39,387
Total jail	555,584	520,640	34,944	506,849
Animal control:				
Supplies	6,500	19,710	(13,210)	4,580
Other services and charges	80,000	64,151	15,849	47,520
Total animal control	86,500	83,861	2,639	52,100
Emergency services:				
Salaries and benefits	540,636	507,746	32,890	502,632
Supplies	37,750	33,127	4,623	23,782
Other services and charges	214,410	202,117	12,293	195,871
Total emergency services	792,796	742,990	49,806	722,285
Total public safety	3,107,864	3,014,408	93,456,	2,852,376,
Public works:				
Administration:				
Salaries and benefits	164,966	124,850	40,116	121,656
Supplies	5,000	5,075	(75)	4,987
Other services and charges	65,259	65,986	(727)	68,984
Total administration	235,225	195,911	39,314	195,627
Maintenance:				
Salaries and benefits	130,874	125,692	5,182	110,696
Supplies	11,400	15,660	(4,260)	13,511
Other services and charges	78,125	88,475	(10,350)	64,874
Capital outlay	5,000	5,488	(488)	
Total maintenance	225,399	235,315	(9,916)	189,081

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

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries and benefits	\$ 220,448	208,193	12,255	198,147
Supplies	158,300	178,458	(20,158)	112,336
Other services and charges	37,100	15,118	21,982	31,572
Total streets	<u>415,848</u>	<u>401,769</u>	<u>14,079</u>	<u>342,055</u>
Motor pool:				
Salaries and benefits	153,674	153,504	170	138,132
Supplies	41,000	49,300	(8,300)	50,677
Other services and charges	117,900	118,436	(536)	160,802
Capital outlay			-	5,000
Total motor pool	<u>312,574</u>	<u>321,240</u>	<u>(8,666)</u>	<u>354,611</u>
Engineer/inspector:				
Salaries and benefits	122,306	124,257	(1,951)	125,133
Supplies	1,900	2,388	(488)	2,540
Other services and charges	13,400	12,212	1,188	8,142
Total engineer/inspector	<u>137,606</u>	<u>138,857</u>	<u>(1,251)</u>	<u>135,815</u>
Total public works	<u>1,326,652</u>	<u>1,293,092</u>	<u>33,560</u>	<u>1,217,189</u>
Library:				
Salaries and benefits	312,158	296,393	15,765	269,450
Supplies	7,907	8,291	(384)	5,961
Other services and charges	70,341	64,285	6,056	65,876
Total library	<u>390,406</u>	<u>368,969</u>	<u>21,437</u>	<u>341,287</u>
Airport:				
Salaries and benefits	37,751	45,209	(7,458)	41,055
Supplies	16,700	19,998	(3,298)	16,059
Other services and charges	79,421	81,014	(1,593)	71,164
Total airport	<u>133,872</u>	<u>146,221</u>	<u>(12,349)</u>	<u>128,278</u>

## CITY OF HOMER, ALASKA

## General Fund

Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual, continued

	2005		Variance Positive (Negative'	2004
	Budget	Actual		Actual
Expenditures, continued:				
Parks and recreation:				
Salaries and benefits	\$ 221,863	218,219	3,644	201,289
Supplies	15,500	26,594	(11,094)	17,948
Other services and charges	96,930	82,869	14,061	81,044
Total parks and recreation	334,293	327,682	6,611	300,281
Community service contributions:				
Community schools	27,000	27,000		26,546
Museum	80,000	80,000		80,000
Homer Foundation Non-Profit	40,000	40,000		40,000
Total community service contributions	147,000	147,000		146,546
Debt service on capital leases:				
Principal	89,806	88,360	1,446	84,699
Interest	12,056	12,056	-	15,717
Total debt service	101,862	100,416	1,446	100,416
Total expenditures	7,756,212	8,018,872	(262,660)	7,474,417
Excess of revenues over (under) expenditures	255,977	1,234,601	978,624	(156,480)
Other financing sources (uses):				
Transfers in	13,000	-	(13,000)	-
Transfers out	(238,000)	(379,460)	(141,460)	(351,047)
Net other financing sources (uses)	(225,000)	(379,460)	(154,460)	(351,047)
Net change in fund balance	\$ 30,977	855,141	824,164	(507,527)
Beginning fund balance		2,012,011		2,519,538
Ending fund balance		\$ 2,867,152		<u>2,012,011</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.

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

**CITY OF HOMER, ALASKA**  
Special Revenue Funds  
Combining Balance Sheet  
December 31, 2005  
(With Comparative Totals for 2004)

Assets		Fire				Totals	
		Library Donations	Department Donations	Animal Shelter	Noncapital Pro'ects	2005	2004
Cash and investments	\$	8,982	12,072	10,088	-	31,142	479,283
Accounts receivable - donations			3,450		7,833	11,283	3,660
<b>Total assets</b>	<b>\$</b>	<b>8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>7,833</b>	<b>42,425</b>	<b>482,943</b>
<hr/>							
<b>Liabilities and Fund Balances</b>							
<hr/>							
Liabilities:							
Accounts payable							98
Accrued payroll and related liabilities					1,656	1,656	
Due to other funds					39,604	39,604	
<b>Total liabilities</b>					<b>41,260</b>	<b>41,260</b>	<b>98</b>
<hr/>							
Fund balances:							
Unreserved		8,982	15,522	10,088		34,592	482,845
Deficit					(33,427)	(33,427)	-
<b>Total fund balances</b>		<b>8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>(33,427)</b>	<b>1,165</b>	<b>482,845</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>8,982</b>	<b>15,522</b>	<b>10,088</b>	<b>7,833</b>	<b>42,425</b>	<b>482,943</b>



**CITY OF HOMER, ALASKA**  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended December 31, 2005  
(With Comparative Totals for 2004)

	Fire				Totals	
	Library Donations	Department Donations	Animal Shelter	Noncapital Projects	2005	2004
Revenues:						
Investment income	17,230	375	728		18,333	4,343
Intergovernmental	-	-		66,086	66,086	-
Donations	148,581	3,495		-	152,076	170,864
Total revenues	165,811	3,870	728	66,086	236,495	175,207
Expenditures:						
General government				44,396	44,396	-
Library				-	-	257
Public safety		45		12,473	12,518	98
Public works				21,749	21,749	
Parks and recreation				24	24	
Total expenditures		45		78,642	78,687	355
Excess of revenues over (under) expenditures	165,811	3,825	728	(12,556)	157,808	174,852
Other financing sources (uses):						
Transfers in	-		9,360	-	9,360	
Transfers out	(627,977)			(20,871)	(648,848)	(8,875)
Net other financing sources (uses)	(627,977)		9,360	(20,871)	(639,488)	(8,875)
Net change in fund balances	(462,166)	3,825	10,088	(33,427)	(481,680)	165,977
Beginning fund balances	471,148	11,697			482,845	316,868
Ending fund balances (deficit)	\$ 8,982	15,522	10,088	(33,427)	1,165	482,845

