

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF HOMER, ALASKA

Year Ended December 31, 2009

James C. Hornaday
Mayor

Walt Wrede
City Manager

Prepared By
Finance Department

Regina Harville, CPA, CFE, EA
Finance Director

INTRODUCTION

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

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City of Homer

Homer, Alaska

June 25, 2010

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, 2009. 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, 2009, 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, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

The City is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Acts. 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 Code of Ordinances, 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, port and harbor, public works, airport terminal, 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's ordinances.¹ 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 2009 and 2010 construction seasons, capital projects that are planned, completed, or in progress include the following.

City of Homer Projects:

A very significant portion of the City of Homer's financing (and debt) for 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 the Homer Accelerated Roads and Trails Program (HART). Funding for projects under these programs are generally initiated through local improvement districts. Local Improvement Districts currently in the planning, design, or construction phase include:

- Kachemak Drive Water and Sewer Improvements (Phase II). This project will extend water and sewer service to about eighty properties along Kachemak Drive beginning at East End Road. Design work began in 2006. The design, engineering, environmental research, and permitting phases are expected to be completed in June 2010. It is anticipated that the project will go to bid in July and that construction will commence in the fall of 2010.

¹ Financial policies can be located beginning on page xv of the City of Homer Annual 2009 Budget.

Other City Projects

- Water Treatment Plant: A new, state of the art, \$11 Million dollar water treatment plant was completed and became operational in 2009.
- Road Repaving: Using HART funds, the City repaved Soundview, Mountainview, Lee St., Herndon St. and Freight Dock Road in 2009.
- Trails: The City completed both the Reber Trail and the Senior Access Trail in 2009. In 2010 the City hopes to make further progress on completing the Spit Trail and making repairs to the Beluga Slough Trail. Funding has been obtained for both projects. The Spit Trail parking lot expansion was also completed in 2009.
- Parks and Recreation: In 2009, the City provided funds to upgrade two ballfields at Jack Gist Park. The City Council has appropriated additional funds for improvements there this year. The Council has also appropriated funds and received a legislative grant to implement Phase I of the Karen Hornaday Park Master Plan and the City plans to begin limited construction this year.
- Deep Water Dock: Feasibility and design work for upgrades at the Deep Water Dock should commence in 2010. The City proposes to strengthen the approach trestle and lengthen the face of the dock as part of Phase I improvements. Problems accessing a 2006 \$2 Million dollar federal earmark have been resolved and the City received another \$1 Million for the project this year from the Alaska legislature.
- East Boat Harbor: For the past few years, the Corps of Engineers has been studying the feasibility of expanding the small boat harbor by creating a new boat basin for large commercial and government vessels. The Corps recently concluded that the cost / benefit ratio was not high enough to justify construction. The City Council will re-evaluate the project and decide how to proceed in 2010.
- Main St: The City has a \$2 Million legislative grant to upgrade Main St. and / or make intersection and traffic control improvements at the intersection of Main St. and the Sterling Highway. The planning and design phase and coordination with DOT/PF is expected to take place in 2010.
- City Hall Renovation: The City was successful in getting the state funding originally appropriated for a new City Hall re-appropriated for upgrades and expansion of the existing City Hall. Planning and design are expected to begin in the fall of 2010.
- Natural Gas Transmission Line: The City received \$525,000 in grant funds from the Alaska legislature to begin the process of building a natural gas transmission line from Anchor Point to Homer. The money will likely be used to build a regulation station in Anchor Point and the first segment of 8 inch line for transportation of the gas to Homer. Construction could begin this fall.

Kenai Peninsula Borough Projects

- The South Peninsula Hospital Expansion is expected to be fully completed in summer of 2010.

State of Alaska Projects

- A major airport improvement and expansion project is scheduled within the next few years pending the availability of funds.

Major Private Projects

- The City of Homer did not review or approve any new, large subdivisions in 2009. This activity has slowed considerable due to the national economic downturn.
- The City Planning Department issued 55 zoning permits in 2009. This continues a downward trend in recent years. The number of permits issued in 2008 was 62 and in 2007 it was 87.

FACTORS AFFECTING FINANCIAL CONDITION

Economy

Homer's economy is relatively diverse for a community of its size. Major seasonal components of the economy include commercial fishing, sport fishing, recreation, and the visitor industry. The primary year around employers include the South Peninsula Hospital, Homer Electric Association, arts and music, independent entrepreneurs, small locally owned businesses, and the federal, state, borough, and local governments. Homer is the number one commercial halibut port in the state in terms of pounds landed. It also has the largest single basin boat harbor in the state, a year around ice free port, and an excellent airport. Besides recreation and wildlife viewing, major visitor attractions include the Pratt Museum, the Islands and Ocean Center, and the many art galleries.

The City Economic Development Commission is currently working on an update to the City's Comprehensive Economic Development Strategy (CEDS). One of the objectives is to define and articulate what types of economic development the community supports and how to stimulate it. Prospects for the future that could affect the local economy include green technology and energy development, a proposed airport improvement project, proposed expansions at the Deep Water Dock and Boat Harbor, renovation and expansion of the Pratt Museum, efforts to bring natural gas to homer, and the Pebble Mine.

Economic growth in Homer has slowed over the past year much as it has in the rest of the country. Economy activity in most sectors appears to have declined. Tax revenues are projected to be on the decline in coming years. In addition, Borough voters recently voted to exempt unprocessed foods from the local sales tax. This measure, unless it is reversed by local voters, will result in a decline in sales taxes of up to \$1 Million dollars. This will affect the City's ability to finance projects.

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 2010 Annual Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's Annual Budget also includes long-term financial plans for the major operating funds that forecast revenues and expenditures over a ten-year horizon. The document can be obtained from the City of Homer's Finance Department by calling (907) 235-8121. The Annual Budget can also be accessed through the City's web site at www.ci.homer.ak.us and selecting the Finance Department.

FINANCIAL INFORMATION

Single Audit

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

Cash Management

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

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

Risk Management

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

Awards and Acknowledgements

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, 2008.

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.

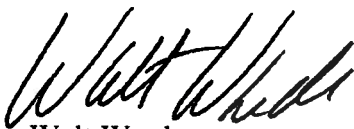
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

Acknowledgements

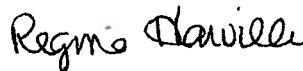
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the City of Homer. We would like to particularly express our appreciation to Laurel Moore, Jo Earls, Jenna deLumeau, Joanne Perret, Lori Sorrows, and Juli Swisher of the 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, CPA, CFE, EA
Finance Director

CITY OF HOMER
Principal City Officials

Mayor

James C. Hornaday

City Council

David Lewis
Mary E. (Beth) Wythe
Bryan Zak

Francie Roberts
Barbara Howard
Kevin Hogan

City Administration

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

Walt Wrede
Thomas Klinkner
Jo Johnson
Regina Harville
Bob Painter
Helen Hill
Rick Abboud
Mark Robl
Bryan Hawkins
Carey Meyer

City of Homer Organizational Chart

People of Homer

Mayor & City Council

Attorney

Auditor

Council Task Forces
and Committees

Advisory Commissions

City Manager

Public Safety
Police and Fire

Public Works

Port and Harbor

Administration
and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Homer
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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.



President

Executive Director

FINANCIAL

STATEMENTS

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, 2009 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010 on our consideration of City of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 25, 2010

CITY OF HOMER

Management's Discussion and Analysis

December 31, 2009

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, 2009. 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 assets of the City of Homer exceeded its liabilities at December 31, 2009, by \$126,812 (Net Assets). Of this amount, unrestricted net assets of \$11,931 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets decreased by \$1,479.
- As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$13,473, an increase of \$1,326 from the prior year. The increase is due to the receipt of Exxon settlement funds of \$1,151, a sale of property for \$32 and special assessments of \$110.
- At the end of the current year, the fund balance for the General Fund was \$4,895. Of this amount, \$4,227 was unreserved, undesignated, and available for spending.
- At year-end, the City of Homer's outstanding debt totals \$16,038, an increase of \$2,633 from the previous year. This includes an increase in Alaska Clean Water/Drinking Water loans for the new Water treatment plant being put into service in 2009.

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.

- Government-wide financial statements provide both long-term and short-term information about the City's overall condition in a summary format.
- 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.

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-1 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-1			
Major Features of City of Homer's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire and public works	Activities the City operates similar to private businesses; port & harbor and water/sewer utility
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net assets *Statement of revenues, expenses and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term

Illustration A-1
Major Features of City of Homer's Government-wide and
Fund Financial Statements, continued

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

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

- The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate the improvement or deterioration of the City's financial position.
- The statement of activities presents information showing how the City's net assets changed during the concluded fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

Fund Financial Statements

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

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

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

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

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

- Proprietary funds - Services for which the City charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The City of Homer maintains two different types of proprietary funds.
- Enterprise funds - Are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its port & harbor and its utility (water and sewer) system.
- Internal service funds - Are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insured health benefit, accrued leave cash-outs, and PERS funding.

The proprietary fund financial statements provide separate information for Homer's port & harbor and utility systems, both of which are considered 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 2009 fiscal year, the City's net assets (assets exceeding liabilities) totaled \$126,812 (see Table A-1). Of this amount \$107,183, or 85%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amount of net assets, are labeled as restricted or unrestricted.

The restricted balances of \$3,350 in the governmental activities is for debt service and capital projects. In the business-type activities, the balance of \$4,348 is for debt service and capital projects. The total unrestricted amount totals \$11,931 and is available to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Homer is able to report positive balances in these two categories of net assets for the government as a whole as well as for its separate governmental activities.

The following schedule provides a summary of the City's net assets:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 14,906	13,635	7,700	9,387	22,606	23,022
Capital assets	<u>45,129</u>	<u>45,405</u>	<u>78,091</u>	<u>77,413</u>	<u>123,221</u>	<u>122,818</u>
Total assets	<u>60,035</u>	<u>59,040</u>	<u>85,791</u>	<u>86,800</u>	<u>145,826</u>	<u>145,840</u>
Non-current liabilities	2,001	2,060	15,180	12,536	17,181	14,596
Other liabilities	<u>585</u>	<u>648</u>	<u>1,247</u>	<u>2,304</u>	<u>1,832</u>	<u>2,952</u>
Total liabilities	<u>2,586</u>	<u>2,708</u>	<u>16,427</u>	<u>14,840</u>	<u>19,013</u>	<u>17,548</u>
Net assets:						
Invested in capital assets, net of related debt	43,616	43,848	63,567	65,571	107,183	109,419
Restricted	3,350	4,335	4,348	7,677	7,698	12,012
Unrestricted	<u>10,483</u>	<u>8,149</u>	<u>1,448</u>	<u>(1,289)</u>	<u>11,931</u>	<u>6,860</u>
Total net assets	\$ <u>57,449</u>	<u>56,332</u>	<u>69,363</u>	<u>71,959</u>	<u>126,812</u>	<u>128,291</u>

As reflected in Table A-2, the City's net assets decreased by \$1,479. Revenues exceeded expenses in the governmental activities by \$1,117, and in the business-type activities, expenses exceeded revenues by \$2,596. Key elements of the increases and decreases follow:

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u> <u>Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Program revenues:						
Charges for services	\$ 1,246	1,322	6,387	6,312	7,633	7,634
Operating grants and contributions	607	697	-	-	607	697
Capital grants and contributions	376	747	317	4,571	693	5,318
General revenues:						
Property taxes	2,890	2,977	-	-	2,890	2,977
Sales taxes	5,361	6,335	1,072	1,267	6,433	7,602
Other	<u>2,113</u>	<u>2,067</u>	<u>453</u>	<u>923</u>	<u>2,566</u>	<u>2,990</u>
Total revenues	<u>12,593</u>	<u>14,145</u>	<u>8,229</u>	<u>13,073</u>	<u>20,822</u>	<u>27,218</u>
Expenses:						
General government	2,066	1,761	-	-	2,066	1,761
Public safety	4,410	4,547	-	-	4,410	4,547
Public works	2,956	2,638	-	-	2,956	2,638
Library	933	891	-	-	933	891
Airport	239	233	-	-	239	233
Parks and recreation	427	494	-	-	427	494
Community services	266	322	-	-	266	322
Unallocated interest	64	141	-	-	64	141
Port and harbor	-	-	4,794	4,530	4,794	4,530
Water and sewer	-	-	<u>6,146</u>	<u>5,821</u>	<u>6,146</u>	<u>5,821</u>
Total expenses	<u>11,361</u>	<u>11,027</u>	<u>10,940</u>	<u>10,351</u>	<u>22,301</u>	<u>21,378</u>
Increase (decrease) in net assets before transfers	1,232	3,118	(2,711)	2,722	(1,479)	5,840
Transfers	<u>(115)</u>	<u>(30)</u>	<u>115</u>	<u>30</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,117	3,088	(2,596)	2,752	(1,479)	5,840
Beginning net assets	<u>56,332</u>	<u>53,244</u>	<u>71,959</u>	<u>69,207</u>	<u>128,291</u>	<u>122,451</u>
Ending net assets	\$ <u>57,449</u>	<u>56,332</u>	<u>69,363</u>	<u>71,959</u>	<u>126,812</u>	<u>128,291</u>

Governmental Activities

Governmental activities increased the City of Homer's net assets by \$1,117. Key elements of this increase are as follows:

- Revenue down substantially, approximately \$1,552 in 2009 from 2008.

This decrease is the result of a decrease in Sales Tax Revenues of \$974. This was due to the passing of Ordinance 08-32(S)(A-2) removing tax from non-prepared foods seasonally from September 1st through May 31st.

- Additional revenue shortfalls were due to an economic downturn in 2009.
 - Property taxes reflect a decrease in assessed values. The last few years have seen an increase in the building of homes and businesses, this year however, this trend seems to have changed.
- Expenditures were maintained at the 2008 level. This was down through workforce reductions and personnel expenditure reductions through attrition and retirements.

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 \$25, and the second part was direct contributions to different organizations. \$85 went to the Pratt Museum. All other direct contributions were cut due to the economic down turn and the reduction of sales tax revenues.

Business-Type Activities

The City's business-type activities resulted in a \$2,596 decrease in net assets.

Port and Harbor Enterprise Fund net assets decreased by \$1,240 in 2009.

- Operating revenues were \$3,348 in 2009, an increase of \$150 from the previous year.
- Operating expenses were \$4,794 in 2009, an increase of \$308 from 2008. This was due to an increase in utility and fuel costs throughout the year.
- Unrestricted net assets of the Port and Harbor Fund at the end of 2009 amounted to a deficit of \$1,071. The deficit in 2008 amounted to \$931, thus the deficit was increased by \$140.

Water/Sewer Enterprise Fund net assets decreased by \$1,387 in 2009.

- Operating revenues were \$3,039 in 2009, an increase of \$100 from the previous year.
- Operating expenses were \$6,051 in 2009, an increase of \$329 from 2008. This was due to an increase in utility and fuel costs throughout the year.
- The Water/Sewer Enterprise Fund reports unrestricted net assets of \$2,436 at the end of 2009. In 2008, (\$409) was reported as unrestricted net assets.

➤ **HAWSP (Homer Accelerated Water Sewer Projects)** was originally set up in 1999 and is a combined local funding source of unexpended dedicated sales tax and dedicated sales tax, to improve the health and welfare of the citizens of Homer by connecting residents to the City Water and/or Sewer. The dedicated sales tax (3/4 of 1% of sales tax revenues), is segregated for the specific purpose of the installation of new infrastructure.

LID (Land Improvement Districts) were set up for areas that requested water/sewer infrastructure. The City obtains 1.5% interest loans through the Alaska Clean Water/Drinking Water Fund to build the infrastructure. The owners of properties in the LID's are responsible for 75% of the costs for the infrastructure and pay the City back over a 20 year period for their portion of the cost. The HAWSP fund is responsible for the full payments of the loans and is in part reimbursed by the owners of the properties in the LID's.

HAWSP is reported in combination with the Water / Sewer Enterprise Fund. Accounting for 2009 is as follows:

- ⌘ Sales tax revenues received in 2009 \$1,072, a decrease of \$195 from 2008.
- ⌘ Total outstanding notes payable at 2009 year end is \$14,490. This is an increase from 2008 of \$2,923.
- ⌘ Total LID assessment payments due to the City at 2009 year end is \$3,160, this is a decrease from 2008 of \$134.

Internal Service Funds

The City maintains *Internal Service Funds* to account for the self-insured employee health plan, accrued leave cash outs, and PERS funding.

The *Risk Management Fund* (Self-insured employee health plan) had an operating gain of \$231 for 2009.

The *Leave Cash-Out Fund* was created to set aside funds to pay for employees' leave cash out. It was anticipated for 2009 that \$225 worth of leave cash outs would occur, however, there was \$279 leave cashed out, leaving a negative change in net assets of \$54.

The *PERS Funding* was created to assist the City in paying for the Net Pension Obligation owed by the City. However SB 125 removes this liability from the City of Homer. Currently these funds are simply collecting interest for future unanticipated PERS activity.

See Pages 84 – 89 for more details.

Financial Analysis of the Governmental Funds

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

As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$13,473, an increase of \$1,326 compared to balances a year earlier. Of the ending balance, \$4,194, or 31% is unreserved and undesignated and is available to the City for future spending. Most of the remaining fund balance is reserved for debt service and capital projects (\$4,368); designated for future capital projects (\$2,973); and reserved for inventory and prepaid items (\$297). The increase to total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$11,193 compared to revenues of \$11,488. The \$295 change in the General Fund balance was actually more than the final budgeted net change in fund balance of (\$188). This was primarily due to the reduction of expenditures to personnel costs through attrition.
- The City maintains eight capital project funds that account for the use of intergovernmental grants, dedicated sales tax, and department transfers 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 General Fund Capital Projects is utilized for the acquisition, construction, or repair of major capital facilities.
 - The Streets and Sidewalks (HART) Project Funds are used for the repair and replacement of streets and sidewalks. The voters designated ¾% of all sales tax revenue received to go towards the improvement of streets and sidewalks. In 2009, \$966 was received from sales taxes and \$26 was received from interest earned on this revenue. Council designated 10% of sales tax revenue earmarked for HART be designated specifically for trails. In 2009, \$110 was put aside for trails. Reber and Senior Trails were both worked on in 2009.
 - The Depreciation Reserves was set up for the replacement of aged equipment and buildings. Funds are transferred annually from individual departments to keep in savings until equipment/buildings are replaced. In 2009 \$158 was transferred into this fund, \$331 was used to replace/purchase new equipment.
 - The Fleet Reserve Account is used for the planned rotation basis of the City's fleet of vehicles. Funds are transferred from individual departments to keep in savings until vehicles are replaced or purchased. In 2009, \$80 was transferred in and \$96 was expended.

General Fund Budgetary Highlights

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

- In 2009, Depreciation Reserve Budgets were amended to cover the costs of matching funds for the acceptance of ARRA funds for the purchase of a new vacuum sweeper, with a match of \$15 to be paid out of reserves, purchase of a Stage II Snowblower for \$65, \$15 for repairing of Bishop's Beach Shelter, \$33 for completing two ballfields at Jack Gist Park, \$31 for local match of Spit Trail Extension, and a Lifepak for \$18.
- Original expenditures budget was amended to pay for installation of a back up generator for \$69, \$7 for housing and operational expense for a Vista volunteer, \$5 for public information on ballot.

The budgeted revenues and other sources over expenditures and other uses decreased from \$17 in the original budget to (\$188) in the final budget.

Capital Asset and Debt Administration

Capital assets - As detailed in Table A-3 below, the City of Homer's investment in capital assets for its governmental and business-type activities as of December 31, 2009, totals \$123,220 (net of accumulated depreciation). This amount represents a \$4 increase over the previous year.

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 9,478	9,478	15,950	15,702	25,428	25,180
Buildings	17,847	17,824	42,073	34,533	59,920	52,357
Improvements other than buildings	2,349	1,852	71,877	69,554	74,226	71,406
Machinery and equipment	6,226	5,859	9,357	6,964	15,583	12,823
Infrastructure	29,373	28,874	616	616	29,989	29,490
Construction in progress	259	289	546	8,683	805	8,972
Accumulated depreciation	<u>(20,403)</u>	<u>(18,771)</u>	<u>(62,328)</u>	<u>(58,639)</u>	<u>(82,731)</u>	<u>(77,410)</u>
Total capital assets	\$ <u>45,129</u>	<u>45,405</u>	<u>78,091</u>	<u>77,413</u>	<u>123,220</u>	<u>122,818</u>

Major capital asset events during the 2009 year included:

- General Fund:
 - ⌘ Generator
 - ⌘ Boiler Replacement
 - ⌘ Life pac
 - ⌘ Small Boat, Motor & Trailer
 - ⌘ Airport Tile
 - ⌘ Patrol Cars (3)
 - ⌘ Broom Truck
 - ⌘ Road improvements on Freight Dock Road and Spit Parking.

- Water / Sewer:
 - ⌘ Midhill Water Treatment Plant
 - ⌘ Waterline Tapping Tool

- Port & Harbor:
 - ⌘ Patrol Truck
 - ⌘ Loader
 - ⌘ Tug Refit
 - ⌘ DWD Improvements

Construction in progress associated with business-type activities includes Kachemak Drive Phase II, and the Sanitary Sewer Rehab.

Additional information on the City’s capital assets can be found in note 5 on pages 36-38 of this report.

**Table A-4
City of Homer’s Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue bonds	\$ -	-	-	185	-	185
Notes payable	1,507	1,529	14,490	11,567	15,997	13,096
Capital leases	<u>7</u>	<u>28</u>	<u>34</u>	<u>96</u>	<u>41</u>	<u>124</u>
Total	1,514	2,027	14,524	11,848	16,038	13,405
Compensated absences	488	503	332	353	820	856
Loss on refinancing	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Total long-term debt	<u>\$ 2,002</u>	<u>2,060</u>	<u>14,856</u>	<u>12,195</u>	<u>16,858</u>	<u>14,255</u>

Long-term debt - At the end of the 2009 year, the City of Homer had total debt outstanding of \$16,038 as detailed in Table A-4. This excludes \$820 related to compensated absences.

The notes payables listed under the Business-Type Activities are used to add water and sewer lines and services to areas. Additionally, the new water treatment plant was built utilizing a loan. Loans are received through Alaska Department of Environmental Conservation for 20 year periods at 1.5% interest. Currently seventy five percent of the loans are repaid by the customer through an “LID” (Land Improvement District). Twenty five percent of the loans are paid back by the City of Homer with designated sales tax revenues.

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

Economic Factors and Next Year's Budgets and Rates

These various factors were taken into consideration in the development of the City's 2010 annual budget. The annual budget is adopted for the General, Port and Harbor, and Utility Funds. Major aspects of the adopted 2010 budget include:

- Consider the continuation of the economic downturn throughout the 2010 Fiscal Year.
- Property taxes are to remain the same.
- Sales Tax considers a reduction in the taxes due to the grocery sales tax initiative. Effective 1/1/2009, Ordinance 08-32(S)(A-2) exempts sales tax on non-prepared foods from September 1st through May 31st of each year. This will decrease revenues to the General Fund, HART and HAWSP significantly.
- Water/Sewer Rates remained the same.

- One year moratorium on all new capital projects, equipment purchases, programs and services.
- Workforce reductions and personnel expenditure reductions through attrition, retirements, lay-offs and suspended COLA's.
- Suspend contributions to reserve and depreciation accounts for one year, and simultaneously, suspend expenditures from those funds.

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

BASIC FINANCIAL STATEMENTS

CITY OF HOMER, ALASKA

Statement of Net Assets

December 31, 2009

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 11,753,465	1,254,761	13,008,226
Receivables, net of allowance for doubtful accounts:			
Accounts	20,894	469,961	490,855
Sales and property taxes	938,088	168,514	1,106,602
State and federal grants and loans	164,603	2,071,448	2,236,051
Assessments	479,323	3,160,045	3,639,368
Other	182,393	-	182,393
Internal balances	(82,750)	82,750	-
Inventory	30,830	221,767	252,597
Prepaid items	268,216	96,197	364,413
Restricted cash and investments	1,150,377	173,784	1,324,161
Capital assets not being depreciated - land and construction in progress	9,737,579	16,496,821	26,234,400
Other capital assets, net of accumulated depreciation	<u>35,391,874</u>	<u>61,594,604</u>	<u>96,986,478</u>
 Total assets	 \$ <u>60,034,892</u>	 <u>85,790,652</u>	 <u>145,825,544</u>
<u>Liabilities</u>			
Accounts payable	308,364	406,328	714,692
Accrued payroll and related liabilities	228,075	81,266	309,341
Accrued interest	-	55,498	55,498
Prepaid rentals and deposits	-	686,527	686,527
Unearned revenue	48,234	18,000	66,234
Noncurrent liabilities:			
Unearned revenue	-	324,000	324,000
Due within one year:			
Accrued leave	90,427	81,093	171,520
Notes payable	38,257	611,566	649,823
Capital leases	6,703	34,045	40,748
Due in more than one year:			
Accrued leave	397,270	250,606	647,876
Notes payable	<u>1,468,820</u>	<u>13,878,346</u>	<u>15,347,166</u>
Total liabilities	<u>2,586,150</u>	<u>16,427,275</u>	<u>19,013,425</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	43,615,673	63,567,468	107,183,141
Restricted for debt service and/or capital projects	3,350,187	4,347,509	7,697,696
Unrestricted	<u>10,482,882</u>	<u>1,448,400</u>	<u>11,931,282</u>
Total net assets	<u>57,448,742</u>	<u>69,363,377</u>	<u>126,812,119</u>
 Total liabilities and net assets	 \$ <u>60,034,892</u>	 <u>85,790,652</u>	 <u>145,825,544</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Statement of Activities
Year Ended December 31, 2009

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 2,066,529	185,215	-	341,526	(1,539,788)	-	(1,539,788)
Public safety	4,409,769	633,372	561,371	-	(3,215,026)	-	(3,215,026)
Public works	2,955,896	62,544	38,198	300	(2,854,854)	-	(2,854,854)
Library	932,552	4,869	6,400	-	(921,283)	-	(921,283)
Airport	239,214	165,781	-	-	(73,433)	-	(73,433)
Parks and recreation	427,271	165,849	-	-	(261,422)	-	(261,422)
Community services	266,144	28,166	1,315	34,549	(202,114)	-	(202,114)
Unallocated interest	63,870	-	-	-	(63,870)	-	(63,870)
Total governmental activities	11,361,245	1,245,796	607,284	376,375	(9,131,790)	-	(9,131,790)
Business-type:							
Port and harbor	4,794,367	3,347,738	-	-	-	(1,446,629)	(1,446,629)
Water and sewer utility	6,145,835	3,039,391	-	317,159	-	(2,789,285)	(2,789,285)
Total business-type activities	10,940,202	6,387,129	-	317,159	-	(4,235,914)	(4,235,914)
Total	\$ 22,301,447	7,632,925	607,284	693,534	(9,131,790)	(4,235,914)	(13,367,704)
General revenues:							
Property taxes				\$ 2,889,856	-		2,889,856
Sales taxes				5,361,109	1,072,222		6,433,331
Grants and entitlements not restricted to a specific purpose				874,475	183,403		1,057,878
Investment income				82,117	84,104		166,221
Legal settlement				1,150,878	-		1,150,878
Other				5,633	184,699		190,332
Transfers				(115,408)	115,408		-
Total general revenues and transfers				10,248,660	1,639,836		11,888,496
Change in net assets				1,116,870	(2,596,078)		(1,479,208)
Beginning net assets				56,331,872	71,959,455		128,291,327
Ending net assets				\$ 57,448,742	69,363,377		126,812,119

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Governmental Funds
 Balance Sheet
 December 31, 2009

<u>Assets</u>	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Streets and Sidewalks Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 3,965,900	3,669,410	3,576,325	11,211,635
Receivables, net of allowance for doubtful accounts:				
Property taxes	60,576	-	-	60,576
Sales taxes	708,997	151,674	16,841	877,512
Assessments	479,323	-	-	479,323
State and federal grants	36,250	-	128,353	164,603
Other	181,127	-	1,266	182,393
Due from other funds	130,643	-	-	130,643
Inventory	30,830	-	-	30,830
Prepaid items	266,461	-	1,755	268,216
Restricted cash and investments	-	-	1,150,377	1,150,377
Total assets	\$ 5,860,107	3,821,084	4,874,917	14,556,108
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	160,348	2,166	32,952	195,466
Accrued payroll and related liabilities	228,075	-	-	228,075
Deferred revenue	97,225	-	24,691	121,916
Deferred assessments	479,239	-	-	479,239
Due to other funds	-	-	58,092	58,092
Total liabilities	964,887	2,166	115,735	1,082,788
Fund balances:				
Reserved:				
Debt service and capital projects	-	3,818,918	548,588	4,367,506
Inventory and prepaid items	297,291	-	-	297,291
Unreserved:				
Designated:				
Interfund loan for animal shelter	200,000	-	-	200,000
PERS	171,314	-	-	171,314
Special revenue funds:				
Library	-	-	31,501	31,501
Fire department	-	-	64,110	64,110
Animal shelter	-	-	7,382	7,382
Community schools	-	-	1,792	1,792
Sustainability global warming	-	-	15,257	15,257
Permanent Fund	-	-	1,150,377	1,150,377
Capital project funds - capital outlay/land	-	-	2,973,118	2,973,118
Undesignated:				
General Fund	4,226,615	-	-	4,226,615
Special revenue funds	-	-	14,436	14,436
Special revenue fund deficit	-	-	(47,379)	(47,379)
Total fund balances	4,895,220	3,818,918	4,759,182	13,473,320
Total liabilities and fund balances	\$ 5,860,107	3,821,084	4,874,917	14,556,108

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 December 31, 2009

Total fund balances for governmental funds \$ 13,473,320

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 in the funds.

These assets, net of accumulated depreciation consist of:

Land and land improvements	\$ 9,478,234	
Buildings	17,847,095	
Improvements other than buildings	2,349,078	
Machinery and equipment	6,226,363	
Infrastructure	29,372,807	
Construction in progress	259,345	
Accumulated depreciation	<u>(20,403,469)</u>	
Total capital assets		45,129,453

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

Delinquent property taxes receivable	73,682	
Special assessments not yet due	<u>479,239</u>	
Total other long-term assets		552,921

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.

294,525

Long-term liabilities, including notes 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:

Capital lease obligations	(6,703)	
Notes payable	(1,507,077)	
Accrued leave	<u>(487,697)</u>	
Total long term liabilities		<u>(2,001,477)</u>

Total net assets of governmental activities \$ 57,448,742

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2009

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Streets and Sidewalks Capital Project</u>	<u>Nonmajor Funds</u>	
Revenues:				
Property taxes	\$ 2,930,696	-	-	2,930,696
Sales taxes	4,288,887	966,263	105,959	5,361,109
Licenses and permits	19,614	-	-	19,614
Intergovernmental	1,453,009	-	401,296	1,854,305
Charges for services	2,629,639	-	-	2,629,639
Special assessments	110,543	-	-	110,543
Investment income	29,654	26,359	26,104	82,117
Fines and forfeitures	16,065	-	-	16,065
Donations	605	-	2,305	2,910
Sales of property and equipment	4,869	-	-	4,869
Other	3,935	300	1,191,735	1,195,970
Total revenues	<u>11,487,516</u>	<u>992,922</u>	<u>1,727,399</u>	<u>14,207,837</u>
Expenditures:				
Current:				
General government	3,137,288	215,221	27,684	3,380,193
Public safety	4,074,519	-	22,477	4,096,996
Public works	1,944,479	-	79,428	2,023,907
Library	724,150	-	-	724,150
Airport	230,934	-	-	230,934
Parks and recreation	359,683	-	-	359,683
Community services	214,964	-	51,180	266,144
Debt service:				
Principal	57,934	-	-	57,934
Interest	63,870	-	-	63,870
Capital outlay	-	709,037	903,148	1,612,185
Total expenditures	<u>10,807,821</u>	<u>924,258</u>	<u>1,083,917</u>	<u>12,815,996</u>
Excess of revenues over (under) expenditures	679,695	68,664	643,482	1,391,841
Other financing sources (uses):				
Issuance of long-term debt	-	-	14,536	14,536
Transfers in	-	-	413,609	413,609
Transfers out	(384,794)	-	(109,491)	(494,285)
Net other financing sources (uses)	<u>(384,794)</u>	<u>-</u>	<u>318,654</u>	<u>(66,140)</u>
Net change in fund balances	294,901	68,664	962,136	1,325,701
Beginning fund balances	<u>4,600,319</u>	<u>3,750,254</u>	<u>3,797,046</u>	<u>12,147,619</u>
Ending fund balances	<u>\$ 4,895,220</u>	<u>3,818,918</u>	<u>4,759,182</u>	<u>13,473,320</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to Statement of Activities
 Year Ended December 31, 2009

Net change in fund balances - total governmental funds		\$ 1,325,701
<p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p>		
<p>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 depreciation (\$1,632,696) and loss on disposal of capital assets (\$9,994) exceeded capital outlays (\$1,367,085).</p>		
		(275,605)
<p>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 decrease in other long-term assets.</p>		
		(123,483)
<p>Issuance of long-term debt (\$14,536) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$57,787) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net assets.</p>		
		43,251
<p>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.</p>		
Decrease in accrued leave		14,802
<p>An internal service fund is used by management to charge the cost of health insurance to individual funds. A portion of the net loss of this activity is reported with governmental activities.</p>		
		<u>132,204</u>
Change in net assets of governmental activities		\$ <u><u>1,116,870</u></u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 7,643,259	7,643,259	7,223,518	(419,741)
Licenses and permits	47,925	47,925	19,614	(28,311)
Intergovernmental	1,007,994	1,007,994	1,453,009	445,015
Charges for services	2,535,257	2,535,257	2,629,639	94,382
Special assessments	-	-	110,543	110,543
Investment income	40,000	40,000	29,654	(10,346)
Fines and forfeitures	21,400	21,400	16,065	(5,335)
Donations	-	-	605	605
Sales of property and equipment	-	-	4,869	4,869
Total revenues	<u>11,295,835</u>	<u>11,295,835</u>	<u>11,487,516</u>	<u>191,681</u>
Expenditures:				
General government	3,060,927	3,137,400	3,137,288	112
Public safety	4,352,657	4,352,657	4,074,519	278,138
Public works	1,857,065	1,857,065	1,944,479	(87,414)
Library	707,644	712,111	724,150	(12,039)
Airport	245,271	245,271	230,934	14,337
Parks and recreation	446,365	446,365	359,683	86,682
Community services	226,407	226,407	214,964	11,443
Debt service:				
Principal	53,473	53,473	57,934	(4,461)
Interest	68,332	68,332	63,870	4,462
Total expenditures	<u>11,018,141</u>	<u>11,099,081</u>	<u>10,807,821</u>	<u>291,260</u>
Excess of revenues over expenditures	277,694	196,754	679,695	482,941
Other financing uses - transfers out	<u>(260,679)</u>	<u>(384,794)</u>	<u>(384,794)</u>	<u>-</u>
Net change in fund balance	\$ <u>17,015</u>	<u>(188,040)</u>	294,901	<u>482,941</u>
Beginning fund balance			<u>4,600,319</u>	
Ending fund balance			\$ <u>4,895,220</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Proprietary Funds
Statement of Net Assets
December 31, 2009