## 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, 2005  
 (With Comparative Totals for 2004)

Assets	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Totals	
			2005	2004
Cash and investments	\$ 8,001	272,915	280,916	268,228
Assessments receivable:				
Current	377	1,853	2,230	3,962
Deferred	-		-	1,131
<b>Total assets</b>	<b>\$ 8,378</b>	<b>274,768</b>	<b>283,146</b>	<b>273,321</b>
<hr/> <b>Liabilities and Fund Balances</b> <hr/>				
Liabilities - deferred assessments	377	1,853	2,230	4,720
Fund balances - reserved for debt service	8,001	272,915	280,916	268,601
<b>Total liabilities and fund balances</b>	<b>8,378</b>	<b>274,768</b>	<b>283,146</b>	<b>273,321</b>

**CITY OF HOMER, ALASKA**

Debt Service Funds

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year Ended December 31, 2005  
(With Comparative Totals for 2004)

	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Totals	
			2005	2004
Revenues:				
Special assessments	\$ 2,050	701	2,751	2,792
Investment income	282	15,569	15,851	4,365
Total revenues	2,332	16,270	18,602	7,157
Expenditures:				
Debt service:				
Principal	5,280	420,000	425,280	395,280
Interest	1,007	57,766	58,773	75,198
Total expenditures	6,287	477,766	484,053	470,478
Excess of revenues over (under) expenditures	(3,955)	(461,496)	(465,451)	(463,321)
Other financing sources - transfers in		477,766	477,766	463,854
Net change in fund balances	(3,955)	16,270	12,315	533
Beginning fund balances	11,956	256,645	268,601	268,068
Ending fund balances	\$ 8,001	272,915	280,916	268,601

## 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.

**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, 2005  
(With Comparative Totals for 2004)

Assets	City Facilities	Streets and Sidewalks	Depreciation Reserves,	Land Reserve	Fleet Reserve Allocation	Totals	
						2005	2004
Cash and investments	\$	3,308,738	945,914	4,352	480,977	4,739,981	3,220,809
Receivables:							
Sales taxes	-	178,938				178,938	169,031
State and federal grants	1,327,650					1,327,650	826,510
Other			4,680			4,680	7,637
<b>Total assets</b>	<b>\$ 1,327,650</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>6,251,249</b>	<b>4,223,987</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	1,253,807					1,253,807	120,310
Accrued payroll and related liabilities	2,658					2,658	1,046
Deferred revenue	3,783					3,783	95,160
Due to other funds	489,198					489,198	687,450
<b>Total liabilities</b>	<b>1,749,446</b>					<b>1,749,446</b>	<b>903,966</b>
Fund balances:							
Reserved for capital projects		3,487,676				3,487,676	2,968,760
Unreserved - designated for capital outlay and land			950,594	4,352	480,977	1,435,923	421,066
Deficit	(421,796)					(421,796)	(69,805)
<b>Total fund balances (deficit)</b>	<b>(421,796)</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>4,501,803</b>	<b>3,320,021</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,327,650</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>6,251,249</b>	<b>4,223,987</b>

**CITY OF HOMER, ALASKA**  
 Capital Project Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 Year Ended December 31, 2005  
 (With Comparative Totals for 2004)

	City Facilities	Streets and Sidewalks	Depreciation Reserves	Land Reserve	Fleet Reserve Allocation	Totals	
						2005	2004
<b>Revenues:</b>							
Sales taxes	\$	1,031,167				1,031,167	1,019,645
Intergovernmental	2,908,286		-	-		2,908,286	1,419,451
Investment income	13,867	61,117	615	938	9,083	85,620	30,083
Donations	1,210,298		-	-		1,210,298	
Other	9,782		8,759			18,541	169,448
<b>Total revenues</b>	<b>4,142,233</b>	<b>1,092,284</b>	<b>9,374</b>	<b>938</b>	<b>9,083</b>	<b>5,253,912</b>	<b>2,638,627</b>
<b>Expenditures:</b>							
General government	4,390		19,660			24,050	166,034
Public safety	14,408	-	12,352			26,760	42,147
Public works	51,450	125,602				177,052	133,391
Library		-	5,963			5,963	
Parks and recreation			10,653			10,653	40,190
Community services	435,677			-		435,677	21,861
Capital outlay	3,797,714		181,482	63,961		4,043,157	1,976,460
<b>Total expenditures</b>	<b>4,303,639</b>	<b>125,602</b>	<b>230,110</b>	<b>63,961</b>		<b>4,723,312</b>	<b>2,380,083</b>
Excess of revenues over (under) expenditures	(161,406)	966,682	(220,736)	(63,023)	9,083	530,600	258,544
<b>Other financing sources (uses):</b>							
Transfers in	711,602	-	1,181,330		118,203	2,011,135	415,357
Transfers out	(902,187)	(447,766)	(10,000)		-	(1,359,953)	(468,604)
<b>Net other financing sources (uses)</b>	<b>(190,585)</b>	<b>(447,766)</b>	<b>1,171,330</b>		<b>118,203</b>	<b>651,182</b>	<b>(53,247)</b>
Net change in fund balances	(351,991)	518,916	950,594	(63,023)	127,286	1,181,782	205,297
Beginning fund balances (deficit)	(69,805)	2,968,760		67,375	353,691	3,320,021	3,114,724
<b>Ending fund balances (deficit)</b>	<b>\$ (421,796)</b>	<b>3,487,676</b>	<b>950,594</b>	<b>4,352</b>	<b>480,977</b>	<b>4,501,803</b>	<b>3,320,021</b>

## PERMANENT FUND

This fund was established to benefit the library. The fund balance is reserved and only investment earnings may be spent.