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
Current assets:				
Cash and investments	\$ -	1,254,761	1,254,761	541,830
Receivables, net of allowance for doubtful accounts:				
Accounts	165,625	304,336	469,961	20,894
Sales taxes	-	168,514	168,514	-
Assessments due within one year	-	241,422	241,422	-
State and federal grants and loans	-	2,071,448	2,071,448	-
Litigation settlement	-	-	-	-
Inventory	14,420	207,347	221,767	-
Prepaid items	47,006	49,191	96,197	-
Total current assets	<u>227,051</u>	<u>4,297,019</u>	<u>4,524,070</u>	<u>562,724</u>
Noncurrent assets:				
Restricted assets - cash and investments	173,784	-	173,784	-
Assessments due after one year	-	2,918,623	2,918,623	-
Capital assets, net of accumulated depreciation	43,131,488	34,959,937	78,091,425	-
Total noncurrent assets	<u>43,305,272</u>	<u>37,878,560</u>	<u>81,183,832</u>	<u>-</u>
Total assets	<u>\$ 43,532,323</u>	<u>42,175,579</u>	<u>85,707,902</u>	<u>562,724</u>
	<u>Liabilities</u>			
Current liabilities:				
Accounts payable	99,955	306,373	406,328	112,898
Accrued payroll and related liabilities	36,906	44,360	81,266	-
Accrued leave	48,889	32,204	81,093	-
Accrued interest	-	55,498	55,498	-
Current portion of long-term debt	9,578	636,033	645,611	-
Prepaid rentals and deposits	646,532	39,995	686,527	-
Due to other funds	-	-	-	72,551
Unearned lease revenue	18,000	-	18,000	-
Total current liabilities	<u>859,860</u>	<u>1,114,463</u>	<u>1,974,323</u>	<u>185,449</u>
Noncurrent liabilities, net of current portion:				
Unearned lease revenue	324,000	-	324,000	-
Accrued leave	123,368	127,238	250,606	-
Notes payable	-	13,878,346	13,878,346	-
Capital lease	-	-	-	-
Total noncurrent liabilities	<u>447,368</u>	<u>14,005,584</u>	<u>14,452,952</u>	<u>-</u>
Total liabilities	<u>1,307,228</u>	<u>15,120,047</u>	<u>16,427,275</u>	<u>185,449</u>
	<u>Net Assets</u>			
Invested in capital assets, net of related debt	43,121,910	20,445,558	63,567,468	-
Restricted for debt service and capital projects	173,784	4,173,725	4,347,509	-
Unrestricted (deficit)	<u>(1,070,599)</u>	<u>2,436,249</u>	<u>1,365,650</u>	<u>377,275</u>
Total net assets	<u>42,225,095</u>	<u>27,055,532</u>	<u>69,280,627</u>	<u>377,275</u>
Total liabilities and net assets	<u>\$ 43,532,323</u>	<u>42,175,579</u>	<u>82,750</u>	<u>562,724</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>82,750</u>	
Net assets of business-type activities			<u>\$ 69,363,377</u>	

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, 2009

	Enterprise Funds			Internal Service Funds
	Port of Homer	Water and Sewer Utility	Total	
Operating revenues - charges for services:				
Port and harbor	\$ 3,347,738	-	3,347,738	-
Water and sewer	-	3,039,391	3,039,391	-
Interfund charges	-	-	-	2,063,510
Total operating revenues	3,347,738	3,039,391	6,387,129	2,063,510
Operating expenses:				
Operations	2,133,357	2,209,559	4,342,916	279,354
Administration	1,197,902	1,615,539	2,813,441	98,290
Depreciation	1,462,396	2,225,964	3,688,360	-
Claims	-	-	-	1,118,734
Insurance premiums	-	-	-	389,730
Total operating expenses	4,793,655	6,051,062	10,844,717	1,886,108
Operating income (loss)	(1,445,917)	(3,011,671)	(4,457,588)	177,402
Nonoperating revenues (expenses):				
Investment income	21,261	62,843	84,104	-
Interest expense	(13,411)	(112,802)	(126,213)	-
Sales taxes	-	1,072,222	1,072,222	-
Amortization of bond issuance costs	(5,331)	-	(5,331)	-
State PERS relief	89,029	93,758	182,787	-
Cruise ship tax	616	-	616	-
Other income	117,749	66,950	184,699	-
Net nonoperating revenues (expenses)	209,913	1,182,971	1,392,884	-
Income (loss) before contributions and transfers	(1,236,004)	(1,828,700)	(3,064,704)	177,402
Capital contributions	-	317,159	317,159	-
Transfers in	25,593	124,115	149,708	-
Transfers out	(30,000)	-	(30,000)	(13,439)
Change in net assets	(1,240,411)	(1,387,426)	(2,627,837)	163,963
Beginning net assets	43,465,506	28,442,958		213,312
Ending net assets	\$ 42,225,095	27,055,532		377,275
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			31,759	
Change in net assets of business-type activities			\$ (2,596,078)	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2009

	Enterprise Funds			Internal Service Funds
	Port of Homer	Water and Sewer Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,502,623	3,068,573	6,571,196	-
Receipts from interfund services provided	-	-	-	2,235,391
Payments to suppliers	(1,549,306)	(3,108,400)	(4,657,706)	-
Payments to employees	(1,689,468)	(1,712,204)	(3,401,672)	(279,354)
Litigation settlement	100,000	-	100,000	-
Payments for insurance claims and administration	-	-	-	(1,646,507)
Net cash flows from operating activities	<u>363,849</u>	<u>(1,752,031)</u>	<u>(1,388,182)</u>	<u>309,530</u>
Cash flows from noncapital financing activities:				
Increase in due to other funds	-	-	-	54,354
Transfers out	(30,000)	-	(30,000)	(13,439)
Net cash flows from noncapital financing activities	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>	<u>40,915</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(203,248)	(647,795)	(851,043)	-
Interest payments on long-term debt	(9,518)	(87,214)	(96,732)	-
Proceeds from long-term borrowing	-	1,742,274	1,742,274	-
Acquisition of property, plant and equipment	(133,738)	(4,207,421)	(4,341,159)	-
Decrease in due to other funds	(3,242)	(5,113,952)	(5,117,194)	-
Capital contributions received	-	6,911,823	6,911,823	-
Sales tax revenue received	-	1,117,105	1,117,105	-
Transfers in	-	124,115	124,115	-
Net cash flows from capital and related financing activities	<u>(349,746)</u>	<u>(161,065)</u>	<u>(510,811)</u>	<u>-</u>
Cash flows from investing activities -				
investment income received	21,261	62,843	84,104	-
Net increase (decrease) in cash and investments	<u>5,364</u>	<u>(1,850,253)</u>	<u>(1,844,889)</u>	<u>350,445</u>
Beginning cash and investments	<u>168,420</u>	<u>3,105,014</u>	<u>3,273,434</u>	<u>191,385</u>
Ending cash and investments	<u>\$ 173,784</u>	<u>1,254,761</u>	<u>1,428,545</u>	<u>541,830</u>

See accompanying notes to basic financial statements.

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

	Enterprise Funds			Internal Service Funds
	Port of Homer	Water and Sewer Utility	Total	
Cash and investments at end of year:				
Cash and investments	\$ -	1,254,761	1,254,761	541,830
Cash and investments restricted for debt service and construction	173,784	-	173,784	-
	\$ 173,784	1,254,761	1,428,545	541,830
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (1,445,917)	(3,011,671)	(4,457,588)	177,402
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	1,462,396	2,225,964	3,688,360	-
Noncash expense - PERS relief	89,029	93,758	182,787	-
Increase in allowance for doubtful accounts	6,025	19,228	25,253	-
Amortization of deferred lease revenue	(18,000)	-	(18,000)	-
Miscellaneous nonoperating revenues	118,365	66,950	185,315	-
(Increase) decrease in assets:				
Accounts receivable	25,303	(59,408)	(34,105)	171,881
Inventory	(995)	40,919	39,924	-
Prepaid items	(1,027)	1,545	518	-
Litigation settlement receivable	100,000	-	100,000	-
Increase (decrease) in liabilities:				
Accounts payable	(20,179)	(1,088,393)	(1,108,572)	(39,753)
Accrued payroll and related liabilities	1,214	2,107	3,321	-
Accrued leave	24,443	(45,442)	(20,999)	-
Prepaid rentals and deposits	23,192	2,412	25,604	-
Net cash flows from operating activities	\$ 363,849	(1,752,031)	(1,388,182)	309,530
Noncash capital and related financing activities - a capital asset with a net book value of \$25,593 was transferred from governmental activities to the Port of Homer Enterprise Fund	\$ 25,593	-	25,593	-

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements

December 31, 2009

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

Organization and Services Provided

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

Scope and Presentation

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers all revenues except reimbursement grants to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

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

The City reports the following major funds –

Major governmental funds:

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

The *Streets and Sidewalks Capital Project Fund* accounts for operating grants and capital improvement projects for streets and sidewalks. Management has elected to treat this fund as a major fund for consistency purposes.

Major proprietary funds:

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting, continued

Encumbrance accounting is employed during the year under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and are charged to the subsequent year appropriations.

Cash and Investments

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

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

Investments are recorded at fair value.

Receivables and Payables

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

Property Taxes

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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.

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

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

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, discount, or deferred loss.

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

Fund Equity

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

Comparative Data

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

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

A schedule of interfund balances and transfers for the year ended December 31, 2009, follows:

Due from other funds:

Due to the General Fund from:

Leave Cash-Out Internal Service Fund for advances to cover operating costs	\$ 72,551
Nonmajor special revenue funds for advances to cover the cost of projects	<u>58,092</u>

Total amount due from other funds \$ 130,643

Transfers:

From General Fund to:

Water and Sewer Utility Enterprise Fund for capital costs	\$ 124,115
Nonmajor governmental funds to cover capital costs	<u>260,679</u>
Total transfers from General Fund	<u>384,794</u>

From Port of Homer Enterprise Fund to nonmajor governmental fund for capital costs 30,000

From nonmajor governmental funds to other nonmajor governmental fund for capital costs 109,491

From PERS Funding Internal Service Fund to nonmajor governmental fund to close fund 13,439

Total transfers to other funds \$ 537,724

In addition, a capital asset with a net book value of \$25,593 was transferred from governmental activities to the Port of Homer Enterprise Fund.

(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, 2009.

Bank deposits	\$ (130,215)
Investments	<u>14,462,602</u>
	<u>\$ 14,332,387</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Reconciliation of Deposit and Investment Balances, continued

Cash and investments	\$ 13,008,226
Restricted cash and investments	<u>1,324,161</u>
	<u>\$ 14,332,387</u>

Restricted cash and investments represent funds set aside for capital projects.

General Investments

Investment Policy

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at December 31, 2009 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u> Less <u>Than 1</u>	<u>1-5</u>
FNMA	\$ 942,094	-	942,094
Federal Home Mtg. Corp	341,638	-	341,638
Federal Farm Credit Bank	313,362	-	313,362
Federal Home Loan Bank	<u>637,706</u>	<u>-</u>	<u>637,706</u>
Total U.S. government agencies	2,234,800	-	2,234,800

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Repurchase agreement	\$ <u>193,809</u>	<u>193,809</u>	<u>-</u>
Total subject to interest rate risk	<u>2,428,609</u>	<u>193,809</u>	<u>2,234,800</u>
Money market	373,638		
Certificates of deposit	3,736,829		
Pooled investments	<u>7,923,526</u>		
Total investments	\$ <u>14,462,602</u>		

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM by Standard and Poor's 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, 2009, the share value of investments in the AML pool is approximately equal to fair value.

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

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2009, receivables for the City's individual major funds and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Streets and Sidewalks</u>	<u>Port of Homer</u>	<u>Water and Sewer</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ -	-	250,397	350,157	20,894	621,448
Taxes	787,155	151,674	-	168,514	16,841	1,124,184
State and federal grants and loans	36,250	-	-	2,071,448	128,353	2,236,051

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Valuation Allowances, continued

	<u>General</u>	<u>Streets and Sidewalks</u>	<u>Port of Homer</u>	<u>Water and Sewer</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables, continued:						
Special assessments	\$ 479,323	-	-	3,160,045	-	3,639,368
Other	<u>181,127</u>	-	-	-	<u>1,266</u>	<u>182,393</u>
Total receivables	1,483,855	151,674	250,397	5,750,164	167,354	7,803,444
Less allowance for uncollectibles	<u>(17,582)</u>	-	<u>(84,772)</u>	<u>(45,821)</u>	-	<u>(148,175)</u>
Net receivables	\$ <u>1,466,273</u>	<u>151,674</u>	<u>165,625</u>	<u>5,704,343</u>	<u>167,354</u>	<u>7,655,269</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2009, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable (General Fund)	\$ 73,682
Special assessments not yet due (General Fund)	479,239
Airport deposits (General Fund)	16,817
Grant drawdowns prior to meeting all eligibility requirements	7,460
Other deferred revenue	<u>23,957</u>
Total deferred/unearned revenue for governmental funds	\$ <u>601,155</u>

(5) **Capital Assets**

Capital asset activity for the year ended December 31, 2009 follows:

	Balance January 1, <u>2009</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, <u>2009</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 9,478,234	-	-	9,478,234
Construction in progress	<u>289,111</u>	-	<u>29,766</u>	<u>259,345</u>
Total assets not being depreciated	<u>9,767,345</u>	-	<u>29,766</u>	<u>9,737,579</u>
Capital assets being depreciated:				
Buildings	17,824,188	22,907	-	17,847,095
Improvements other than buildings	1,851,868	507,204	9,994	2,349,078
Machinery and equipment	5,858,770	367,593	-	6,226,363
Infrastructure	<u>28,873,660</u>	<u>499,147</u>	-	<u>29,372,807</u>
Total assets being depreciated	<u>54,408,486</u>	<u>1,396,851</u>	<u>9,994</u>	<u>55,795,343</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance January 1, <u>2009</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, <u>2009</u>
<u>Governmental activities, continued</u>				
Capital assets being depreciated, continued:				
Less accumulated depreciation for:				
Buildings	\$ 4,008,335	389,327	-	4,397,662
Improvements other than buildings	603,854	142,817	-	746,671
Machinery and equipment	3,062,415	443,713	-	3,506,128
Infrastructure	<u>11,096,169</u>	<u>656,839</u>	<u>-</u>	<u>11,753,008</u>
Total accumulated depreciation	<u>18,770,773</u>	<u>1,632,696</u>	<u>-</u>	<u>20,403,469</u>
 Total assets being depreciated, net	 <u>35,637,713</u>	 <u>(235,845)</u>	 <u>9,994</u>	 <u>35,391,874</u>
 Governmental activity capital assets, net	 \$ <u>45,405,058</u>	 <u>(235,845)</u>	 <u>39,760</u>	 <u>45,129,453</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 15,702,268	248,030	-	15,950,298
Construction in progress	<u>8,682,969</u>	<u>3,663,083</u>	<u>11,799,529</u>	<u>546,523</u>
Total assets not being depreciated	<u>24,385,237</u>	<u>3,911,113</u>	<u>11,799,529</u>	<u>16,496,821</u>
Capital assets being depreciated:				
Buildings	34,532,528	7,539,766	-	42,072,294
Improvements other than buildings	69,553,743	2,323,195	-	71,876,938
Machinery and equipment	6,964,495	2,392,207	-	9,356,702
Infrastructure	<u>616,286</u>	<u>-</u>	<u>-</u>	<u>616,286</u>
Total assets being depreciated	<u>111,667,052</u>	<u>12,255,168</u>	<u>-</u>	<u>123,922,220</u>
Less accumulated depreciation for:				
Buildings	26,254,872	1,304,384	-	27,559,256
Improvements other than buildings	27,894,152	1,949,896	-	29,844,048
Machinery and equipment	4,018,472	414,063	-	4,432,535
Infrastructure	<u>471,761</u>	<u>20,016</u>	<u>-</u>	<u>491,777</u>
Total accumulated depreciation	<u>58,639,257</u>	<u>3,688,359</u>	<u>-</u>	<u>62,327,616</u>
 Total capital assets being depreciated, net	 <u>53,027,795</u>	 <u>8,566,809</u>	 <u>-</u>	 <u>61,594,604</u>
 Business-type activity capital assets, net	 \$ <u>77,413,032</u>	 <u>12,477,922</u>	 <u>11,799,529</u>	 <u>78,091,425</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 123,746
Public safety	349,319
Public works	833,447
Library	229,949
Airport	6,241
Parks and recreation	<u>89,994</u>
Total depreciation expense – governmental activities	\$ <u>1,632,696</u>

Business-type activities

Port and harbor	\$ 1,462,396
Water and sewer utility	<u>2,225,964</u>
Total depreciation expense – business-type activities	\$ <u>3,688,360</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 unearned revenue are as follows:

Original cost assigned to building	\$ 630,000
Revenue recognized on cumulative basis	<u>(288,000)</u>
	\$ <u>342,000</u>
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	<u>324,000</u>
Total unearned lease revenue	\$ <u>342,000</u>

(6) **Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2009:

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
\$1,700,000 USDA library note payable, due in annual installments of \$99,824, including interest at 4.125% through September 2033	\$ 1,529,282	-	36,741	1,492,541	38,257

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Governmental activities, continued</u>					
\$14,536 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 0.5%	\$ -	14,536	-	14,536	-
Capital lease payable in quarterly installments of \$8,290, including interest at 4.57% through February 2009	8,196	-	8,196	-	-
Capital lease payable in quarterly installments of \$3,422, including interest at 5.65% through May 2010	19,553	-	12,850	6,703	6,703
Accrued leave	<u>502,499</u>	<u>408,017</u>	<u>422,819</u>	<u>487,697</u>	<u>90,427</u>
Total governmental activities long-term liabilities	\$ <u>2,059,530</u>	<u>422,553</u>	<u>480,606</u>	<u>2,001,477</u>	<u>135,387</u>