**CITY OF HOMER, ALASKA**  
Library Endowment Permanent Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended December 31, 2005  
(With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
Revenues	\$	
Expenditures - Homer Foundation		<u>(12,300)</u>
Net change in fund balance		(12,300)
<u>Beginning fund balance</u>		<u>12,300</u>
Ending fund balance	\$	<u></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, 2005

(With Comparative Amounts for 2004)

Assets	2005	2004
Current assets:		
Receivables:		
Accounts, net of allowance for doubtful accounts of \$29,707 in 2005 and \$31,186 in 2004	\$ 140,758	182,586
State and federal grants	181,155	743,460
Litigation settlement - current	121,000	121,000
Net receivables	442,913	1,047,046
Inventory	9,366	12,115
Prepaid items	28,096	31,378
Total current assets	480,375	1,090,539
Restricted assets - cash and investments restricted for debt service	168,420	168,420
Bond issuance costs, net of accumulated amortization of \$10,662 in 2005 and \$5,331 in 2004	21,324	26,655
Long-term portion of litigation settlement receivable, net of 6% discount of \$53,489 in 2005 and \$78,763 in 2004	246,511	342,237
Property, plant and equipment:		
Property, plant and equipment in service	52,214,456	49,296,519
Land and land improvements	15,254,041	15,254,041
Construction work in progress		2,143,596
Less <u>accumulated</u> depreciation	(19,586,792)	(18,219,878)
Net property, plant and equipment	47,881,705	48,474,278
Total assets	\$ 48,798,335	50,102,129
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	128,356	137,011
Accrued payroll and related liabilities	21,690	24,319
Accrued leave	13,207	14,106
Accrued interest	7,368	9,000
Current portion of bonds payable	165,000	155,000
Prepaid berth rentals and deposits	545,199	502,238
Due to other funds	101,544	132,727
Deferred lease revenue	18,000	18,000
Total current liabilities	1,000,364	992,401
Noncurrent liabilities, net of current portion:		
Deferred lease revenue	396,000	414,000
Accrued leave	89,889	108,231
Revenue bonds payable, net of deferred loss of \$24,428 in 2005 and \$30,535 in 2004	510,572	669,465
Net pension obligation	120,398	53,213
Total noncurrent liabilities	1,116,859	1,244,909
Total liabilities	2,117,223	2,237,310
Net assets:		
Invested in capital assets, net of related debt	47,227,457	47,649,813
Restricted for debt service	168,420	168,420
Unrestricted (deficit)	(714,765)	46,586
Total net assets	46,681,112	47,864,819
Total liabilities and net assets	\$ 48,798,335	50,102,129

**CITY OF HOMER, ALASKA**  
 Port of Homer Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended December 31, 2005  
 (With Comparative Amounts for 2004)

	2005	2004
Operating revenues:		
Harbor	\$ 1,467,490	1,437,350
Main dock	141,423	171,875
Fish dock	761,798	784,885
Deep water dock	87,831	83,375
Rents, leases and storage	40,754	188,850
Fish grinder	8,519	13,496
Total operating revenues	2,507,815	2,679,831
Operating expenses:		
Harbor	993,742	860,055
Main dock	83,050	52,357
Fish dock	488,523	436,764
Deep water dock	51,959	54,858
Fish grinder	19,447	16,333
Administration	858,628	795,411
Depreciation	1,366,913	1,274,506
Total operating expenses	3,862,262	3,490,284
Operating loss	(1,354,447)	(810,453)
Nonoperating revenues (expenses):		
Investment income	19,565	21,632
Interest expense	(41,392)	(47,444)
Litigation settlements	25,274	(133,480)
Amortization of bond issuance costs	(5,331)	(5,331)
State of Alaska PERS relief	40,172	
Other income	64,362	113,155
Other expenses	-	(13,558)
Net nonoperating revenues (expenses)	102,650	(65,026)
Loss before contributions	(1,251,797)	(875,479)
Capital contributions	68,090	723,375
Change in net assets	(1,183,707)	(152,104)
Beginning net assets	47,864,819	48,016,923
Ending net assets	\$ 46,681,112	47,864,819

CTTY OF HOMER, ALASKA  
 Port of Homer Enterprise Fund  
 Statement of Cash Flows  
 Year Ended December 31, 2005  
 (With Comparative Amounts for 2004)

	2005	2004
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,638,965	2,839,758
Payments to suppliers	(1,356,280)	(1,184,790)
Payments to employees	(1,056,205)	(1,219,940)
Litigation settlements (net)	121,000	(41,984)
Net cash flows from operating activities	347,480	393,044
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(155,000)	(150,000)
Interest payments on long-term debt	(36,916)	(42,915)
Acquisition of property, plant and equipment	(774,341)	(827,069)
Decrease in due to other funds	(31,183)	(903,494)
Capital contributions received	630,395	1,508,802
Net cash flows from capital and related financing activities	(367,045)	(414,676)
Cash flows from investing activities - investment income received	19,565	21,632
Net increase in cash and investments		
Beginning cash and investments	168,420	168,420
Ending cash and investments	\$ 168,420	168,420
Cash and investments at end of year -		
Cash and investments restricted for debt service	\$ 168,420	168,420
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,354,447)	(810,453)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	1,366,913	1,274,506
Noncash expense - PERS relief	40,172	
Increase (decrease) in allowance for doubtful accounts	(1,479)	15,657
Amortization of deferred lease revenue	(18,000)	(18,000)
Litigation settlement	25,274	(133,480)
Miscellaneous nonoperating revenues	64,362	113,155
Miscellaneous nonoperating expenses		(13,558)
(Increase) decrease in assets:		
Accounts receivable	43,307	55,370
Inventory	2,749	(830)
Prepaid items	3,282	550
Litigation settlement receivable	95,726	91,496
Increase (decrease) in liabilities:		
Accounts payable	(8,655)	(213,858)
Accrued payroll and related liabilities	(2,629)	(9,497)
Accrued leave	(19,241)	(4,972)
Prepaid berth rentals and deposits	42,961	(6,255)
Net pension obligation	67,185	53,213
Net cash flows from operating activities	\$ 347,480	393,044

**CITY OF HOMER, ALASKA**  
 Port of Homer Enterprise Fund  
 Combining Schedule of Port of Homer Capital Projects  
 Year Ended December 31, 2005

	DWD Corrosion Control	Restrooms and Launch Ramp	Phone System	Totals
Funding sources:				
State and federal grants	\$		68,090	68,090
Port of Homer funds		624,580	76,470	5,201
				706,251
Total funding sources	\$	624,580	144,560	5,201
				774,341
Disbursements:				
Salaries and benefits		700	54,572	55,272
Supplies		1,303	2,588	3,891
Other services and charges		512,493	25,254	5,201
Capital outlay		110,084	62,146	172,230
Total disbursements	\$	624,580	144,560	5,201
				774,341

**CITY OF HOMER, ALASKA**  
 Water and Sewer Utility Enterprise Fund  
 Statement of Net Assets  
 December 31, 2005  
 (With Comparative Amounts for 2004)