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

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Business-type activities</u>					
Revenue bonds:					
\$1,595,000 1998 port revenue refunding bonds, due in final installment of \$185,000 plus interest at 4.5% on October 1, 2009	\$ 185,000	-	185,000	-	-
Notes payable:					
\$5,064,500 1989 Sewer Utility Alaska Clean Water loan, due in annual installments of \$341,024 including interest at 1.5% through September 30, 2011	993,132	-	326,129	667,003	331,020

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Business-type activities, continued</u>					
\$3,462,403 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	\$ 2,073,533	-	121,973	1,951,560	121,973
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,077 plus interest at 1.5% through August 18, 2025	2,432,317	-	143,077	2,289,240	143,077
\$148,047 2003 Sewer Utility Alaska Clean Water loan, due in annual installments of \$15,496 plus interest at 1.5% through August 28, 2016	105,512	16,067	13,189	108,390	15,496
\$3,250,000 (maximum) 2006 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	2,136,815	57,089	-	2,193,904	-
\$470,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	350,078	38,060	-	388,138	-
\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	3,475,814	3,390,345	-	6,866,159	-
\$140,465 (maximum) 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 1%	-	4,454	-	4,454	-
\$21,500 (maximum) 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 1%	-	2,064	-	2,064	-

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Business-type activities, continued</u>					
\$19,000 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 0.5%	\$ -	19,000	-	19,000	-
Capital lease payable in quarterly installments of \$16,426, including interest at 5.65% through May 2010	95,720	-	61,675	34,045	34,045
Accrued leave	<u>352,698</u>	<u>102,359</u>	<u>123,358</u>	<u>331,699</u>	<u>81,093</u>
Total business-type activities long-term liabilities	\$ <u>12,200,619</u>	<u>3,629,438</u>	<u>974,401</u>	<u>14,855,656</u>	<u>726,704</u>

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

Governmental activities

<u>Year Ending December 31,</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 38,257	61,567	99,824
2011	39,835	59,989	99,824
2012	41,478	58,346	99,824
2013	43,189	56,635	99,824
2014	44,970	54,854	99,824
2015-2019	254,256	244,864	499,120
2020-2024	311,205	187,915	499,120
2025-2029	380,909	118,211	499,120
2030-2033	<u>338,442</u>	<u>34,001</u>	<u>372,443</u>
	1,492,541	<u>876,382</u>	<u>2,368,923</u>
Payment terms not yet established	<u>14,536</u>		
	\$ <u>1,507,077</u>		

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued
Business-type activities

<u>Year Ending</u> <u>December 31,</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 611,566	75,244	686,810
2011	616,529	66,071	682,600
2012	280,546	56,822	337,368
2013	280,546	52,615	333,161
2014	280,546	48,406	328,952
2015-2019	1,356,242	179,605	1,535,847
2020-2024	1,325,250	79,515	1,404,765
2025	<u>264,968</u>	<u>3,976</u>	<u>268,944</u>
	5,016,193	<u>562,254</u>	<u>5,578,447</u>
Payment terms not yet established	<u>9,473,719</u>		
	<u>\$ 14,489,912</u>		

(8) **Capital Leases**

The City leases capital equipment (ambulance, rescue truck, grader, public works truck, excavator and loaders) with a historical cost of \$965,918 under capital lease arrangements. Future minimum lease payments at December 31, 2009 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2010	\$ 6,845	34,731
Less amount representing interest	<u>142</u>	<u>686</u>
Present value of minimum lease payments	<u>\$ 6,703</u>	<u>34,045</u>

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

The City provides health insurance on a self-insured basis up to \$45,000 each occurrence or \$1,670,007 in aggregate for all medical claims during the year. Coverage in excess of these amounts is insured by a private carrier up to lifetime claims of \$1,000,000 per each individual. The City contracts with a third-party administrator for health claims servicing. The City charges each department a premium based on the employees and their selected coverage. This premium is based on actual claims paid by the City. An equal amount is recorded as revenue by the Risk Management Internal Service Fund which is then responsible for paying all claims. The City accrues a liability for claims incurred but not reported at year-end.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Accounting for Health Self-Insurance, continued

A schedule of the changes in the claims liability for the years ended December 31, 2009 and 2008 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2008 health insurance	\$ <u>92,988</u>	<u>1,338,666</u>	<u>1,279,003</u>	<u>152,651</u>
2009 health insurance	\$ <u>152,651</u>	<u>1,118,734</u>	<u>1,158,487</u>	<u>112,898</u>

(10) **Risk Management**

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

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

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2009.

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(11) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. The plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

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

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the Plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed separate legislation which requires that the employer contribution rate be calculated using all PERS eligible wages, including those wages for employees participating in PERS Tier IV, a defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.50% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72 for healthcare).

The funding policy provides for periodic 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.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

Under current legislation the employer contribution rate is statutorily capped at 22%, however, the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City's contribution rates for 2009 were as follows:

	<u>Employer Rate</u>	<u>Actuarial Rate</u>	<u>GASB 43/45 Rate*</u>
<u>January to June</u>			
Pension	6.82%	10.91%	8.47%
Postemployment healthcare	<u>15.18%</u>	<u>24.31%</u>	<u>37.27%</u>
Total contribution rate	<u>22.00%</u>	<u>35.22%</u>	<u>45.74%</u>
	<u>Employer Rate</u>	<u>Actuarial Rate</u>	<u>GASB 43/45 Rate*</u>
<u>July to December</u>			
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

* The GASB 43/45 rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry age normal Level percentage of pay for pension Level dollar for healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% pension, 4.5% healthcare
Salary Scale	<i>Peace Officers/Firefighters</i> Merit: 2.5% per year for first 6 years, 0.5% thereafter Productivity: 0.5% per year

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

Salary Scale, continued	<i>Others</i> Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0% Productivity: 0.5% per year
Payroll Growth	4.0%
Inflation	3.5%
Health Cost Trend	Medical: 8.0% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50, and 5.1% through FY100 Prescription Drugs: 10.8% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50 and 5.1% through FY100

The State of Alaska Public Employees' Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

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

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

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, State of Alaska contributions totaled approximately 13.22% and 5.65% of covered wages for the January to June and July to December timeframes, respectively. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$555,633 as a PERS on-behalf payment. However, because the City is not statutorily responsible for these payments, this amount is excluded from pension and OPEB cost as described here. Only one year of information is available at this time.

<u>Year</u> <u>December 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Total</u> <u>Benefit</u> <u>Cost</u> <u>(TBC)</u>	<u>City</u> <u>Contri-</u> <u>butions</u>	<u>% of</u> <u>TBC</u> <u>Contributed</u>
2009	\$ 410,225	\$ 796,361	\$ 1,206,616	\$ 1,206,616	100%

In accordance with the Plan rules, the total City contribution into the defined benefit plan includes \$108,707 attributable to the PERS Tier IV defined contribution plan wages.

(12) **Defined Contribution Pension Plan**

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

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	1.75	0.99
Occupational death and disability benefits	<u>.30</u>	<u>1.33</u>
	<u>10.05%</u>	<u>10.32%</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended December 31, 2009 were \$46,329 and \$74,126, respectively.

(13) **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.

(14) **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.

(15) **Designated Sales Tax**

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

Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	<u>3.00%</u>
Total sales tax percentage	<u>7.50%</u>

Effective January 1, 2009, Ordinance 08-32(s)(A-2) exempts sales tax on non-prepared foods from September 1 through May 31 annually.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2009

	Special Revenue Funds										Capital Project Funds							Total Nonmajor Governmental Funds
	Library Donations	Fire Department Donations	Animal Shelter	Retainage Reimbursements	Community Schools	Sustainability Global Warming	Non-capital Projects	Permanent Fund	PERS Funding	Total Special Revenue Funds	City Facilities	New City Hall	HART Trails	Depreciation Reserves	Land Reserve	Fleet Reserve Allocation	Total Capital Project Funds	
Assets																		
Cash and investments	\$ 31,501	64,110	7,382	22,165	1,792	15,257	-	14,436	156,643	332,836	395,461	116,473	1,778,608	39,536	756,768	3,419,682	3,576,325	
Receivables, net:																		
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	16,841	-	-	-	16,841	16,841	
State and federal grants	-	-	-	-	-	18,160	-	-	18,160	90,380	19,813	-	-	-	-	110,193	128,353	
Other	-	-	-	1,266	-	-	-	-	1,266	-	-	-	-	-	-	-	1,266	
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	1,755	-	-	1,755	1,755	
Restricted cash and investments	-	-	-	-	-	-	-	1,150,377	1,150,377	-	-	-	-	-	-	-	1,150,377	
Total assets	\$ 31,501	64,110	7,382	23,431	1,792	15,257	18,160	14,436	1,326,446	423,216	415,274	133,314	1,780,363	39,536	756,768	3,548,471	4,874,917	
Liabilities and Fund Balances																		
Liabilities:																		
Accounts payable	-	-	-	-	-	6,187	-	-	6,187	-	-	-	26,765	-	-	26,765	32,952	
Due to other funds	-	-	-	-	-	58,092	-	-	58,092	-	-	-	-	-	-	-	58,092	
Deferred revenue	-	-	-	23,431	-	1,260	-	-	24,691	-	-	-	-	-	-	-	24,691	
Total liabilities	-	-	-	23,431	-	65,539	-	-	88,970	-	-	-	26,765	-	-	26,765	115,735	
Fund balances:																		
Reserved for debt service and capital projects	-	-	-	-	-	-	-	-	-	-	415,274	133,314	-	-	-	548,588	548,588	
Unreserved - designated:																		
Library	31,501	-	-	-	-	-	-	-	31,501	-	-	-	-	-	-	-	31,501	
Fire department	-	64,110	-	-	-	-	-	-	64,110	-	-	-	-	-	-	-	64,110	
Animal shelter	-	-	7,382	-	-	-	-	-	7,382	-	-	-	-	-	-	-	7,382	
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	39,536	-	39,536	39,536	
Capital outlay	-	-	-	-	-	-	-	-	-	423,216	-	-	1,753,598	-	756,768	2,933,582	2,933,582	
Community schools	-	-	-	-	1,792	-	-	-	1,792	-	-	-	-	-	-	-	1,792	
Sustainability global warming	-	-	-	-	-	15,257	-	-	15,257	-	-	-	-	-	-	-	15,257	
Permanent Fund	-	-	-	-	-	-	-	1,150,377	1,150,377	-	-	-	-	-	-	-	1,150,377	
Unreserved - undesignated	-	-	-	-	-	-	-	14,436	14,436	-	-	-	-	-	-	-	14,436	
Deficit	-	-	-	-	-	(47,379)	(47,379)	-	(47,379)	-	-	-	-	-	-	-	(47,379)	
Total fund balances (deficit)	31,501	64,110	7,382	-	1,792	15,257	(47,379)	14,436	1,237,476	423,216	415,274	133,314	1,753,598	39,536	756,768	3,521,706	4,759,182	
Total liabilities and fund balances	\$ 31,501	64,110	7,382	23,431	1,792	15,257	18,160	14,436	1,326,446	423,216	415,274	133,314	1,780,363	39,536	756,768	3,548,471	4,874,917	

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended December 31, 2009

	Special Revenue Funds										Capital Project Funds					Total Nonmajor Govern- mental Funds			
	Library Donations	Depart- ment Donations	Animal Shelter	Retainage Reimburse- ments	Comm- unity Schools	Sustain- ability Global Warming	Non- capital Projects	Permanent Fund	PERKS Funding	Special Revenue Funds	Total	City Facilities	New City Hall	HART Trails	Depre- ciation Reserves		Land Reserve	Fleet Reserve Allocation	Total Capital Project Funds
Revenues:																			
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,959	105,959
Intergovernmental	-	-	-	-	-	60,445	-	-	60,445	-	-	-	-	-	-	-	-	340,851	401,296
Investment income	125	205	30	-	63	-	97	997	1,517	-	-	-	-	-	-	-	-	2,696	26,104
Donations	50	940	-	-	1,283	32	-	-	2,305	-	-	-	-	-	-	-	-	-	2,305
Other	-	-	-	5,420	-	-	213	-	1,156,511	-	-	-	-	-	-	-	-	675	1,191,735
Total revenues	175	1,145	30	5,420	1,283	95	60,658	997	1,220,778	997	344,222	-	107,090	16,627	32,902	5,780	35,224	506,621	1,727,399
Expenditures:																			
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,684
Public safety	-	-	-	-	-	22,477	-	-	22,477	-	-	-	-	-	-	-	-	-	22,477
Public works	-	-	-	5,420	-	64,687	-	-	70,107	-	-	-	-	-	-	-	-	-	9,321
Community service	-	-	-	-	-	-	598	-	598	-	-	-	-	-	-	-	-	-	50,582
Capital outlay	-	-	-	-	-	-	-	-	-	-	476,848	-	-	330,706	-	-	95,594	903,148	903,148
Total expenditures	-	-	-	5,420	-	87,164	598	-	93,182	-	476,848	-	33,234	385,059	-	95,594	990,735	1,083,917	
Excess of revenues over (under) expenditures	175	1,145	30	-	1,283	95	(26,506)	1,150,377	997	1,127,596	(132,626)	-	73,856	(368,432)	32,902	(89,814)	(484,114)	643,482	
Other financing sources (uses):																			
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	14,536	-	-	-	-	-	-	14,536	14,536
Transfers in	-	-	-	-	-	-	-	13,439	13,439	-	162,245	-	-	157,925	-	80,000	-	400,170	413,609
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(109,491)	-	-	-	-	(109,491)	(109,491)
Net other financing sources (uses)	-	-	-	-	-	-	-	-	13,439	13,439	176,781	-	(109,491)	157,925	-	80,000	305,215	318,654	
Net change in fund balances	175	1,145	30	-	1,283	95	(26,506)	1,150,377	14,436	1,141,035	44,155	-	(35,635)	(210,507)	32,902	(9,814)	(178,899)	962,136	
Beginning fund balances (deficit)	31,326	62,965	7,352	-	509	15,162	(20,873)	-	96,441	-	379,061	415,274	168,949	1,964,105	6,634	766,582	3,700,605	3,797,046	
Ending fund balances (deficit)	\$ 31,501	64,110	7,382	-	1,792	15,257	(47,379)	1,150,377	14,436	1,237,476	423,216	415,274	133,314	1,753,598	39,536	756,768	3,521,706	4,759,182	

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, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ <u>3,965,900</u>	<u>-</u>
Receivables:		
Property taxes - delinquent	78,158	114,697
Less allowance for doubtful accounts	<u>(17,582)</u>	<u>(13,281)</u>
Net property taxes receivable	60,576	101,416
Sales taxes	708,997	853,590
Assessments	479,323	561,882
State and federal grants	36,250	21,023
Other	<u>181,127</u>	<u>190,172</u>
Total receivables	<u>1,466,273</u>	<u>1,728,083</u>
Due from other funds	130,643	3,621,588
Inventory	30,830	73,272
Prepaid items	<u>266,461</u>	<u>280,629</u>
Total assets	\$ <u>5,860,107</u>	<u>5,703,572</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	160,348	228,693
Accrued payroll and related liabilities	228,075	175,227
Deferred revenue	97,225	137,451
Deferred assessments	<u>479,239</u>	<u>561,882</u>
Total liabilities	<u>964,887</u>	<u>1,103,253</u>
Fund balance:		
Reserved for inventory and prepaid items	297,291	353,901
Unreserved:		
Designated:		
Interfund loan for animal shelter	200,000	250,000
PERS	171,314	171,314
Undesignated	<u>4,226,615</u>	<u>3,825,104</u>
Total fund balance	<u>4,895,220</u>	<u>4,600,319</u>
Total liabilities and fund balance	\$ <u>5,860,107</u>	<u>5,703,572</u>

CITY OF HOMER, ALASKA
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 3,021,072	2,930,696	(90,376)	2,975,448
Sales taxes	4,617,187	4,288,887	(328,300)	5,067,968
Penalties and interest	5,000	3,935	(1,065)	5,532
Total taxes	7,643,259	7,223,518	(419,741)	8,048,948
Licenses and permits	47,925	19,614	(28,311)	26,219
Intergovernmental:				
Revenue - sharing	375,000	370,967	(4,033)	379,649
State PERS relief	-	372,845	372,845	374,720
Utility cooperative	30,000	28,452	(1,548)	28,287
Alcohol beverage tax	25,000	19,550	(5,450)	28,550
Public safety	536,744	538,184	1,440	555,349
Library grant	6,250	6,350	100	6,350
Public works	34,000	34,000	-	-
Reimbursements	1,000	11,614	10,614	-
Other grants	-	71,047	71,047	-
Total intergovernmental	1,007,994	1,453,009	445,015	1,372,905
Charges for services:				
Administrative services	1,490,831	1,490,831	-	1,586,764
Ambulance services	210,000	205,110	(4,890)	225,461
Fire contracts	313,157	412,197	99,040	58,181
Camping fees	195,000	165,849	(29,151)	157,264
Airport services	163,510	165,781	2,271	169,196
Community school fees	30,000	28,166	(1,834)	27,058
Miscellaneous services	132,759	161,705	28,946	113,399
Total charges for services	2,535,257	2,629,639	94,382	2,337,323
Special assessments	-	110,543	110,543	127,876