Assets	2005	2004
<b>Current assets:</b>		
Cash and investments	\$ 695,282	2,130,426
<b>Receivables:</b>		
Accounts, net of allowance for doubtful accounts of \$54,504 in 2005 and \$20,843 in 2004	306,379	204,406
Sales taxes	178,938	169,031
Assessments due within one year	125,596	98,073
State and federal grants and loans	900,183	220,256
Net receivables	1,511,096	691,766
Inventory	216,505	169,957
Prepaid items	36,131	41,424
Total current assets	2,459,014	3,033,573
Restricted assets - cash and investments restricted for debt service and construction	2,522,887	2,549,077
Assessments due after one year	670,211	823,330
Bond issuance costs, net of accumulated amortization of \$5,647 in 2005 and \$2,823 in 2004	5,647	8,471
<b>Property, plant and equipment:</b>		
Property, plant and equipment in service	49,770,907	49,627,371
Land	436,227	372,266
Construction work in progress	5,017,274	1,630,903
Less accumulated depreciation	(29,013,024)	(27,232,843)
Net property, plant and equipment	26,211,384	24,397,697
Total assets	\$ 31,869,143	30,812,148
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	255,123	886,496
Accrued payroll and related liabilities	20,704	17,290
Accrued leave	12,312	12,915
Accrued interest	147,163	78,979
Current portion of notes payable	311,881	297,331
Current portion of bonds payable	85,000	80,000
Customer utility deposits	37,659	31,512
Total current liabilities	869,842	1,404,523
<b>Noncurrent liabilities, net of current portion</b>		
Accrued leave	131,760	115,323
Notes payable	7,167,200	4,840,933
Net pension obligation	113,083	49,382
Revenue bonds payable, net of deferred loss of \$5,206 in 2005 and \$7,809 in 2004	79,794	162,191
Total noncurrent liabilities	7,491,837	5,167,829
Total liabilities	8,361,679	6,572,352
<b>Net assets:</b>		
Invested in capital assets, net of related debt	18,573,156	19,017,242
Restricted for debt service and capital projects	2,701,825	2,147,608
Unrestricted	2,232,483	3,074,946
Total net assets	23,507,464	24,239,796
Total liabilities and net assets	\$ 31,869,143	30,812,148

**CITY OF HOMER, ALASKA**  
**Water and Sewer Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2005**  
**(With Comparative Amounts for 2004)**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Water charges and connection fees	\$ 1,343,855	1,209,357
Sewer charges and connection fees	<u>1,261,522</u>	<u>1,360,137</u>
Total operating revenues	<u>2,605,377</u>	<u>2,569,494</u>
Operating expenses:		
Water department:		
Treatment plant operations and testing	303,020	252,874
Pumping system	54,069	49,711
Distribution system and reservoir	235,567	199,530
Water meters	84,700	74,336
Water hydrants	78,408	67,465
Administration	<u>597,111</u>	<u>505,663</u>
Total water department	<u>1,352,875</u>	<u>1,149,579</u>
Sewer department:		
Treatment plant	424,688	387,393
Collection system	138,243	125,749
Lift station	108,798	95,835
Administration	<u>572,905</u>	<u>548,751</u>
Total sewer department	<u>1,244,634</u>	<u>1,157,728</u>
Depreciation	<u>1,780,181</u>	<u>1,611,192</u>
Total operating expenses	<u>4,377,690</u>	<u>3,918,499</u>
Operating loss	(1,772,313)	(1,349,005)



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

	2005	2004
Nonoperating revenues (expenses):		
Investment income	\$ 81,495	51,180
Interest expense	(52,316)	(139,468)
Sales taxes	1,031,167	1,019,645
Amortization of bond issuance costs	(2,824)	(2,824)
Loss on disposal of asset		(90,167)
Water/sewer master plan	(154,852)	(76,589)
State of Alaska PERS relief	39,241	
Other income	33,031	28,799
Other expenses	(46,373)	(7,068)
Net nonoperating revenues (expenses)	928,569	783,508
Loss before contributions and transfers	(843,744)	(565,497)
Capital contributions	221,412	227,808
Transfers out	(110,000)	(50,685)
Change in net assets	(732,332)	(388,374)
Beginning net assets	24,239,796	24,628,170
Ending net assets	\$ 23,507,464	24,239,796

**CITY OF HOMER, ALASKA**  
Water and Sewer Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended December 31, 2005  
(With Comparative Amounts for 2004)

	2005	2004
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,542,582	2,575,085
Payments to suppliers	(2,244,065)	(532,771)
Payments to employees	(1,105,107)	(1,039,460)
Net cash flows from operating activities	(806,590)	1,002,854
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(381,200)	(370,079)
Interest payments on long-term debt	(57,140)	(77,121)
Proceeds from long-term borrowing	2,077,858	148,827
Acquisition of property, plant and equipment	(3,518,257)	(1,528,958)
Capital contributions received	105,644	239,183
Principal collections on special assessments	125,596	98,073
Sales tax revenue received	1,021,260	1,018,238
Transfers out	(110,000)	(50,685)
Net cash flows from capital and related financing activities	(736,239)	(522,522)
Cash flows from investing activities -		
investment income received	81,495	51,180
Net increase (decrease) in cash and investments	(1,461,334)	531,512
Beginning cash and investments	4,679,503	4,147,991
Ending cash and investments	\$ 3,218,169	4,679,503
Cash and investments at end of year:		
Cash and investments	695,282	2,130,426
Cash and investments restricted for debt service and construction	2,522,887	2,549,077
	\$ 3,218,169	4,679,503
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,772,313)	(1,349,005)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,780,181	1,611,192
Noncash expense - PERS relief	39,241	
Increase (decrease) in allowance for doubtful accounts	33,661	(5,127)
Miscellaneous nonoperating revenues	33,031	28,799
Miscellaneous nonoperating expenses	(201,225)	(83,657)
(Increase) decrease in assets:		
Accounts receivable	(135,634)	(20,162)
Inventory	(46,548)	(35,471)
Prepaid items	5,293	1,856
Increase (decrease) in liabilities:		
Accounts payable	(631,373)	805,780
Accrued payroll and related liabilities	3,414	(13,124)
Accrued leave	15,834	10,310
Customer deposits	6,147	2,081
Net pension obligation	63,701	49,382
Net cash flows from operating activities	\$ (806,590)	1,002,854

## CITY OF HOMER, ALASKA

Water and Sewer Utility Enterprise Fund  
 Combining Schedule of Water and Sewer Utility Capital Projects  
 Year Ended December 31, 2005

	Land	Vehicles and Other Equipment	Water Storage	Hillside Acres LID	Barlett/ HONE Utilities	Water Meter System	East End Road LID	Kachemak Drive LID	Ocean Loop LID	Totals
Funding sources:										
State and federal grants	\$ -	-	102,564	-	54,887	-	-	-	-	157,451
Contributions from CIP fund	63,961	-	-	-	-	-	-	-	-	63,961
Water and Sewer Utility funds and capitalization loans	-	143,536	48,920	2,600,496	-	6,625	501,944	27,492	43,443	3,372,456
Total funding sources	\$ 63,961	143,536	151,484	2,600,496	54,887	6,625	501,944	27,492	43,443	3,593,868
Disbursements:										
Salaries and benefits	-	-	-	14,648	8,433	-	10,030	3,348	4,835	41,294
Other services and charges	-	-	45,052	137,278	23,192	-	18,158	24,144	38,608	286,432
Capital outlay	63,961	143,536	106,432	2,448,570	23,262	6,625	473,756	-	-	3,266,142
Total disbursements	\$ 63,961	143,536	151,484	2,600,496	54,887	6,625	501,944	27,492	43,443	3,593,868

## INTERNAL SERVICE FUND

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.

**CITY OF HOMER, ALASKA**  
Risk Management Internal Service Fund  
Statement of Net Assets  
December 31, 2005  
(With Comparative Amounts for 2004)

Assets	2005	2004
Accounts receivable	\$ 32,068	3,852
<hr/> <b>Liabilities and Net Assets</b> <hr/>		
Liabilities:		
Accounts payable	76,353	78,320
Due to other funds	44,326	154,718
Total liabilities	120,679	233,038
Net assets (deficit)	(88,611)	(229,186)
Total liabilities and net assets	\$ 32,068	3,852

**CITY OF HOMER, ALASKA**  
 Risk Management Internal Service Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended December 31, 2005  
 (With Comparative Amounts for 2004)

	2005	2004
Operating revenues - interfund insurance charges	\$ 1,194,783	965,520
Operating expenses:		
Claims	709,504	722,872
Insurance premiums	287,491	299,176
Administration	57,213	60,106
Total operating expenses	1,054,208	1,082,154
Change in net assets	140,575	(116,634)
<u>Beginning</u> net assets (deficit)	(229,186)	(112,552)
Ending net assets (deficit)	\$ (88,611)	(229,186)

**CITY OF HOMER, ALASKA**  
 Risk Management Internal Service Fund  
 Statement of Cash Flows  
 Year Ended December 31, 2005  
 (With Comparative Amounts for 2004)

	2005	2004
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,166,567	1,005,223
Payments for insurance claims and administration	(1,056,175)	(1,069,137)
Net cash flows from operating activities	110,392	(63,914)
 Cash flows from noncapital financing activities-		
increase (decrease) in due to other funds	(110,392)	63,914
Increase in cash and investments		
 <u>Beginning</u> cash and investments		
 Ending cash and investments		
 Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 140,575	(116,634)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
(Increase) decrease in accounts receivable	(28,216)	39,703
Increase (decrease) in accounts payable	(1,967)	13,017
Net cash flows from operating activities	110,392	(63,914)

SCHEDULES OF FEDERAL AND STATE EXPENDITURES



**CITY OF HOMER, ALASKA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2005

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	January 1, 2005 Receivable (Deferred)	Federal Share of Expenditures	Federal Receipts	December 31, 2005 Receivable (Deferred)
<b>DEPARTMENT OF AGRICULTURE</b>							
Homer Library Architectural Design and Engineering	60.003-9200 30963	10.766	\$ 100,000	55,370	44,630	100,000	
Passed through the State of Alaska Department of Community and Economic Development - Homer Conference Center Feasibility Study	850319	10.672	30,000		30,000	30,000	
Passed through the State of Alaska Department of Natural Resources - Volunteer Fire Assistance	39809	10.202	5,000		5,000	5,000	
Total Department of Agriculture				55,370	79,630	135,000	
<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		25,256		25,256
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	243,750	137,399	51,068	176,731	11,736
Total Department of Interior				137,399	76,324	176,731	36,992
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Passed through the Kenai Peninsula Borough - Homer Multi-Use Ice Facility - Ice Equipment	B-04-SK-AK-0041	14.11-04	397,640		397,640	397,640	
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
Assistance to Firefighters	EMW-2004-FG-02222	97.044	36,000		36,000	36,000	
Passed through the State of Alaska Department of Military and Veteran Affairs:							
Law Enforcement Prevention Program	05 LET PP 34051	97.074	164,047		12,147		12,147
Law Enforcement Terrorism Prevention Program	35549-04-16	97.004	165,146	8,450	29,019	13,000	24,469
Homeland Security Equipment	SHSGP 1103-10	97.004	562,923	265,997	43,401	306,257	3,141
Hazard Mitigation Grant	1445.0004	97.039	6,750	1,929	-	1,929	-
Kenai Peninsula Flooding and Winter Storm Disaster	DR-1445-AK	97.036	776,299	160,805	1,069	161,874	
Total Department of Homeland Security				437,181	121,636	519,060	39,757
<b>DEPARTMENT OF COMMERCE</b>							
Homer Public Library	07-01-05664	11.300	1,115,000		852,806	519,156	333,650
Passed through the State of Alaska Department of Community and Economic Development - Homer Beach Protection Policy Implementation	831426	11.419	75,000	17,692		17,692	
Total Department of Commerce				17,692	852,806	536,848	333,650
<b>ENVIRONMENTAL PROTECTION AGENCY</b>							
Wetland Development Grant	CD-97051401	66.461	127,302	21,209	11,527	31,103	1,633
Passed through the State of Alaska Department of Environmental Conservation:							
Water Storage Reservoir Construction (75% Federal)	40904	66.606	1,179,000	18,204	76,923	18,204	76,923
Clean Water Loan	409051	66.458	124,500	41,710	63,783		105,493
Clean Water Loan	409031	66.458	2,847,824	28,849	863,003	724,057	167,795
Drinking Water Loan	409041	66.468	2,801,614	81,761	1,240,400	988,510	333,651
Total Environmental Protection Agency				191,733	2,255,636	1,761,874	685,495