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

	2009		Variance Positive (Negative)	2008
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Investment income	\$ 40,000	29,654	(10,346)	63,429
Fines and forfeitures	21,400	16,065	(5,335)	34,193
Donations	-	605	605	-
Sales of property and equipment	-	4,869	4,869	499,189
Total revenues	<u>11,295,835</u>	<u>11,487,516</u>	<u>191,681</u>	<u>12,510,082</u>
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	19,859	18,337	1,522	10,711
Supplies	9,700	2,013	7,687	3,340
Other services and charges	<u>270,798</u>	<u>376,091</u>	<u>(105,293)</u>	<u>313,202</u>
Total city council/mayor	<u>300,357</u>	<u>396,441</u>	<u>(96,084)</u>	<u>327,253</u>
City clerk:				
Salaries and benefits	290,571	300,756	(10,185)	293,643
Supplies	5,200	4,415	785	4,622
Other services and charges	<u>52,447</u>	<u>28,231</u>	<u>24,216</u>	<u>36,198</u>
Total city clerk	<u>348,218</u>	<u>333,402</u>	<u>14,816</u>	<u>334,463</u>
City manager:				
Salaries and benefits	252,035	265,481	(13,446)	256,489
Supplies	5,000	3,730	1,270	1,092
Other services and charges	<u>29,734</u>	<u>24,099</u>	<u>5,635</u>	<u>19,587</u>
Total city manager	<u>286,769</u>	<u>293,310</u>	<u>(6,541)</u>	<u>277,168</u>
Administrative services:				
Salaries and benefits	1,020,708	1,072,494	(51,786)	1,020,738
Supplies	111,638	66,771	44,867	100,235
Other services and charges	<u>287,961</u>	<u>215,553</u>	<u>72,408</u>	<u>236,684</u>
Total administrative services	<u>1,420,307</u>	<u>1,354,818</u>	<u>65,489</u>	<u>1,357,657</u>

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Planning and zoning/property management:				
Salaries and benefits	\$ 359,256	373,595	(14,339)	349,572
Supplies	4,400	4,276	124	6,859
Other services and charges	39,119	27,686	11,433	28,430
Total planning and zoning/ property management	402,775	405,557	(2,782)	384,861
City hall complex:				
Salaries and benefits	-	-	-	173
Supplies	15,389	11,625	3,764	14,185
Other services and charges	156,363	138,229	18,134	147,323
Capital outlay	69,000	65,684	3,316	-
Total city hall complex	240,752	215,538	25,214	161,681
Non-departmental - salaries and benefits	138,222	138,222	-	92,938
Total general government	3,137,400	3,137,288	112	2,936,021
Public safety:				
Police department:				
Salaries and benefits	1,936,905	1,912,186	24,719	1,884,422
Supplies	111,082	68,120	42,962	93,980
Other services and charges	298,303	253,079	45,224	269,191
Total police department	2,346,290	2,233,385	112,905	2,247,593
Jail:				
Salaries and benefits	601,871	584,392	17,479	617,456
Supplies	26,200	20,516	5,684	21,585
Other services and charges	103,086	132,186	(29,100)	77,962
Total jail	731,157	737,094	(5,937)	717,003
Animal control:				
Supplies	26,088	15,254	10,834	24,618
Other services and charges	133,532	126,305	7,227	121,526
Total animal control	159,620	141,559	18,061	146,144

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures, continued:				
Public safety, continued:				
Emergency services:				
Salaries and benefits	\$ 753,414	712,389	41,025	740,120
Supplies	58,516	36,799	21,717	48,291
Other services and charges	303,660	213,293	90,367	244,242
Total emergency services	<u>1,115,590</u>	<u>962,481</u>	<u>153,109</u>	<u>1,032,653</u>
Total public safety	<u>4,352,657</u>	<u>4,074,519</u>	<u>278,138</u>	<u>4,143,393</u>
Public works:				
Administration:				
Salaries and benefits	193,378	255,335	(61,957)	251,813
Supplies	5,000	6,188	(1,188)	4,536
Other services and charges	88,129	114,946	(26,817)	81,845
Total administration	<u>286,507</u>	<u>376,469</u>	<u>(89,962)</u>	<u>338,194</u>
Maintenance:				
Salaries and benefits	200,153	192,196	7,957	184,724
Supplies	20,522	19,283	1,239	20,840
Other services and charges	106,133	108,000	(1,867)	97,395
Total maintenance	<u>326,808</u>	<u>319,479</u>	<u>7,329</u>	<u>302,959</u>
Janitorial:				
Salaries and benefits	113,505	126,922	(13,417)	120,572
Supplies	12,000	12,519	(519)	12,337
Other services and charges	21,500	17,983	3,517	15,494
Total janitorial	<u>147,005</u>	<u>157,424</u>	<u>(10,419)</u>	<u>148,403</u>
Streets:				
Salaries and benefits	211,296	228,133	(16,837)	211,456
Supplies	185,300	184,636	664	115,254
Other services and charges	58,056	48,481	9,575	36,399
Total streets	<u>454,652</u>	<u>461,250</u>	<u>(6,598)</u>	<u>363,109</u>

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures, continued:				
Public works, continued:				
Motor pool:				
Salaries and benefits	\$ 185,634	192,014	(6,380)	172,427
Supplies	103,984	90,209	13,775	100,665
Other services and charges	<u>176,200</u>	<u>175,777</u>	<u>423</u>	<u>184,637</u>
Total motor pool	<u>465,818</u>	<u>458,000</u>	<u>7,818</u>	<u>457,729</u>
Engineer/inspector:				
Salaries and benefits	160,675	160,767	(92)	144,030
Supplies	4,200	5,494	(1,294)	3,535
Other services and charges	<u>11,400</u>	<u>5,596</u>	<u>5,804</u>	<u>8,038</u>
Total engineer/inspector	<u>176,275</u>	<u>171,857</u>	<u>4,418</u>	<u>155,603</u>
Total public works	<u>1,857,065</u>	<u>1,944,479</u>	<u>(87,414)</u>	<u>1,765,997</u>
Library:				
Salaries and benefits	512,771	554,417	(41,646)	512,419
Supplies	48,152	36,609	11,543	47,551
Other services and charges	<u>151,188</u>	<u>133,124</u>	<u>18,064</u>	<u>122,013</u>
Total library	<u>712,111</u>	<u>724,150</u>	<u>(12,039)</u>	<u>681,983</u>
Airport:				
Salaries and benefits	84,520	89,626	(5,106)	90,593
Supplies	36,123	31,938	4,185	37,040
Other services and charges	<u>124,628</u>	<u>109,370</u>	<u>15,258</u>	<u>101,087</u>
Total airport	<u>245,271</u>	<u>230,934</u>	<u>14,337</u>	<u>228,720</u>
Parks and recreation:				
Salaries and benefits	265,323	234,963	30,360	264,261
Supplies	35,821	25,653	10,168	36,830
Other services and charges	<u>145,221</u>	<u>99,067</u>	<u>46,154</u>	<u>121,160</u>
Total parks and recreation	<u>446,365</u>	<u>359,683</u>	<u>86,682</u>	<u>422,251</u>

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

	2009		Variance Positive (Negative)	2008
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Community services:				
Community service contributions:				
Museum	\$ 85,000	85,000	-	90,000
Homer Foundation Non-Profit	25,000	25,000	-	70,000
Homer Hockey Association	-	-	-	50,000
North Pacific Fisheries	-	-	-	700
Total community service contributions	<u>110,000</u>	<u>110,000</u>	-	<u>210,700</u>
Community schools:				
Salaries and benefits	93,138	90,614	2,524	86,276
Supplies	3,500	1,633	1,867	2,224
Other services and charges	19,769	12,717	7,052	22,276
Total community schools	<u>116,407</u>	<u>104,964</u>	<u>11,443</u>	<u>110,776</u>
Total community services	<u>226,407</u>	<u>214,964</u>	<u>11,443</u>	<u>321,476</u>
Debt service on loans and capital leases:				
Principal	53,473	57,934	(4,461)	470,615
Interest	68,332	63,870	4,462	75,812
Total debt service	<u>121,805</u>	<u>121,804</u>	<u>1</u>	<u>546,427</u>
Total expenditures	<u>11,099,081</u>	<u>10,807,821</u>	<u>291,260</u>	<u>11,046,268</u>
Excess of revenues over expenditures	196,754	679,695	482,941	1,463,814
Other financing uses - transfers out	<u>(384,794)</u>	<u>(384,794)</u>	-	<u>(1,862,702)</u>
Net change in fund balance	\$ <u>(188,040)</u>	294,901	<u>482,941</u>	(398,888)
Beginning fund balance		<u>4,600,319</u>		<u>4,999,207</u>
Ending fund balance		\$ <u>4,895,220</u>		<u>4,600,319</u>

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Permanent Fund – This fund accounts for the payment received as a result of the Exxon Valdez oil spill settlement.

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

CITY OF HOMER, ALASKA
 Special Revenue Funds
 Combining Balance Sheet
 December 31, 2009

	<u>Library Donations</u>	<u>Fire Depart- ment Donations</u>	<u>Animal Shelter</u>	<u>Retainage Reimburse- ments</u>	<u>Comm- unity Schools</u>	<u>Sustain- ability Global Warming</u>	<u>Noncapital Projects</u>	<u>Permanent Fund</u>	<u>PERS Funding</u>	<u>Totals</u>
Cash and investments	\$ 31,501	64,110	7,382	22,165	1,792	15,257	-	-	14,436	156,643
Receivables:										
State and federal grants	-	-	-	-	-	-	18,160	-	-	18,160
Other	-	-	-	1,266	-	-	-	-	-	1,266
Restricted cash and investments	-	-	-	-	-	-	-	1,150,377	-	1,150,377
Total assets	\$ 31,501	64,110	7,382	23,431	1,792	15,257	18,160	1,150,377	14,436	1,326,446
Liabilities and Fund Balances (<u>Deficit</u>)										
Liabilities:										
Accounts payable	-	-	-	-	-	-	6,187	-	-	6,187
Deferred revenue	-	-	-	23,431	-	-	1,260	-	-	24,691
Due to other funds	-	-	-	-	-	-	58,092	-	-	58,092
Total liabilities	-	-	-	23,431	-	-	65,539	-	-	88,970
Fund balances:										
Unreserved	31,501	64,110	7,382	-	1,792	15,257	-	1,150,377	14,436	1,284,855
Deficit	-	-	-	-	-	-	(47,379)	-	-	(47,379)
Total fund balances (deficit)	31,501	64,110	7,382	-	1,792	15,257	(47,379)	1,150,377	14,436	1,237,476
Total liabilities and fund balances	\$ 31,501	64,110	7,382	23,431	1,792	15,257	18,160	1,150,377	14,436	1,326,446

CITY OF HOMER, ALASKA
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended December 31, 2009

	Library Donations	Fire Depart- ment Donations	Animal Shelter	Retainage Reimburse- ments	Community Schools	Sustain- ability Global Warming	Non- capital Projects	Permanent Fund	PERS Funding	Totals
Revenues:										
Investment income	\$ 125	205	30	-	-	63	-	97	997	1,517
Intergovernmental	-	-	-	-	-	-	60,445	-	-	60,445
Donations	50	940	-	-	1,283	32	-	-	-	2,305
Other	-	-	-	5,420	-	-	213	1,150,878	-	1,156,511
Total revenues	<u>175</u>	<u>1,145</u>	<u>30</u>	<u>5,420</u>	<u>1,283</u>	<u>95</u>	<u>60,658</u>	<u>1,150,975</u>	<u>997</u>	<u>1,220,778</u>
Expenditures:										
Public safety	-	-	-	-	-	-	22,477	-	-	22,477
Community services	-	-	-	-	-	-	-	598	-	598
Public works	-	-	-	5,420	-	-	64,687	-	-	70,107
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,420</u>	<u>-</u>	<u>-</u>	<u>87,164</u>	<u>598</u>	<u>-</u>	<u>93,182</u>
Excess of revenues over (under) expenditures	175	1,145	30	-	1,283	95	(26,506)	1,150,377	997	1,127,596
Other financing sources - transfers in	-	-	-	-	-	-	-	-	13,439	13,439
Net change in fund balances	175	1,145	30	-	1,283	95	(26,506)	1,150,377	14,436	1,141,035
Beginning fund balances (deficit)	<u>31,326</u>	<u>62,965</u>	<u>7,352</u>	<u>-</u>	<u>509</u>	<u>15,162</u>	<u>(20,873)</u>	<u>-</u>	<u>-</u>	<u>96,441</u>
Ending fund balances (deficit)	<u>\$ 31,501</u>	<u>64,110</u>	<u>7,382</u>	<u>-</u>	<u>1,792</u>	<u>15,257</u>	<u>(47,379)</u>	<u>1,150,377</u>	<u>14,436</u>	<u>1,237,476</u>

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CAPITAL PROJECT FUNDS

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

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

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

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

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

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

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

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

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

CITY OF HOMER, ALASKA
 Capital Project Funds
 Combining Balance Sheet
 December 31, 2009

<u>Assets</u>	City <u>Facilities</u>	Streets and <u>Sidewalks</u>	New <u>City Hall</u>	HART <u>Trails</u>	Depreciation <u>Reserves</u>	Land <u>Reserve</u>	Fleet Reserve <u>Allocation</u>	<u>Totals</u>
Cash and investments	\$ 332,836	3,669,410	395,461	116,473	1,778,608	39,536	756,768	7,089,092
Receivables:								
Sales taxes	-	151,674	-	16,841	-	-	-	168,515
State and federal grants	90,380	-	19,813	-	-	-	-	110,193
Prepaid items	-	-	-	-	1,755	-	-	1,755
Total assets	\$ 423,216	3,821,084	415,274	133,314	1,780,363	39,536	756,768	7,369,555
 <u>Liabilities and Fund Balances</u>								
Liabilities - accounts payable	-	2,166	-	-	26,765	-	-	28,931
 Fund balances:								
Reserved for capital projects	-	3,818,918	415,274	133,314	-	-	-	4,367,506
Unreserved - designated for capital outlay and land	423,216	-	-	-	1,753,598	39,536	756,768	2,973,118
Total fund balances	423,216	3,818,918	415,274	133,314	1,753,598	39,536	756,768	7,340,624
Total liabilities and fund balances	\$ 423,216	3,821,084	415,274	133,314	1,780,363	39,536	756,768	7,369,555

CITY OF HOMER, ALASKA

Capital Project Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Year Ended December 31, 2009

	City Facilities	Streets and Sidewalks	New City Hall	HART Trails	Depreciation Reserves	Land Reserve	Fleet Reserve Allocation	Totals
Revenues:								
Sales taxes	\$ -	966,263	-	105,959	-	-	-	1,072,222
Intergovernmental	340,851	-	-	-	-	-	-	340,851
Investment income	2,696	26,359	-	1,131	14,908	72	5,780	50,946
Other	675	300	-	-	1,719	32,830	-	35,524
Total revenues	<u>344,222</u>	<u>992,922</u>	<u>-</u>	<u>107,090</u>	<u>16,627</u>	<u>32,902</u>	<u>5,780</u>	<u>1,499,543</u>
Expenditures:								
General government	-	215,221	-	23,913	3,771	-	-	242,905
Public works	-	-	-	9,321	-	-	-	9,321
Community services	-	-	-	-	50,582	-	-	50,582
Capital outlay	476,848	709,037	-	-	330,706	-	95,594	1,612,185
Total expenditures	<u>476,848</u>	<u>924,258</u>	<u>-</u>	<u>33,234</u>	<u>385,059</u>	<u>-</u>	<u>95,594</u>	<u>1,914,993</u>
Excess of revenues over (under) expenditures	(132,626)	68,664	-	73,856	(368,432)	32,902	(89,814)	(415,450)
Other financing sources (uses):								
Issuance of long-term debt	14,536	-	-	-	-	-	-	14,536
Transfers in	162,245	-	-	-	157,925	-	80,000	400,170
Transfers out	-	-	-	(109,491)	-	-	-	(109,491)
Net other financing sources (uses)	<u>176,781</u>	<u>-</u>	<u>-</u>	<u>(109,491)</u>	<u>157,925</u>	<u>-</u>	<u>80,000</u>	<u>305,215</u>
Net change in fund balances	44,155	68,664	-	(35,635)	(210,507)	32,902	(9,814)	(110,235)
Beginning fund balances	<u>379,061</u>	<u>3,750,254</u>	<u>415,274</u>	<u>168,949</u>	<u>1,964,105</u>	<u>6,634</u>	<u>766,582</u>	<u>7,450,859</u>
Ending fund balances	<u>\$ 423,216</u>	<u>3,818,918</u>	<u>415,274</u>	<u>133,314</u>	<u>1,753,598</u>	<u>39,536</u>	<u>756,768</u>	<u>7,340,624</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, 2009
(With Comparative Amounts for 2008)

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Receivables:			
Accounts, net of allowance for doubtful accounts of \$84,772 (\$78,747 in 2008)		\$ 165,625	196,953
Litigation settlement - current		-	100,000
Net receivables		<u>165,625</u>	<u>296,953</u>
Inventory		14,420	13,425
Prepaid items		47,006	45,979
Total current assets		<u>227,051</u>	<u>356,357</u>
Restricted assets - cash and investments restricted for debt service		<u>173,784</u>	<u>168,420</u>
Bond issuance costs, net of accumulated amortization of \$26,655 in 2008		<u>-</u>	<u>5,331</u>
Property, plant and equipment:			
Property, plant and equipment in service		53,096,187	52,743,592
Land and land improvements		15,254,041	15,254,041
Construction work in progress		-	193,264
Less accumulated depreciation		<u>(25,218,740)</u>	<u>(23,756,345)</u>
Net property, plant and equipment		<u>43,131,488</u>	<u>44,434,552</u>
Total assets		<u>\$ 43,532,323</u>	<u>44,964,660</u>
	<u>Liabilities and Net Assets</u>		
Liabilities:			
Current liabilities:			
Accounts payable		99,955	120,134
Accrued payroll and related liabilities		36,906	35,692
Accrued leave		48,889	17,815
Accrued interest		-	2,213
Current portion of bonds payable, net of deferred loss		-	178,893
Current portion of capital lease		9,578	18,309
Prepaid berth rentals and deposits		646,532	623,340
Due to other funds		-	3,242
Unearned lease revenue		18,000	18,000
Total current liabilities		<u>859,860</u>	<u>1,017,638</u>
Noncurrent liabilities, net of current portion:			
Unearned lease revenue		324,000	342,000
Accrued leave		123,368	129,999
Capital lease		-	9,517
Total noncurrent liabilities		<u>447,368</u>	<u>481,516</u>
Total liabilities		<u>1,307,228</u>	<u>1,499,154</u>
Net assets:			
Invested in capital assets, net of related debt		43,121,910	44,227,833
Restricted for debt service		173,784	168,420
Unrestricted (deficit)		<u>(1,070,599)</u>	<u>(930,747)</u>
Total net assets		<u>42,225,095</u>	<u>43,465,506</u>
Total liabilities and net assets		<u>\$ 43,532,323</u>	<u>44,964,660</u>