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

Federal Grant Title	Grant Number	Catalog of Federal Assistance Number	Total Grant Award	January 1, 2005 Receivable (Deferred)	Federal Share of Expenditures	Federal Receipts	December 31, 2005 Receivable (Deferred)
<b>DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership Passed through the City of Soldotna - Bryne Memorial Drug Grant	2012422	16.607	\$ 5,193	1,918		1,918	
	None	16.580	6,722	(1,377)			(1,377)
Total Department of Justice				541		1,918	(1,377)
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>							
Challenge Grant	CH-50085	45.130	400,000	(80,000)	400,000	320,000	
<b>DEPARTMENT OF TRANSPORTATION</b>							
Passed through the State of Alaska Department of Transportation and Public Facilities:							
Kachemak Bay Mull - Purpose Ocean Dock	MOA 75267	20.205	2,997,000	90,000	-		90,000
Homer Multi-Use Ice Facility - Ice Equipment	58030	20.58030	400,000		30,116	-	30,116
Click it or Ticket Enforcement - Occupant Protection	050303 OP	20.600	2,361		1,530	1,530	-
2004 - 2005 Impaired Driving Enforcement	050203-16310	20.600	5,000	4,286	2,063	6,349	
Impaired Driving Enforcement and Blitz	050226-154AL	20.600	500		500	500	-
Holiday DUI Enforcement	4-76370	20.600	10,725		3,356	-	3,356
Strategic Evaluation States DUI Enforcement	0501031631D	20.600	3,250		835	835	
Strategic Evaluation States DUI Enforcement	060103 1631D	20.600	4,550		279	-	279
You Drink & Drive You Lose Crackdown 2005	050203 154AL	20.600	3,250		3,250	3,250	-
National Motor Carrier Safety	05-PD-003	20.218	6,605	-	6,365	3,800	2,565
Scenic Byways (80% Federal)	75813	20.205	120,960	2,593	-	2,593	-
Port Security	DTSA20-03G-01150	20.420	167,000	<b>22,818</b>		22,818	
Total Department of Transportation				119,697	48,294	41,675	126,316
Total Federal Financial Assistance			\$	879,613	4,231,966	3,890,746	1,220,833

CITY OF HOMER, ALASKA  
Schedule of State Financial Assistance  
Year Ended December 31, 2005

Name of Award	Grant Number	Total Grant Award	January 1, 2005 Receivable (Deferred)	State Share of Expen- ditures	State Receipts	December 31, 2005 Receivable (Deferred)
<b>DEPARTMENT OF REVENUE</b>						
Electric and Telephone Sharing		\$ 28,101		28,101	28,101	
Liquor License		23,850		23,250	23,250	
Total Department of Revenue				51,351	51,351	
<b>DEPARTMENT OF ADMINISTRATION</b>						
* Senate Bill 46-PERS relief		245,743		245,743	245,743	
<b>DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT</b>						
Community Recreation Facility	99/569-9-001	101,862		30,847	30,847	
*Homer Public Library Construction	06-DC-116	1,000,000		1,000,000	898,871	101,129
Total Department of Community and Economic Development				1,030,847	929,718	101,129
<b>DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>						
Public Library Assistance	PLA-05-738-34	6,200		-	6,200	(6,200)
Public Library Assistance	PLA-03-738-34	6,250	(6,250)	6,250		
Total Department of Education and Early Development			(6,250)	6,250	6,200	(6,200)
<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>						
Water Storage Reservoir Design	40902	72,000	7,200	-	-	7,200
Water Storage Reservoir Construction (25% State)	40904	393,000	6,068	25,641	6,068	25,641
Total Department of Environmental Conservation			13,268	25,641	6,068	32,841
<b>DEPARTMENT OF FISH AND GAME</b>						
Harbor Restrooms & Fish Cleaning Facilities (25%)	CO-OP 04-047	81,250	45,799	17,023	58,910	3,912
<b>DEPARTMENT OF MILITARY AND VETERAN AFFAIRS</b>						
Hazard Mitigation Grant	1445.0004	2,250	643	-	643	
Kenai Peninsula Flooding and Winter Storm Disaster	DR-1445	258,766	53,602	356	53,958	
Total Department of Military and Veteran Affairs			54,245	356	54,601	
<b>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>						
Kachemak Bay Multi-Purpose Dock	75267	333,000	10,000		-	10,000
Scenic Byways (20% State)	75813	30,240	648		648	
Total Department of Transportation and Public Facilities			10,648		648	10,000
<b>DEPARTMENT OF PUBLIC SAFETY</b>						
Training Services	None	5,000		5,000	5,000	
Training Services	None	2,000		2,000	2,000	
Training Services	None	776		776	776	
Total Department of Public Safety				7,776	7,776	
Total State Financial Assistance		\$ 117,710		1,384,987	1,361,015	141,682

\* Major program

**CITY OF HOMER, ALASKA**

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

Year Ended December 31, 2005

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*.

**CITY OF HOMER, ALASKA**  
 General Governmental Expenditures by Function (1)  
 Last Ten Fiscal Years

Year Ended	General Government	Public Safety	Public Works,	Library	Airport	Parks and Recreation	Other	Debt Service	Total
1996	\$ 1,581,176	\$ 2,133,053	\$ 741,293	\$ 242,421	\$ 130,733	\$ 62,793	\$ 177,671	\$ 602,327	\$ 5,671,467
1997	1,376,588	2,210,412	736,465	255,315	112,490	103,671	205,523	608,050	5,608,514
1998	1,534,640	2,198,709	709,758	259,443	114,317	172,243	185,765	596,270	5,771,145
1999	1,421,672	2,608,205	773,563	284,742	134,262	217,261	161,884	619,284	6,220,873
2000	1,449,470	2,043,570	691,683	279,252	132,894	302,097	122,359	644,381	5,665,706
2001	1,685,478	2,164,793	803,036	298,541	107,541	342,943	109,796	631,719	6,143,847
2002	1,688,822	2,469,191	1,040,359	331,765	124,311	386,188	128,757	614,367	6,783,760
2003	1,747,060	2,686,750	1,197,669	352,380	145,981	318,118	120,000	510,671	7,078,629
2004	2,388,044	2,852,474	1,217,189	341,287	128,278	300,281	146,803	570,894	7,945,250
2005	2,665,480	3,026,926	1,314,841	368,969	146,221	327,706	147,000	584,469	8,581,612

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

CITY OF HOMER, ALASKA  
 General Governmental Revenues by Source (1)  
 Last Ten Fiscal Years

Year Ended	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines	Investment Income	Special Assessments	Other	Total
1996	\$ 2,979,162	\$ 8,994	\$ 1,011,222	\$ 1,027,391	\$ 28,419	\$ 237,933	\$ 98,011	\$	\$ 5,391,132
1997	3,426,714	8,437	895,283	1,076,242	42,202	226,365	89,242		5,764,485
1998	3,042,702	7,745	912,538	1,077,224	33,343	296,095	103,462		5,473,109
1999	3,327,801	6,740	931,248	1,071,430	17,108	224,492	99,873		5,678,692
2000	3,382,688	10,042	781,218	1,326,039	25,044	210,638	85,325		5,820,994
2001	3,504,746	12,520	784,840	1,393,570	19,489	89,682	59,189	-	5,864,036
2002	3,962,127	17,000	765,845	2,045,851	35,577	56,977	43,412	77,081	7,003,870
2003	4,361,019	18,930	680,330	1,991,495	36,321	17,387	39,571	140,794	7,285,847
2004	4,603,632	88,411	547,114	2,028,181	24,444	17,710	16,517	174,292	7,500,301
2005	6,190,531	42,717	832,043	2,183,048	23,269	64,603	15,462	156,897	9,508,570