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Harbor	\$ 1,813,917	1,693,272
Main dock	156,999	107,640
Fish dock	986,295	779,527
Deep water dock	58,820	289,627
Rents, leases and storage	318,519	316,346
Fish grinder	<u>13,188</u>	<u>11,221</u>
Total operating revenues	<u>3,347,738</u>	<u>3,197,633</u>
Operating expenses:		
Harbor	1,237,455	1,194,569
Main dock	61,856	61,752
Fish dock	673,125	642,085
Deep water dock	131,725	74,426
Fish grinder	29,196	16,036
Administration	1,197,902	1,086,263
Depreciation	<u>1,462,396</u>	<u>1,411,020</u>
Total operating expenses	<u>4,793,655</u>	<u>4,486,151</u>
Operating loss	<u>(1,445,917)</u>	<u>(1,288,518)</u>
Nonoperating revenues (expenses):		
Investment income	21,261	37,224
Interest expense	(13,411)	(24,580)
Litigation settlements	-	16,660
Amortization of bond issuance costs	(5,331)	(5,331)
State PERS relief	89,029	89,477
Cruise ship tax	616	-
Other income	<u>117,749</u>	<u>91,082</u>
Net nonoperating revenues (expenses)	<u>209,913</u>	<u>204,532</u>
Loss before transfers and special item	(1,236,004)	(1,083,986)
Transfers in	25,593	30,000
Transfers out	(30,000)	-
Special item - writeoff of NPO/OPEB	<u>-</u>	<u>264,771</u>
Change in net assets	(1,240,411)	(789,215)
Beginning net assets	<u>43,465,506</u>	<u>44,254,721</u>
Ending net assets	<u>\$ 42,225,095</u>	<u>43,465,506</u>

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,502,623	3,269,990
Payments to suppliers	(1,549,306)	(1,376,052)
Payments to employees	(1,689,468)	(1,608,522)
Litigation settlements (net)	100,000	100,000
Net cash flows from operating activities	<u>363,849</u>	<u>385,416</u>
Cash flows from noncapital financing activities - transfers out	<u>(30,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(203,248)	(197,187)
Interest payments on long-term debt	(9,518)	(18,452)
Acquisition of property, plant and equipment	(133,738)	(221,828)
Decrease in due to other funds	(3,242)	(15,173)
Transfers in	-	30,000
Net cash flows from capital and related financing activities	<u>(349,746)</u>	<u>(422,640)</u>
Cash flows from investing activities - investment income received	<u>21,261</u>	<u>37,224</u>
Net increase in cash and investments	5,364	-
Beginning cash and investments	<u>168,420</u>	<u>168,420</u>
Ending cash and investments	\$ <u>173,784</u>	<u>168,420</u>
Cash and investments at end of year:		
Cash and investments	-	-
Cash and investments restricted for debt service	<u>173,784</u>	<u>168,420</u>
	\$ <u>173,784</u>	<u>168,420</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,445,917)	(1,288,518)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,462,396	1,411,020
Noncash expense - PERS relief	89,029	89,477
Increase in allowance for doubtful accounts	6,025	6,931
Amortization of deferred lease revenue	(18,000)	(18,000)
Litigation settlements	-	16,660
Miscellaneous nonoperating revenues	118,365	91,082
(Increase) decrease in assets:		
Accounts receivable	25,303	(45,444)
Inventory	(995)	(615)
Prepaid items	(1,027)	(9,745)
Litigation settlement receivable	100,000	83,340
Increase (decrease) in liabilities:		
Accounts payable	(20,179)	19,309
Accrued payroll and related liabilities	1,214	6,303
Accrued leave	24,443	(20,604)
Prepaid berth rentals and deposits	23,192	37,788
Net pension/OPEB obligation	-	6,432
Net cash flows from operating activities	<u>\$ 363,849</u>	<u>385,416</u>
Noncash capital and related financing activities - a capital asset with a net book value of \$25,593 was transferred from governmental activities to the Port of Homer Enterprise Fund	<u>\$ 25,593</u>	<u>-</u>

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CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Net Assets
December 31, 2009
(With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments	\$ 1,254,761	-
Receivables:		
Accounts, net of allowance for doubtful accounts of \$45,821 (\$26,593 in 2008)	304,336	264,156
Sales taxes	168,514	213,397
Assessments due within one year	241,422	188,008
State and federal grants and loans	2,071,448	6,747,063
Net receivables	<u>2,785,720</u>	<u>7,412,624</u>
Inventory	207,347	248,266
Prepaid items	49,191	50,736
Total current assets	<u>4,297,019</u>	<u>7,711,626</u>
Restricted assets - cash and investments restricted for debt service and construction	-	3,105,014
Assessments due after one year	<u>2,918,623</u>	<u>3,106,281</u>
Property, plant and equipment:		
Property, plant and equipment in service	70,826,033	58,923,460
Land	696,257	448,227
Construction work in progress	546,523	8,489,705
Less accumulated depreciation	<u>(37,108,876)</u>	<u>(34,882,912)</u>
Net property, plant and equipment	<u>34,959,937</u>	<u>32,978,480</u>
Total assets	<u>\$ 42,175,579</u>	<u>46,901,401</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	306,373	1,394,766
Accrued payroll and related liabilities	44,360	42,253
Accrued leave	32,204	24,598
Accrued interest	55,498	29,910
Current portion of notes payable	611,566	604,367
Current portion of capital lease	24,467	45,245
Due to other funds	-	5,113,952
Customer utility deposits	39,995	37,583
Total current liabilities	<u>1,114,463</u>	<u>7,292,674</u>
Noncurrent liabilities, net of current portion:		
Accrued leave	127,238	180,286
Notes payable	13,878,346	10,962,834
Capital lease	-	22,649
Total noncurrent liabilities	<u>14,005,584</u>	<u>11,165,769</u>
Total liabilities	<u>15,120,047</u>	<u>18,458,443</u>
Net assets:		
Invested in capital assets, net of related debt	20,445,558	21,343,385
Restricted for debt service and capital projects	4,173,725	7,509,016
Unrestricted (deficit)	<u>2,436,249</u>	<u>(409,443)</u>
Total net assets	<u>27,055,532</u>	<u>28,442,958</u>
Total liabilities and net assets	<u>\$ 42,175,579</u>	<u>46,901,401</u>

CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Water charges and connection fees	\$ 1,560,566	1,481,241
Sewer charges and connection fees	<u>1,478,825</u>	<u>1,457,354</u>
Total operating revenues	<u>3,039,391</u>	<u>2,938,595</u>
Operating expenses:		
Water department:		
Treatment plant operations and testing	406,558	325,941
Pumping system	194,819	96,715
Distribution system and reservoir	372,572	358,521
Water meters	131,131	113,874
Water hydrants	107,408	94,907
Administration	<u>951,266</u>	<u>1,027,842</u>
Total water department	<u>2,163,754</u>	<u>2,017,800</u>
Sewer department:		
Treatment plant	812,762	744,273
Collection system	184,309	178,991
Administration	<u>664,273</u>	<u>712,037</u>
Total sewer department	<u>1,661,344</u>	<u>1,635,301</u>
Depreciation	<u>2,225,964</u>	<u>2,069,133</u>
Total operating expenses	<u>6,051,062</u>	<u>5,722,234</u>
Operating loss	(3,011,671)	(2,783,639)

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

	<u>2009</u>	<u>2008</u>
Nonoperating revenues (expenses):		
Investment income	\$ 62,843	171,953
Interest expense	(112,802)	(84,500)
Sales taxes	1,072,222	1,266,790
State PERS relief	93,758	94,230
Other income	<u>66,950</u>	<u>84,531</u>
Net nonoperating revenues (expenses)	<u>1,182,971</u>	<u>1,533,004</u>
Loss before contributions, transfers and special item	(1,828,700)	(1,250,635)
Capital contributions	317,159	4,571,058
Transfers in	124,115	-
Special item - writeoff of NPO/OPEB	<u>-</u>	<u>249,667</u>
Change in net assets	(1,387,426)	3,570,090
Beginning net assets	<u>28,442,958</u>	<u>24,872,868</u>
Ending net assets	\$ <u><u>27,055,532</u></u>	<u><u>28,442,958</u></u>

CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,068,573	3,053,288
Payments to suppliers	(3,108,400)	(1,950,401)
Payments to employees	(1,712,204)	(1,733,890)
Net cash flows from operating activities	<u>(1,752,031)</u>	<u>(631,003)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(647,795)	(640,594)
Interest payments on long-term debt	(87,214)	(104,882)
Proceeds from long-term borrowing	1,742,274	-
Transfers in	124,115	-
Acquisition of property, plant and equipment	(4,207,421)	(6,429,697)
Capital contributions received	6,911,823	2,585,265
Sales tax revenue received	1,117,105	1,261,222
Increase (decrease) in due to other funds	(5,113,952)	3,854,313
Net cash flows from capital and related financing activities	<u>(161,065)</u>	<u>525,627</u>
Cash flows from investing activities - investment income received	<u>62,843</u>	<u>171,953</u>
Net increase (decrease) in cash and investments	(1,850,253)	66,577
Beginning cash and investments	<u>3,105,014</u>	<u>3,038,437</u>
Ending cash and investments	\$ <u>1,254,761</u>	<u>3,105,014</u>
Cash and investments at end of year:		
Cash and investments	1,254,761	-
Cash and investments restricted for debt service and construction	-	3,105,014
	\$ <u>1,254,761</u>	<u>3,105,014</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (3,011,671)	(2,783,639)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,225,964	2,069,133
Noncash expense - PERS relief	93,758	94,230
Increase (decrease) in allowance for doubtful accounts	19,228	(9,312)
Miscellaneous nonoperating revenues	66,950	84,531
(Increase) decrease in assets:		
Accounts receivable	(59,408)	37,481
Inventory	40,919	536
Prepaid items	1,545	(3,216)
Increase (decrease) in liabilities:		
Accounts payable	(1,088,393)	(167,311)
Accrued payroll and related liabilities	2,107	14,920
Accrued leave	(45,442)	23,379
Customer deposits	2,412	1,993
Net pension/OPEB obligation	-	6,272
Net cash flows from operating activities	\$ <u>(1,752,031)</u>	<u>(631,003)</u>

CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Combining Schedule of Water and Sewer Utility Capital Projects
Year Ended December 31, 2009

		Water					
	Sanitary	Kachemak	Treatment	Pressure	Electro	Mid-Hill	Totals
	<u>Sewer</u>	<u>Drive</u>	<u>Plant</u>	<u>Reducing</u>	<u>Hydro</u>	<u>Stairway</u>	
		<u>Phase II</u>	<u>Modification</u>	<u>Station</u>	<u>Turbine</u>		
Funding sources:							
State and federal grants	\$	-	-	241,075	-	-	241,075
Water and Sewer Utility funds and capitalization loans		<u>44,540</u>	<u>114,095</u>	<u>3,242,738</u>	<u>20,635</u>	<u>13,278</u>	<u>192,628</u>
Total funding sources	\$	<u>44,540</u>	<u>114,095</u>	<u>3,483,813</u>	<u>20,635</u>	<u>13,278</u>	<u>192,628</u>
Disbursements:							
Salaries and benefits		-	17,273	51,211	-	2,551	3,843
Other services and charges		44,540	96,822	181,051	20,635	10,727	2,534
Capital outlay		<u>-</u>	<u>-</u>	<u>3,251,551</u>	<u>-</u>	<u>-</u>	<u>186,251</u>
Total disbursements	\$	<u>44,540</u>	<u>114,095</u>	<u>3,483,813</u>	<u>20,635</u>	<u>13,278</u>	<u>192,628</u>

INTERNAL SERVICE FUNDS

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

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

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

PERS Funding – This fund accounts for funds set aside for future PERS obligation. It was converted to a special revenue fund on January 1, 2009.

CITY OF HOMER, ALASKA
Internal Service Funds
Combining Statement of Net Assets
December 31, 2009

<u>Assets</u>	<u>Risk Management</u>	<u>Leave Cash-out</u>	<u>Total</u>
Cash and investments	\$ 541,830	-	541,830
Accounts receivable	<u>20,894</u>	<u>-</u>	<u>20,894</u>
 Total assets	 \$ <u>562,724</u>	 <u>-</u>	 <u>562,724</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	112,898	-	112,898
Due to other funds	<u>-</u>	<u>72,551</u>	<u>72,551</u>
Total current liabilities	<u>112,898</u>	<u>72,551</u>	<u>185,449</u>
 Net assets - unrestricted (deficit)	 <u>449,826</u>	 <u>(72,551)</u>	 <u>377,275</u>
 Total liabilities and net assets	 \$ <u>562,724</u>	 <u>-</u>	 <u>562,724</u>

CITY OF HOMER, ALASKA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended December 31, 2009

	<u>Risk</u> <u>Management</u>	<u>Leave</u> <u>Cash-out</u>	<u>PERS</u>	<u>Total</u>
Operating revenues - interfund charges	\$ 1,838,510	225,000	-	2,063,510
Operating expenses:				
Personnel	-	279,354	-	279,354
Claims	1,118,734	-	-	1,118,734
Insurance premiums	389,730	-	-	389,730
Administration	98,290	-	-	98,290
Total operating expenses	<u>1,606,754</u>	<u>279,354</u>	<u>-</u>	<u>1,886,108</u>
Operating income (loss)	231,756	(54,354)	-	177,402
Transfers out	<u>-</u>	<u>-</u>	<u>(13,439)</u>	<u>(13,439)</u>
Change in net assets	231,756	(54,354)	(13,439)	163,963
Beginning net assets (deficit)	<u>218,070</u>	<u>(18,197)</u>	<u>13,439</u>	<u>213,312</u>
Ending net assets (deficit)	\$ <u>449,826</u>	<u>(72,551)</u>	<u>-</u>	<u>377,275</u>

CITY OF HOMER, ALASKA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2009

	<u>Risk</u> <u>Management</u>	<u>Leave</u> <u>Cash-out</u>	<u>PERS</u> <u>Funding</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 2,010,391	225,000	-	2,235,391
Payments to employees	-	(279,354)	-	(279,354)
Payments for insurance claims and administration	<u>(1,646,507)</u>	<u>-</u>	<u>-</u>	<u>(1,646,507)</u>
Net cash flows from operating activities	<u>363,884</u>	<u>(54,354)</u>	<u>-</u>	<u>309,530</u>
Cash flows from noncapital financing activities:				
Increase in due to other funds	-	54,354	-	54,354
Transfers out	<u>-</u>	<u>-</u>	<u>(13,439)</u>	<u>(13,439)</u>
Net cash flows from noncapital financing activities	<u>-</u>	<u>54,354</u>	<u>(13,439)</u>	<u>40,915</u>
Net increase (decrease) in cash and investments	363,884	-	(13,439)	350,445
Beginning cash and investments	<u>177,946</u>	<u>-</u>	<u>13,439</u>	<u>191,385</u>
Ending cash and investments	\$ <u><u>541,830</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>541,830</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 231,756	(54,354)	-	177,402
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Decrease in accounts receivable	171,881	-	-	171,881
Decrease in accounts payable	<u>(39,753)</u>	<u>-</u>	<u>-</u>	<u>(39,753)</u>
Net cash flows from operating activities	\$ <u><u>363,884</u></u>	<u><u>(54,354)</u></u>	<u><u>-</u></u>	<u><u>309,530</u></u>

CITY OF HOMER, ALASKA
Risk Management Internal Service Fund
Statement of Net Assets
December 31, 2009
(With Comparative Amounts for 2008)

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments		\$ 541,830	177,946
Accounts receivable		<u>20,894</u>	<u>192,775</u>
Total assets		\$ <u>562,724</u>	<u>370,721</u>
<u>Liabilities and Net Assets</u>			
Current liabilities - accounts payable		<u>112,898</u>	<u>152,651</u>
Net assets - unrestricted		<u>449,826</u>	<u>218,070</u>
Total liabilities and net assets		\$ <u>562,724</u>	<u>370,721</u>

CITY OF HOMER, ALASKA
Risk Management Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues - interfund insurance charges	\$ <u>1,838,510</u>	<u>1,678,433</u>
Operating expenses:		
Claims	1,118,734	1,338,666
Insurance premiums	389,730	335,978
Administration	<u>98,290</u>	<u>63,250</u>
Total operating expenses	<u>1,606,754</u>	<u>1,737,894</u>
Change in net assets	231,756	(59,461)
Beginning net assets	<u>218,070</u>	<u>277,531</u>
Ending net assets	\$ <u><u>449,826</u></u>	<u><u>218,070</u></u>

CITY OF HOMER, ALASKA
Risk Management Internal Service Fund
Statement of Cash Flows
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 2,010,391	1,496,472
Payments for insurance claims and administration	<u>(1,646,507)</u>	<u>(1,678,231)</u>
Net cash flows from operating activities	363,884	(181,759)
Beginning cash and investments	<u>177,946</u>	<u>359,705</u>
Ending cash and investments	\$ <u><u>541,830</u></u>	<u><u>177,946</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 231,756	(59,461)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
(Increase) decrease in accounts receivable	171,881	(181,961)
Increase (decrease) in accounts payable	<u>(39,753)</u>	<u>59,663</u>
Net cash flows from operating activities	\$ <u><u>363,884</u></u>	<u><u>(181,759)</u></u>

CITY OF HOMER, ALASKA
 Leave Cash-out Internal Service Fund
 Statement of Net Assets (Deficit)
 December 31, 2009
 (With Comparative Amounts for 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and investments	\$ <u> -</u>	<u> -</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - due to other funds	<u> 72,551</u>	<u> 18,197</u>
Net assets (deficit)	<u> (72,551)</u>	<u> (18,197)</u>
Total liabilities and net assets	\$ <u> -</u>	<u> -</u>

CITY OF HOMER, ALASKA
Leave Cash-out Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended December 31, 2009
(With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues - interfund leave cash-out charges	\$ 225,000	159,999
Operating expenses - salaries and benefits	<u>279,354</u>	<u>185,660</u>
Change in net assets	(54,354)	(25,661)
Beginning net assets (deficit)	<u>(18,197)</u>	<u>7,464</u>
Ending deficit	\$ <u>(72,551)</u>	<u>(18,197)</u>

CITY OF HOMER, ALASKA
 Leave Cash-out Internal Service Fund
 Statement of Cash Flows
 Year Ended December 31, 2009
 (With Comparative Amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 225,000	159,999
Payments to employees	<u>(279,354)</u>	<u>(185,660)</u>
Net cash flows from operating activities	(54,354)	(25,661)
 Cash flows from noncapital financing activities - increase in due to other funds	 <u>54,354</u>	 <u>18,197</u>
 Net increase (decrease) in cash and investments	 -	 (7,464)
 Beginning cash and investments	 <u>-</u>	 <u>7,464</u>
 Ending cash and investments	 \$ <u><u>-</u></u>	 <u><u>-</u></u>
 Reconciliation of operating income to net cash provided by operating activities - operating income (loss)	 \$ <u><u>(54,354)</u></u>	 <u><u>(25,661)</u></u>

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

CITY OF HOMER, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2009

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	January 1, 2009 Receivable (Deferred)	Federal Share of Expen- ditures	Federal Receipts	December 31, 2009 Receivable (Deferred)
DEPARTMENT OF AGRICULTURE							
Passed through the State of Alaska Department of Natural Resources - Volunteer Fire Assistance	39927	10.664	\$ 5,000	(5,000)	5,000	-	-
DEPARTMENT OF COMMERCE							
Passed through the State of Alaska Department of Military and Veteran Affairs - 2007 Public Safety Interoperable Communications	07PSIC-GR34037	11.555	135,618	-	112,721	111,496	1,225
DEPARTMENT OF HOMELAND SECURITY							
Passed through the State of Alaska Department of Military and Veteran Affairs - Homeland Security Program - Radio Replacement	07SHSP-GR34054	97.073	35,000	-	10,001	2,365	7,636
DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership Program	2008	16.607	1,200	298	-	298	-
ENVIRONMENTAL PROTECTION AGENCY							
Wetland Development Grant	CD-97051401	66.461	127,302	-	-	-	-
Passed through the State of Alaska Department of Environmental Conservation:							
Water Storage Reservoir Construction (75% Federal)	40906	66.606	252,000	25,200	-	-	25,200
Clean Water Loan (83% Federal)	409081	66.458	2,697,500	871,457	47,441	-	918,898
Clean Water Loan (ARRA)	409141	66.458	1,404,645	-	44,540	-	44,540
Clean Water Loan (ARRA)	409181	66.458	145,355	-	145,355	100,000	45,355
Total CFDA 66.458				871,457	237,336	100,000	1,008,793
Drinking Water Loan (82% Federal)	409101	66.468	385,400	287,005	31,208	-	318,213
Drinking Water Loan (84.6% Federal)	409131	66.468	5,711,862	1,883,949	2,869,862	4,563,360	190,451
Drinking Water Loan (ARRA)	409211	66.468	190,000	-	190,000	189,109	891
Drinking Water Loan (ARRA)	409221	66.468	215,000	-	20,635	-	20,635
Total CFDA 66.468				2,170,954	3,111,705	4,752,469	530,190
DEPARTMENT OF TRANSPORTATION							
Passed through the State of Alaska Department of Transportation and Public Facilities:							
Sterling Highway Corridor Management Plan (80% Federal)	75813	20.205	120,960	12,089	2,704	14,793	-
Advanced Training, Federal Motor Carrier Safety	402PT-09-06	20.600	1,125	1,125	-	1,125	-
ASTEP DUI Enforcement	154AL 09-01-01	20.607	27,658	940	7,148	8,088	-
Alaska Highway Safety Training	154-PA-09-00-00	20.607	1,751	-	1,708	1,708	-
ASTEP DUI Enforcement	154AL 10-01-01	20.607	2,500	-	-	941	(941)
Total CFDA 20.607				940	8,856	10,737	(941)
ASTEP Seat Belt Enforcement	402PT 09-06-03	20.609	12,445	289	3,925	4,214	-
ASTEP Seat Belt Enforcement	402PT 10-06-09	20.609	417	-	131	-	131
Total CFDA 20.609				289	4,056	4,214	131
National Motor Carrier Safety	09-PD-003	20.218	7,168	-	4,305	4,305	-
National Motor Carrier Safety	10-PD-003	20.218	7,168	-	2,415	-	2,415
Total CFDA 20.218				-	6,720	4,305	2,415
Passed through the State of Alaska Department of Natural Resources - Recreational Trails Program	10795868	20.219	50,000	-	50,000	50,000	-
Total Federal Financial Assistance			\$	3,077,352	3,549,099	5,051,802	1,574,649

CITY OF HOMER, ALASKA

Notes to the Schedules of Expenditures of Federal Awards

Year Ended December 31, 2009

Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards 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*.

STATISTICAL

SECTION

CITY OF HOMER, ALASKA
Statistical Section
(Unaudited)

This part of the City of Homer's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and required supplementary information. This information has not been audited by the independent auditor.

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

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Source:

Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

CITY OF HOMER, ALASKA
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental Activities							
Invested in capital assets, net of related debt	\$ 43,615,673	43,848,027	43,879,310	42,266,274	39,633,946	34,744,914	34,357,797
Restricted	3,350,187	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361	2,743,871
Unrestricted	10,482,882	8,149,368	6,014,887	4,932,592	3,919,540	3,000,843	3,120,310
Total Governmental Activities Net Assets	<u>57,448,742</u>	<u>56,331,872</u>	<u>53,244,384</u>	<u>50,800,471</u>	<u>47,322,078</u>	<u>40,983,118</u>	<u>40,221,978</u>
Business-type Activities							
Invested in capital assets, net of related debt	63,567,468	65,571,218	62,275,608	63,457,140	65,800,613	66,667,055	66,924,353
Restricted	4,347,509	7,677,436	7,736,778	3,583,803	2,870,245	2,316,028	2,314,557
Unrestricted	1,448,400	(1,289,199)	(806,158)	3,406,230	1,486,971	3,048,076	3,368,162
Total Business-type Activities Net Assets	<u>69,363,377</u>	<u>71,959,455</u>	<u>69,206,228</u>	<u>70,447,173</u>	<u>70,157,829</u>	<u>72,031,159</u>	<u>72,607,072</u>
Primary government							
Invested in capital assets, net of related debt	107,183,141	109,419,245	106,154,918	105,723,414	105,434,559	101,411,969	101,282,150
Restricted	7,697,696	12,011,913	11,086,965	7,185,408	6,638,837	5,553,389	5,058,428
Unrestricted	11,931,282	6,860,169	5,208,729	8,338,822	5,406,511	6,048,919	6,488,472
Total Primary Government Net Assets	<u>\$ 126,812,119</u>	<u>128,291,327</u>	<u>122,450,612</u>	<u>121,247,644</u>	<u>117,479,907</u>	<u>113,014,277</u>	<u>112,829,050</u>

Note: The City implemented GASB Statement No. 34 in 2003.

CITY OF HOMER, ALASKA
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Expenses							
Governmental Activities:							
General government	\$ 2,066,529	1,761,505	1,621,298	1,453,282	1,800,060	1,870,428	1,040,890
Public safety	4,409,769	4,546,766	3,989,765	3,912,322	3,322,075	3,101,937	3,128,167
Public works	2,955,896	2,637,639	2,422,038	2,405,097	1,066,319	2,136,469	1,979,338
Library	932,552	890,800	805,570	370,404	293,831	473,298	370,272
Airport	239,214	233,176	200,331	152,414	149,341	173,258	174,868
Parks & recreation	427,271	494,083	410,556	391,303	356,721	377,010	397,241
Community services	266,144	321,970	235,831	211,894	582,677	180,964	147,891
Unallocated interest	63,870	141,014	113,536	64,676	70,829	90,915	100,910
Total Governmental Activities Expenses	11,361,245	11,026,953	9,798,925	8,961,392	7,641,853	8,404,279	7,339,577
Business-type Activities:							
Port & Harbor	4,794,367	4,529,886	4,406,311	4,075,045	3,885,187	3,709,842	3,561,815
Water & Sewer	6,145,835	5,820,558	5,318,033	4,737,887	4,615,144	4,250,305	3,889,601
Total Business-type Activities Expenses	10,940,202	10,350,444	9,724,344	8,812,932	8,500,331	7,960,147	7,451,416
Total Activities Expenses	\$ 22,301,447	21,377,397	19,523,269	17,774,324	16,142,184	16,364,426	14,790,993
Program Revenues							
Governmental Activities:							
Charges for services	\$ 1,245,796	1,321,863	1,217,061	1,159,602	1,192,498	1,572,697	1,553,139
Operating grants & contributions	607,284	697,372	638,290	640,601	729,240	401,998	589,364
Capital grants & contributions	376,375	746,803	339,482	1,616,075	4,361,468	1,273,362	325,481
Total Governmental Activities Revenues	2,229,455	2,766,038	2,194,833	3,416,278	6,283,206	3,248,057	2,467,984
Business-type Activities:							
Charges for services Port&Harbor	3,347,738	3,288,715	2,791,713	2,632,892	2,507,815	2,679,831	2,789,364
Charges for services Water/Sewer	3,039,391	3,023,126	2,734,564	2,745,335	2,605,377	2,569,494	2,281,614
Capital grants & contributions P&H	-	-	55,187	-	68,090	723,375	1,428,887
Capital grants & contributions W/S	317,159	4,571,058	1,333,867	2,274,619	221,412	227,808	1,842,866
Total Business-type Activities Revenues	6,704,288	10,882,899	6,915,331	7,652,846	5,402,694	6,200,508	8,342,731
Total Primary Government Program Revenues	\$ 8,933,743	13,648,937	9,110,164	11,069,124	11,685,900	9,448,565	10,810,715
Net (Expense)Revenue							
Governmental Activities	(9,131,790)	(8,260,915)	(7,604,092)	(5,545,114)	(1,358,647)	(5,156,222)	(4,871,593)
Business-type Activities	(4,235,914)	532,455	(2,809,013)	(1,160,086)	(3,097,637)	(1,759,639)	891,315
Total Primary Government Net Expenses	\$ (13,367,704)	(7,728,460)	(10,413,105)	(6,705,200)	(4,456,284)	(6,915,861)	(3,980,278)
General Revenues and Other							
Changes in Net Assets							
Governmental Activities:							
Taxes:							
Property Taxes	\$ 2,889,856	2,976,794	2,529,614	2,406,263	2,091,977	1,888,761	1,785,092
Sales Taxes	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,770,288	3,506,170
Other	2,113,103	967,635	1,195,849	487,481	376,102	207,628	489,857
Transfers	(115,408)	(30,000)	149,064	459,125	110,000	50,685	(199,442)
Special item write-off NPO	-	1,099,216	-	-	-	-	-
Total Governmental Activities Revenue	10,248,660	11,348,403	10,048,005	9,023,507	7,697,607	5,917,362	5,581,677
Business-type Activities:							
Sales tax	1,072,222	1,266,790	1,235,022	1,134,096	1,031,167	1,019,645	956,353
Other	452,206	409,544	482,110	774,459	303,140	214,766	418,591
Transfers	115,408	30,000	(149,064)	(459,125)	(110,000)	(50,685)	199,442
Special item write-off NPO	-	514,438	-	-	-	-	-
Total Business-type Activities Revenue	1,639,836	2,220,772	1,568,068	1,449,430	1,224,307	1,183,726	1,574,386
Total Primary Government Revenue	\$ 11,888,496	13,569,175	11,616,073	10,472,937	8,921,914	7,101,088	7,156,063
Changes in Net Assets							
Governmental Activities	\$ 1,116,870	3,087,488	2,443,913	3,478,393	6,338,960	761,140	710,084
Business-type Activities	(2,596,078)	2,753,227	(1,240,945)	289,344	(1,873,330)	(575,913)	2,465,701
Total Primary Government	\$ (1,479,208)	5,840,715	1,202,968	3,767,737	4,465,630	185,227	3,175,785

Note: The City implemented GASB Statement No. 34 in 2003.

CITY OF HOMER, ALASKA
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Total
2009	\$ 2,889,856	\$ 5,361,109	\$ 8,250,965
2008	2,976,794	6,334,758	9,311,552
2007	2,501,693	6,173,478	8,675,171
2006	2,382,936	5,670,638	8,053,574
2005	2,102,170	5,119,528	7,221,698
2004	1,888,761	3,737,944	5,626,705
2003	1,811,202	3,506,170	5,317,372
2002	1,603,317	3,243,410	4,846,727
2001	1,434,826	2,846,372	4,281,198
2000	1,407,579	2,716,211	4,123,790

CITY OF HOMER, ALASKA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 297,291	353,901	296,910	260,274	280,743	313,959	268,279	223,973	167,374	166,446
Unreserved:										
Interfund Loan Animal Shelter	200,000	250,000	300,000	350,000	400,000	450,000	-	-	-	-
PERS	171,314	171,314	171,314	-	-	-	-	-	-	-
Designated for subsequent year's expenditures	4,226,615	3,825,104	4,230,983	3,282,823	2,186,409	1,248,052	1,994,577	2,382,709	1,919,436	2,141,762
Undesignated	4,597,929	4,246,418	4,702,297	3,632,823	2,586,409	1,698,052	2,251,259	2,382,709	1,919,436	2,141,762
Total Unreserved General Fund	4,895,220	4,600,319	4,999,207	3,893,097	2,867,152	2,012,011	2,519,538	2,606,682	2,086,810	2,308,208
Total General Fund	4,367,506	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361	2,743,871	271,328	-	-
Other Governmental Funds										
Reserved										
Unreserved:										
Library	31,501	31,326	29,289	27,750	8,982	471,148	309,698	177,575	-	-
Fire Department	64,110	62,965	53,948	11,482	15,522	11,697	7,170	20,217	-	-
Animal Shelter	7,382	7,352	7,173	6,796	10,088	-	-	-	-	-
Community Schools	1,792	509	699	197	-	-	-	-	-	-
Sustainability Global Warming	15,257	15,162	107	-	-	-	-	-	-	-
Land									1,575	
PERS	14,436									
Permanent Fund	1,150,377									
Capital Project Funds	2,973,118	3,116,382	1,857,872	1,784,965	1,435,923	421,066	651,221	3,497,206	3,835,613	3,381,301
Capital Project Deficit	(47,379)	(20,873)	(3,744)	(31,147)	(455,223)	(69,805)	-	-	-	-
Total Unreserved Other Governmental Funds	4,210,594	3,212,823	1,945,344	1,800,043	1,015,292	834,106	968,089	3,694,998	3,837,188	3,381,301
Total Other Governmental Funds	8,578,100	7,547,300	5,295,531	5,401,648	4,783,884	4,071,467	3,711,960	3,966,326	3,837,188	3,381,301
Total General Fund and Other Governmental Funds	\$ 13,473,320	12,147,619	10,294,738	9,294,745	7,651,036	6,083,478	6,231,498	6,573,008	5,923,998	5,689,509
Change in Fund Balances	1,325,701	1,852,881	999,993	1,643,709	1,567,558	(148,020)	(341,510)	407,467	234,489	2,175,888
Percentage of Change	10.9%	18.0%	10.8%	21.5%	25.8%	-2.4%	-5.2%	11.0%	4.1%	61.9%