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

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

Year Ended	(1) Property Tax	(2) Sales Tax	Total Taxes
1996	\$ 1,212,370	\$ 3,079,629	\$ 4,291,999
1997	1,280,563	3,145,130	4,425,693
1998	1,240,627	3,162,119	4,402,746
1999	1,347,712	3,465,156	4,812,868
2000	1,407,579	3,457,312	4,864,891
2001	1,428,622	3,622,824	5,051,446
2002	1,603,317	4,128,010	5,731,327
2003	1,811,202	4,462,523	6,273,725
2004	1,885,333	4,757,589	6,642,922
2005	2,102,170	6,150,695	8,252,865

(1) Property tax for all years is recorded in the General Fund.

(2) In 1997, sales tax revenues were recorded in the General Fund, Debt Service Funds and Sewer Enterprise Fund. In 1996, 1998, 1999, 2000, and 2001, sales tax revenues were recorded in the General Fund, Capital Projects Funds and Sewer Enterprise Fund. Beginning in 2002, sales tax revenues have been recorded in the General Fund, Streets and Sidewalks Capital Projects Fund, and Water and Sewer Enterprise Fund.

**CITY OF HOMER, ALASKA**

Property Tax Levies and Collections  
Last Ten Fiscal Years

Year Ended	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Total Taxes
1996	\$1,198,613	\$ 1,101,388	91.89%	\$ 93,663	\$1,195,051	99.70%	\$ 77,326	6.22%
1997	1,228,016	1,128,456	91.89	106,653	1,235,109	100.58	46,454	3.76
1998	1,184,204	1,119,732	94.56	89,848	1,209,580	102.15	48,046	4.06
1999	1,290,547	1,190,679	92.26	60,385	1,251,064	96.94	46,784	3.63
2000	1,328,213	1,245,592	93.78	90,071	1,335,663	100.56	46,617	3.51
2001	1,359,737	1,304,217	95.92	66,615	1,370,832	100.82	49,157	3.62
2002	1,634,651	1,491,221	91.23	53,515	1,544,736	94.50	81,258	4.97
2003	1,715,697	1,672,366	97.47	51,033	1,723,399	100.45	79,774	4.65
2004	1,829,389	1,768,120	96.65	34,012	1,802,132	98.51	72,638	3.97
2005	2,013,518	1,989,890	98.83	53,009	2,042,899	101.46	80,392	3.99



**CITY OF HOMER, ALASKA**  
Assessed Value of Taxable Property (1)  
Last Ten Fiscal Years

Year Ended	Real Property	Personal Property (2)	Total
1996	\$ 177,061,261	\$ 40,868,391	\$ 217,929,652
1997	182,460,650	40,815,022	223,275,672
1998	191,928,412	23,381,415	215,309,827
1999	218,639,912	16,005,042	234,644,954
2000	223,830,212	17,663,028	241,493,240
2001	230,947,412	16,277,581	247,224,993
2002	307,199,562	19,730,539	326,930,101
2003	324,818,562	18,320,830	343,139,392
2004	348,552,362	17,324,836	365,877,198
2005	426,736,862	20,711,630	447,448,492

- (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 a \$100,000 personal property tax exemption, and increasing the motor vehicle tax.

**CITY OF HOMER, ALASKA**  
 Property Tax Rates and Tax Levies -  
 All Direct and Overlapping Governments  
 Last Ten Fiscal Years

Year Ended	Tax Rates (Mils)				Total
	City of Homer	Kenai Peninsula Borough	South Peninsula Hospital Service Area (a component unit of Kenai Peninsula Borough)	Kenai Peninsula College	
1996	5.50	8.30	2.00	0.04	15.84
1997	5.50	8.30	2.00	0.08	15.88
1998	5.50	8.30	2.00	0.08	15.88
1999	5.50	8.00	2.00	0.10	15.60
2000	5.50	7.50	2.00	0.10	15.10
2001	5.50	7.00	1.75	0.10	14.35
2002	5.00	6.50	1.75	0.10	13.35
2003	5.00	6.50	1.75	0.10	13.35
2004	5.00	6.50	1.75	0.10	13.35
2005	4.50	6.50	1.75	0.10	12.85

Year Ended	Tax Levies				
1996	\$ 1,198,613	\$ 1,808,816	\$ 435,859	\$ 8,717	\$ 3,452,005
1997	1,228,016	1,853,188	446,551	17,862	3,545,617
1998	1,184,204	1,787,072	430,620	17,225	3,419,121
1999	1,290,547	1,877,160	469,290	23,464	3,660,461
2000	1,328,213	1,811,199	482,986	24,149	3,646,547
2001	1,359,737	1,730,575	432,644	24,772	3,547,728
2002	1,634,651	2,125,046	572,128	32,693	4,364,518
2003	1,715,697	2,230,406	600,494	34,314	4,580,911
2004	1,829,386	2,378,202	640,285	36,588	4,884,461
2005	2,013,518	2,908,415	783,035	44,745	5,749,713

**CITY OF HOMER, ALASKA**

## Special Assessment Collections (1)

## Last Ten Fiscal Years

<u>Year Ended</u>	<u>Current Assessments Billed</u>	<u>Total Assessments Collected in Current Year</u>	<u>Ratio of Collections to Amount Billed</u>	<u>Total Outstanding Assessments at Year End</u>
1996	\$ 113,525	\$ 216,008	190.27%	\$ 828,013
1997	110,004	143,901	130.81	816,681
1998	130,614	169,889	130.07	646,792
1999	100,649	170,615	169.51	547,792
2000	91,980	132,738	144.31	415,243
2001	70,853	125,690	177.40	289,553
2002	58,509	87,535	149.61	202,018
2003	97,801	208,589	213.28	857,249
2004	117,354	135,732	115.66	1,783,621
2005	139,345	77,258	55.44	1,637,227

(1) Includes special assessments recorded in the General Fund, Debt Service Funds, and Water and Sewer Enterprise Fund.

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

Year Ended	(1) Population	Assessed Value	(2) Gross Bonded Debt	Debt Service Funds Available	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	4030	\$ 217,929,652	\$ 3,540,000	\$ 1,223,784	\$ 2,316,216	1.06%	\$ 575
1997	4126	223,275,672	3,355,000	1,171,237	2,183,763	0.98	529
1998	4126	215,309,827	3,325,000	860,359	2,464,641	1.15	597
1999	4154	234,644,954	3,060,000	568,170	2,491,830	1.06	600
2000	4205	241,493,240	2,760,000	209,678	2,550,322	1.06	606
2001	3946	247,224,993	2,440,000	237,356	2,202,644	0.89	558
2002	4721	326,930,101	2,095,000	259,028	1,835,972	0.56	389
2003	4893	343,139,392	1,730,000	268,068	1,461,932	0.43	299
2004	5332	365,877,198	1,340,000	268,601	1,071,399	0.29	201
2005	5435	447,448,492	920,000	280,916	639,084	0.14	118

(1) Alaska Department of Community and Economic Development.

(2) Includes all long-term general obligation bonded debt.

**CITY OF HOMER, ALASKA**

Legal Debt Margin  
December 31, 2005

No debt limit is mandated by law.

**CITY OF HOMER, ALASKA**

Computation of Direct and Overlapping General Obligation Debt  
December 31, 2005

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Government</u>	<u>City of Homer</u>
City of Homer	\$ 639,084	100.00%	\$ 639,084
Kenai Peninsula Borough	19,589,000	11.32%	2,217,056
South Peninsula Hospital	10,000,000	45.43%	<u>4,543,215</u>
			<u>\$ 7,399,355</u>

## CITY OF HOMER, ALASKA

### Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Year Ended	(1) Principal	(1) Interest	Total Debt Service	(2) Total General Expenditures	Percent of Debt Service to General Expenditures
1996	\$ 197,500	\$ 272,431	\$ 469,931	\$ 5,671,467	8.29%
1997	217,500	259,053	476,553	5,608,514	8.50
1998	205,000	220,981	425,981	5,771,145	7.39
1999	265,000	154,913	419,913	6,220,873	6.75
2000	300,000	127,054	427,054	5,665,706	7.54
2001	320,000	115,054	435,054	6,143,847	7.08
2002	345,000	101,831	446,831	6,783,760	6.59
2003	365,000	88,734	453,734	7,078,629	6.41
2004	390,000	73,854	463,854	7,945,250	5.84
2005	420,000	57,766	477,766	8,581,612	5.57

(1) Does not include debt service paid by the Water and Sewer, and Port Enterprise Funds.

(2) Includes General Fund, Special Revenue Funds and Debt Service Funds.

## CITY OF HOMER, ALASKA

Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years

Year Ended	Number of Commercial Permits Issued	Estimated Value	Number of Residential Permits Issued	Estimated Value	(1) Bank Deposits (in thousands)	(2) Property Values	
						Real	Personal
1996	25	\$ 2,369,500	38	\$ 3,171,800	\$ 84,748	\$ 177,061,261	\$ 40,868,391
1997	12	3,934,000	42	3,730,265	64,731	182,460,650	40,815,022
1998	12	3,795,000	44	3,219,615	97,376	191,928,412	23,381,415
1999	7	2,060,000	20	3,646,000	N.A.	218,639,912	16,005,042
2000	6	1,030,000	23	2,611,040	N.A.	223,830,212	17,663,028
2001	8	1,785,800	27	3,582,220	N.A.	230,947,412	16,277,581
2002	8	5,024,740	34	4,395,180	N.A.	307,199,562	19,730,539
2003	20	6,399,760	66	8,927,055	N.A.	324,818,562	18,320,830
2004	20	8,694,663	78	8,391,050	N.A.	348,552,362	17,324,836
2005	27	13,495,000	76	8,116,400	N.A.	426,736,862	20,711,630

(1) Individual branch office.

(2) Kenai Peninsula Borough (property assessed at 100% of value).

In 1998, the Kenai Peninsula Borough adopted Borough Ordinance 97-73 that created a flat tax for watercraft, creating a \$100,000 personal property tax exemption, and increasing the motor vehicle tax.



**CITY OF HOMER, ALASKA**Principal Taxpayers  
December 31, 2005

Taxpayer	Real Property	Personal Property	Total
ACS of the Northland Inc.	\$	\$ 10,629,557	\$ 10,629,557
Homer Spit Properties, LLC	6,592,300		6,592,300
Johnson John R & Judith E	5,483,200	-	5,483,200
Tulin Charles E & Helen	4,796,400		4,796,400
Lands End Acquisition Corporation	4,204,100		4,204,100
Wells Fargo Bank	2,903,100	239,798	3,382,696
Moore Kenneth D & Roseleen L	2,668,900		2,668,900
Valentin Caspaar, LLC	2,382,700		2,382,700
CGF Properties, Inc.	2,256,000		2,256,000
Ramos Jose & Maria	2,045,800		2,045,800

## CITY OF HOMER, ALASKA

Miscellaneous Statistical Data

December 31, 2005

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	46.50
Emergency services:	
Number of stations	1
Number of employees, inclusive of volunteers	37
Police protection:	
Number of stations	1
Number of employees	28
Municipal water department:	
Number of consumers	1,373
Water usage (in millions of gallons)	206
Miles of water lines	37
Sewers:	
Number of customers	1,280
Miles of sewer lines	45
Building permits issued	103
Recreation and culture:	
Number of parks (220.57 acres)	18
Number of libraries	1
Number of volumes	34,791
City employees as of December 31, 2005 (full and part-time):	
Permanent - full time	92
Permanent - part time	10
Temporary	7
Elections:	
Number of registered voters	4,022
Number of voters who cast ballots in last general election	1,221
Percentage of registered voters voting in last general election	30.4%
Demographics:	
Median age (1)	38.8
Average annual wage per worker	42,821
School enrollment, City of Homer (3)	1,248
Unemployment rate - Borough-wide (2)	8.6%
Homeownership (1)	62.3%
Population (1)	5,435

(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**

Demographic Statistics

Last Ten Fiscal Years

Year Ended	(1) Population	(2) Annual Average Wage Per Worker	(1) Median Age	(3) School Enrollment	(2) Unemployment Rate
1996	4,030	\$ 29,548	32.4	1,364	14.1%
1997	4,126	30,091	32.4	1,412	13.6
1998	4,126	30,050	32.4	1,321	9.8
1999	4,154	30,523	32.4	1,343	10.5
2000	4,205	32,275	32.4	1,311	10.2
2001	3,946	34,584	38.8	1,276	10.6
2002	4,721	34,032	38.8	1,284	12.0
2003	4,893	33,069	38.8	1,250	12.1
2004	5,332	34,663	38.8	1,238	11.1
2005	5,435	42,821	38.8	1,248	8.6

(1) Alaska Department of Community and Economic Development

(2) State of Alaska, Department of Labor

(3) Kenai Peninsula Borough School District

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