CITY OF HOMER, ALASKA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:										
Property taxes	2,930,696	2,975,448	2,501,693	2,382,936	2,102,170	1,888,761	1,811,202	1,603,317	1,434,826	1,407,579
Sales taxes	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,737,944	3,506,170	3,243,410	2,846,372	2,716,211
Licenses and permits	19,614	26,219	43,765	46,096	42,717	88,411	18,930	17,000	12,520	10,042
Intergovernmental	1,854,305	1,778,519	1,873,233	2,247,343	3,740,329	1,966,565	1,354,063	1,574,238	1,038,386	1,119,177
Charges for services	2,629,639	2,337,323	2,382,465	2,136,838	2,183,048	2,028,181	1,991,495	2,045,851	1,393,570	1,326,039
Special assessments	110,543	127,876	14,802	11,180	15,462	16,571	39,571	43,412	59,189	85,325
Investment income	82,117	156,429	290,987	233,998	150,223	47,793	66,649	119,310	204,527	453,863
Fines and forfeitures	16,065	34,193	19,941	19,435	23,269	24,444	36,321	35,577	19,489	25,044
Contributions and donations	2,910	9,181	42,256	64,412	1,362,374	170,864	140,794	77,081	-	-
Legal settlement	-	-	-	740,404	-	-	-	-	91,930	-
Sale of property and equipment	4,869	499,189	-	-	-	-	-	-	-	-
Other	1,195,970	170,538	19,970	24,207	23,362	172,876	68,973	369,881	129,507	32,720
Total revenues	<u>14,207,837</u>	<u>14,449,673</u>	<u>13,362,590</u>	<u>13,577,487</u>	<u>14,762,482</u>	<u>10,142,356</u>	<u>9,034,168</u>	<u>9,129,077</u>	<u>7,230,316</u>	<u>7,176,000</u>
Expenditures:										
General government	3,380,193	2,964,905	2,585,147	2,220,086	2,689,530	2,554,078	1,759,588	1,724,904	1,685,478	1,449,470
Public safety	4,096,996	4,189,377	3,622,296	3,549,911	3,053,686	2,894,621	2,837,662	2,527,104	2,165,322	2,043,570
Public works	2,023,907	2,108,115	1,750,045	1,688,688	1,491,893	1,350,580	1,593,608	1,620,633	803,036	691,683
Library	724,150	681,983	593,027	449,289	374,932	341,287	352,380	333,982	298,541	279,252
Airport	230,934	228,720	196,710	179,504	146,221	128,278	169,211	124,311	107,541	132,894
Parks and recreation	359,683	422,251	384,697	367,027	338,359	340,471	353,548	407,982	342,943	302,097
Community services	266,144	321,970	235,831	211,894	582,677	180,964	147,891	294,809	109,796	122,359
Debt service:										
Principal retirement	57,934	470,615	608,431	655,016	513,640	479,979	409,761	487,905	495,117	481,394
Interest and fiscal charges	63,870	75,812	113,536	64,676	70,829	90,915	100,910	126,462	136,602	162,987
Capital outlay	1,612,185	1,103,044	2,421,941	5,153,413	4,043,157	1,976,460	1,161,677	1,565,695	643,259	1,050,805
Total expenditures	<u>12,815,996</u>	<u>12,566,792</u>	<u>12,511,661</u>	<u>14,539,504</u>	<u>13,304,924</u>	<u>10,337,633</u>	<u>8,886,236</u>	<u>9,213,787</u>	<u>6,787,635</u>	<u>6,716,511</u>
Excess (deficiency) of revenues over (under) expenditures	1,391,841	1,882,881	850,929	(962,017)	1,457,558	(195,277)	147,932	(84,710)	442,681	459,489
Other financing sources (uses):										
Proceeds from long-term debt	14,536	-	-	2,146,601	-	-	-	300,000	-	-
Transfers in	413,609	2,183,992	2,499,222	2,160,007	2,498,261	879,211	1,585,122	762,026	629,234	123,125
Transfers out	(494,285)	(2,213,992)	(2,350,158)	(1,700,882)	(2,388,261)	(828,526)	(2,074,564)	(729,406)	(570,539)	(173,125)
Net other financing sources (uses)	<u>(66,140)</u>	<u>(30,000)</u>	<u>149,064</u>	<u>2,605,726</u>	<u>110,000</u>	<u>50,685</u>	<u>(489,442)</u>	<u>332,620</u>	<u>58,695</u>	<u>(50,000)</u>
Net change in fund balance	<u>1,325,701</u>	<u>1,852,881</u>	<u>999,993</u>	<u>1,643,709</u>	<u>1,567,558</u>	<u>(144,592)</u>	<u>(341,510)</u>	<u>247,910</u>	<u>501,376</u>	<u>409,489</u>
Debt service as a % of noncapital expenditures	1.06%	4.78%	7.37%	8.03%	7.65%	6.79%	6.96%	8.50%	-	-

CITY OF HOMER, ALASKA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property Less Tax Exempt Property	Personal Property Less Tax Exempt Property	Total Taxable Assessed Value	Tax Direct Rate	Estimated Full Value	Assessed Value as a Percent of Actual Value
2000	\$ 217,038,712	\$ 14,547,700	\$ 231,586,412	15.10%	\$ 310,123,200	74.68%
2001	221,752,012	16,401,954	238,153,966	14.35%	321,539,100	74.07%
2002	295,979,412	21,458,976	317,438,388	13.35%	397,449,200	79.87%
2003	312,647,212	19,978,948	332,626,160	13.35%	448,443,700	74.17%
2004	333,843,562	19,148,462	352,992,024	13.35%	497,201,500	71.00%
2005	399,827,162	26,893,341	426,720,503	12.85%	587,914,700	72.58%
2006	461,018,162	24,598,683	485,616,845	12.10%	646,448,500	75.12%
2007	489,448,562	22,811,263	512,259,825	12.00%	717,875,400	71.36%
2008	588,595,562	24,988,891	613,584,453	11.30%	777,118,400	78.96%
2009	631,527,262	31,030,146	662,557,408	11.30%	850,068,000	77.94%

Source: State of Alaska Assessor Office - Taxable Alaska

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

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

<u>Fiscal Year</u>	<u>City of Homer</u>	<u>Kenai Peninsula Borough</u>	<u>South Peninsula Hospital Service Area</u>	<u>Kenai Peninsula College</u>	<u>Total</u>
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
2006	4.50	6.50	1.00	0.10	12.10
2007	4.50	6.50	1.00	0.00	12.00
2008	4.50	4.50	2.30	0.00	11.30
2009	4.50	4.50	2.30	0.00	11.30

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

CITY OF HOMER, ALASKA
Principal Property Taxpayers
December 31, 2009
and December 31, 2000

Owner	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
ACS of the Northland, LLC	\$ 15,701,342	1	2.37%	\$ 9,471,883	1	4.09%
Homer Spit Properties, LLC	10,102,500	2	1.52%	-		-
Tulin Charles E & Helen L	7,389,800	3	1.12%	-		-
Lands End Acquisition Corp.	5,795,100	4	0.87%	3,159,360	5	1.36%
Alaska USA Federal Credit Union	4,839,437	5	0.73%	-		-
Lehner Devony L & Taffe Thomas	4,824,900	6	0.73%	-		-
CGF Properties, Inc	3,745,000	7	0.57%	2,299,852	8	0.99%
Moore Kenneth & Roseleen Trust	3,365,600	8	0.51%	-		-
Wells Fargo Bank	3,337,998	9	0.50%	3,201,264	4	1.38%
GCI	3,121,217	10	0.47%	-		-
Herndon & Thomas Leasing	-		-	3,713,800	2	1.60%
Circle De Pacific Corporation	-		-	3,360,137	3	1.45%
Robert Hunt	-		-	3,153,500	6	1.36%
Harbor Enterprise, Inc	-		-	3,061,158	7	1.32%
Spenard Builders Supply, Inc F KA	-		-	2,185,822	9	0.94%
Maritime Helicopters/Mike & Mary Fell	-		-	1,968,357	10	0.85%
Total	\$ <u>62,222,894</u>		<u>9.39%</u>	<u>35,575,133</u>		<u>15.36%</u>

Source: Kenai Peninsula Borough

Century Telephone Enterprises was acquired by ACS of the Northland Inc

National Bank of Alaska was acquired by Wells Fargo

The Bidarka Inn & Hunter Investments is owned by John R & Judith E Johnson

Note: Total Taxable Assessed Values are utilized from Table 6

CITY OF HOMER, ALASKA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years Amount	Total Tax Collected to Date	
		Amount	% of Levy		Amount	% of Levy
2000	\$ 1,328,213	\$ 1,245,592	93.78%	\$ 90,071	\$ 1,335,663	100.56%
2001	1,359,737	1,304,217	95.92%	66,615	1,370,832	100.82%
2002	1,634,651	1,491,221	91.23%	53,515	1,544,736	94.50%
2003	1,715,697	1,672,366	97.47%	51,033	1,723,399	100.45%
2004	1,829,389	1,768,120	96.65%	34,012	1,802,132	98.51%
2005	2,013,518	1,989,890	98.83%	53,009	2,042,899	101.46%
2006	2,342,439	2,299,478	98.17%	32,081	2,331,559	99.54%
2007	2,383,617	2,339,720	98.16%	10,970	2,350,690	98.62%
2008	2,823,552	2,822,660	99.97%	93,274	2,915,935	103.27%
2009	2,678,567	2,658,526	99.25%	52,712	2,711,238	101.22%

Source: Kenai Peninsula Borough

CITY OF HOMER, ALASKA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases				
2000	\$ 2,760,000	\$ 36,927	\$	\$ 432,063	\$ 2,150,000	\$ 3,431,618	\$	\$	8,810,608	9.51%	\$ 2,095
2001	2,440,000	31,647		262,226	1,890,000	3,132,195			7,756,068	8.83%	1,966
2002	2,095,000	26,367		424,601	1,620,000	3,807,372			7,973,340	7.51%	1,689
2003	1,730,000	21,087		385,316	1,335,000	5,279,514			8,750,917	6.57%	1,492
2004	1,340,000	15,807		300,617	1,105,000	5,388,839			8,150,263	6.66%	1,529
2005	920,000	10,527		212,257	870,000	7,479,081			9,491,865	7.50%	1,746
2006	475,000	5,280		163,044	620,000	9,539,106	208,909		13,004,092	10.09%	2,384
2007				71,768	365,000	10,160,611	153,810		12,707,067	9.63%	2,310
2008				27,749	185,000	11,567,201	95,720		13,404,952	10.12%	2,487
2009				6,703		14,489,912	34,045		16,037,737	13.24%	2,889

Population per Alaska Department of Community and Economic Development

CITY OF HOMER, ALASKA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2009	5551	\$ 631,527	\$ -	\$ -	\$ -	0.00%	\$ 0
2008	5390	588,595	-	-	-	0.00%	0
2007	5502	551,814	-	-	-	0.00%	0
2006	5454	520,542	475	307	168	0.03%	31
2005	5435	447,448	920	281	639	0.14%	118
2004	5332	365,877	1,340	269	1,071	0.29%	201
2003	4893	343,139	1,730	268	1,462	0.43%	299
2002	4721	326,930	2,095	259	1,836	0.56%	389
2001	3946	247,225	2,440	237	2,203	0.89%	558
2000	4205	241,493	2,760	210	2,550	1.06%	606

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Percent of Debt Service to General Fund Expenditures</u>
2009	\$ -	\$ -	\$ -	\$ 10,807,821	0.00%
2008	-	-	-	11,046,268	0.00%
2007	475,000	21,082	496,082	9,356,829	5.30%
2006	445,000	39,916	484,916	8,414,502	5.76%
2005	420,000	57,766	477,766	8,018,872	5.96%
2004	390,000	73,854	463,854	7,474,417	6.21%
2003	365,000	88,734	453,734	6,594,445	6.88%
2002	345,000	101,831	446,831	6,287,847	7.11%
2001	320,000	115,054	435,054	5,700,565	7.63%
2000	300,000	127,054	427,054	5,213,935	8.19%

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

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

<u>Year</u>	<u>(1)</u> <u>Population</u>	<u>(2)</u> <u>Annual</u> <u>Average</u> <u>Wage Per</u> <u>Worker</u>	<u>(1)</u> <u>Per</u> <u>Capita</u> <u>Income</u>	<u>(1)</u> <u>Median</u> <u>Age</u>	<u>(3)</u> <u>School</u> <u>Enrollment</u>	<u>(2)</u> <u>Unemployment</u> <u>Rate</u>
2009	5,551	\$ 31,601	\$ 21,823	38.8	1,462	14.8%
2008	5,390	31,625	24,565	38.8	1,445	7.5%
2007	5,502	30,795	23,985	39.7	1,135	6.7%
2006	5,454	31,164	23,630	38.8	1,119	8.6%
2005	5,435	30,696	23,280	38.8	1,248	8.6%
2004	5,332	34,663	22,936	38.8	1,238	11.1%
2003	5,865	33,069	22,709	38.8	1,250	12.1%
2002	4,721	34,032	22,484	38.8	1,284	12.0%
2001	3,946	34,584	22,262	38.8	1,276	10.6%
2000	4,205	32,275	22,041	32.4	1,311	10.2%

Sources:

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

CITY OF HOMER, ALASKA
Principal Employers - Lower Kenai Peninsula

Employer	2009		
	Number of Employees	Rank	Percentage of Total Employment
Kenai Peninsula Borough School District	313	1	14.09%
South Peninsula Hospital	313	2	14.09%
South Peninsula Behavioral Health Services	148	3	6.66%
City of Homer	117	4	5.27%
Safeway	98	5	4.41%
State of AK-Excludes University	97	6	4.37%
Lands End Resort	85	7	3.83%
University of Alaska	69	8	3.11%
Homer Electric Association	66	9	2.97%
Homer Senior Citizens	64	10	2.88%
Total Employees (Top Ten)	1,370		61.66%
Average Employees Per Month	2,222		

Source: Alaska Department of Labor and Workforce Development

Note: Comparative principal employers for 2000 is not available.

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

<u>Function/program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Administration	30	29	29	34	27	27	26	26	26	25
Public Safety:										
Fire Department	6	6	6	6	6	6	6	6	6	6
Police Department	26	21	24	27	26	27	26	26	22	24
Public Works:										
PW General Fund	17	16	13	11	14	14	15	14	1	13
PW Water/Sewer	18	18	19	23	25	25	25	25	36	21
Port and Harbor	<u>20</u>	<u>13</u>	<u>11</u>	<u>13</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total	<u>117</u>	<u>103</u>	<u>102</u>	<u>114</u>	<u>116</u>	<u>117</u>	<u>116</u>	<u>115</u>	<u>109</u>	<u>107</u>

CITY OF HOMER, ALASKA
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Government										
Registered voters	4,270	4,161	4,172	4,073	4,022	4,098	4,146	4,000	3,332	3,363
Building permits issued	55	62	87	83	103	109	86	74	72	58
Police										
Requests for service	6,139	7,532	6,052	5,987	5,878	6,141	7,552	4,265	6,242	4,453
Physical arrests	471	391	425	428	507	429	480	589	604	460
Traffic citations	662	731	515	450	464	525	807	1,033	835	873
Animal control impounds	3	415	864	1,048	1,065	967	2,139	2,139	2,452	1,660
Fire										
Emergency responses	641	599	566	472	469	439	457	478	359	311
Fires calls	combined	83	100	79	111	107	103	109	138	100
Parks & Recreation										
Camping permits - Tents	9,172	3,852	3,934	3,830	3,888	4,559	4,144	3,291	3,570	4,316
Camping permits - RV's	combined	4,988	5,621	5,250	5,515	6,662	6,466	5,905	5,609	6,093
Library										
Number of Visitors	125,441	132,402	133,186	91,301	88,372	88,136	88,810	90,529	98,099	92,008
Number of Library cards	10,720	10,405	10,055	9,812	9,073	9,013	8,713	8,544	8,444	8,353
Internet Users	44,987		40,041		19,145	18,359				
Public Works										
Work orders	6,573	6,553	6,761	6,852	6,758	6,573	6,438	6,036	5,543	5,015
Water										
Number of Consumers	1,450	1,445	1,406	1,406	1,373	1,337	1,297	1,269	1,229	1,218
Water usage in millions gal	1,503	1,42.2	1,45.1	1,37.5	1,79.0	1,61.0	1,32.5	1,32.8	1,33.9	1,31.0
Wastewater										
Number of Consumers	1,444	1,432	1,354	1,354	1,280	1,374	1,197	1,153	1,117	1,115
Port & Harbor										
Harbor Assists	150	143	197	220	298	302	378	249		
Dock Landings	421	226	202	162	139	113	126	155	161	132
Ice sales (ton)	4,434	3,776	3,826	3,333	4,261	3,869	3,744	3,896	4,029	3,740
Crane hours billed	3,134	2,672	2,574	2,535	2,819	2,979	3,187	3,492	3,162	3,213
Halibut landings (million tons)	12	10	10	10	10	10	12	12	11	9

CITY OF HOMER, ALASKA
Operating Assets Indicators by Function
Last Ten Fiscal Years

Function by Program	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Emergency Services										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	4	4	3	3	2	2	2	2	2	2
Number of Ambulances	2	2	2	2	2	2	2	2	1	1
Number of Employees/ Volunteers	39	39	39	38	37	54	48	52	40	49
Police Protection										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	11	10	9	9	9	8	7	6
Number of Employees	26	21	24	27	28	27	26	27	26	24
Public Works										
Miles of City-maintained streets	46.5	46.5	46.9	46.9	46.5	45.0	44.0	41.0	22.6	21.9
Water/Sewer										
Miles of Water Lines	42.4	42.4	42.4	42.3	42.1	46.5	36.41	36.41	36	36
Miles of Sewer Lines	49.2	49.2	49.2	49.2	48.7	39.5	42.8	42.8	43	41
Parks & Recreation										
Number of Parks	18	18	18	18	18	18	18	18	18	18
Acres	518.2	518.2	518.2	267.4	267.4	267.4	267.4	267.4	267.4	267.4
Library										
Volumes	43,148	42,812	40,181	36,984	34,791	34,080	34,080	34,080	34,080	33,810
Circulation	101,290	99,511	98,815	99,020	89,964	91,886	89,617	95,051	96,490	104,190
Public use computers	18	18	18	6	6	6	6	6	6	6
Port & Harbor										
Small Boat Harbor - stalls	920	920	920	920	920	920	920	772	772	772
Transient space square feet	6,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000	4,000	4,000

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SINGLE

AUDIT

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

Honorable Mayor and City Council
City of Homer, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska, as of and for the year ended December 31, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Honorable Mayor and City Council
City of Homer, Alaska

Compliance and Other Matters

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 25, 2010

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

Honorable Mayor and City Council
City of Homer, Alaska

Compliance

We have audited the compliance of City of Homer, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Homer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

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

In our opinion, City of Homer complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Honorable Mayor and City Council
City of Homer, Alaska

Internal Control Over Compliance

The management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Homer's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 25, 2010

CITY OF HOMER, ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2009

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Unqualified

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

yes no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Environmental Protection Agency	66.468	Drinking Water Loan: Water Service Extensions, Phase II

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF HOMER, ALASKA

Schedule of Findings and Questioned Costs, continued

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

CITY OF HOMER, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2009

Federal

There were no prior year audit findings.

CITY OF HOMER, ALASKA

Corrective Action Plan

Year Ended December 31, 2009

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