

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF HOMER, ALASKA

Year Ended December 31, 2011

James C. Hornaday
Mayor

Walt Wrede
City Manager

Prepared By
Finance Department

Regina Mauras, CPA, CFE, EA
Finance Director

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CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i-iv
Letter of Transmittal		v-xii
Principal City Officials		xiii
Organization Chart		xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting		xv
 FINANCIAL SECTION		
<u>Independent Auditor's Report</u>		1-3
<u>Management's Discussion and Analysis</u>		6-14
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	16
Statement of Activities	A-2	17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	18
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Assets	B-2	19
Statement of Revenues, Expenditures and		
Changes in Fund Balances	B-3	20
Reconciliation of the Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	21
Statement of Revenues, Expenditures and Changes in Fund		
Balance – Budget and Actual:		
General Fund	C-1	22
Utility Special Revenue Fund	C-2	23
Proprietary Funds:		
Statement of Net Assets	D-1	24
Statement of Revenues, Expenses and Changes		
in Net Assets	D-2	25
Statement of Cash Flows	D-3	26-27
Notes to Basic Financial Statements		28-49

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
<u>Supplementary Information</u>		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	E-2	55
General Fund:		
Balance Sheet	F-1	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	F-2	58-63
Utility Special Revenue Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	G-1	65
Combining Balance Sheet	G-2	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	G-3	67
Port of Homer Enterprise Fund:		
Statement of Net Assets	H-1	68
Statement of Revenues, Expenses and Changes in Net Assets	H-2	70
Statement of Cash Flows	H-3	71
Internal Service Funds:		
Combining Statement of Net Assets	I-1	73
Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit)	I-2	74
Combining Statement of Cash Flows	I-3	75
Health Insurance:		
Statement of Net Assets	I-4	76
Statement of Revenues, Expenses and Changes in Net Assets	I-5	77
Statement of Cash Flows	I-6	78

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
<u>Supplementary Information, continued</u>		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Internal Service Funds, continued:		
Leave Cash-out:		
Statement of Net Assets (Deficit)	I-7	79
Statement of Revenues, Expenses and Changes in Deficit	I-8	80
Statement of Cash Flows	I-9	81
Schedule of Expenditures of Federal Awards	J-1	83
Schedule of State Financial Assistance	J-2	84
Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance		85
	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION		
Net Assets by Component	1	89
Changes in Net Assets	2	90
Governmental Activities Tax Revenues by Source	3	91
Fund Balances of Governmental Funds	4	92
Changes in Fund Balances of Governmental Funds	5	93
Assessed Value and Estimated Actual Value of Taxable Property	6	94
Property Tax Rates – Direct and Overlapping Government	7	95
Principal Property Taxpayers	8	96
Property Tax Levies and Collections	9	97
Ratios of Outstanding Debt by Type	10	98
Ratios of General Bonded Debt Outstanding	11	99
Ratios of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures	12	100
Demographic and Economic Statistics	13	101
Principal Employers	14	102
City Employees by Function/Program	15	103
Operating Indicators by Function	16	104
Operating Assets Indicators by Function	17	105

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

Table of Contents, continued

	<u>Table</u>	<u>Page</u>
SINGLE AUDIT SECTION		
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 <i>Government Auditing Standards</i>		107-108
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		109-110
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		111-112
Schedule of Findings and Questioned Costs		113-114
Summary Schedule of Prior Audit Findings		115
Corrective Action Plan		116



City of Homer

Homer, Alaska

May 4, 2012

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, 2011. 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 City is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Act. Information related to the single audits, including the auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in this report.

THE REPORTING ENTITY AND ITS SERVICES

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



Under the City's 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. 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.

¹ Financial policies can be located beginning on page 15 of the City of Homer Annual 2012 Budget.

Capital Projects

Although the overall economy in the Homer area remains sluggish, visible signs of growth are apparent. This is especially true if growth is measured by capital investment in infrastructure. Much of this growth is currently fueled by public sector spending. Major capital projects that are planned, completed, or in progress in 2011 and 2012 include the following:

City of Homer LID 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 is generated through a combination of dedicated sales taxes and assessments that are levied through Local Improvement Districts (LIDs). Local Improvement Districts currently in the planning, design, and construction phase include:

- Kachemak Drive Water and Sewer Improvements (Phase II). This project will extend water and sewer service to eighty-eight properties along Kachemak Drive beginning at East End Road. Design work began in 2006. The design, engineering, environmental research, and permitting was completed in 2010. In 2011, the LID was finalized, a construction contract was awarded, and construction began. It is anticipated that construction will be completed in 2012.
- Kachemak Drive Water and Sewer Improvements (Phase III). This project would close the loop on Kachemak Drive and link water and sewer improvements constructed during Phases I and II. This potential LID is presently in the petition phase. Establishment of a formal LID is possible in 2012.
- Crittenden Drive. This is a road LID that has worked its way through the approval and formation process and is ready to go to bid. Construction is anticipated in 2012. This project would reconstruct and pave an important road in the downtown area that serves a major motel and provides access to an adjacent neighborhood.
- Waddell St. This potential road LID serves the neighborhood accessed by Crittenden Drive. The LID is presently in the petition phase and formal establishment is possible in 2012.
- Lake St. / Ocean Drive Loop. This potential road LID would serve many lots in a large neighborhood and improve several of the worst roads in the center of Homer. Local residents are getting organized and are expected to initiate the petition phase in 2012.
- Gas Utility LID. It is anticipated that Homer will be served by natural gas as soon as the 2013 construction season. Construction of the gas transmission line from Anchor Point to Homer is scheduled to commence in the fall of 2012. The City Council is discussing the merits of providing financing for the gas distribution system in the community through the LID process. If approved, this would likely entail a very large LID containing thousands of parcels.

Other City Capital Projects

- Energy Audit: The City completed an energy audit of existing public buildings and facilities in 2011. The recommended energy efficiency improvements were financed through a combination of grant funds and a newly created revolving energy fund (REF).

The Council provided funding for the REF through a transfer of grant funds and funds from various depreciation accounts. The energy efficiency improvements were expected to be complete in early 2012.

- **City Hall Renovation:** The City Council undertook a major City Hall expansion and renovation project using a combination of a legislative grant and money it contributed from a reserve account. Planning and design was initiated in 2010 and construction began during the summer of 2011. The building was almost ready for occupancy at the end of 2011 and occupancy is expected in early 2012.
- **Deep Water Dock:** Preparations for initiating the feasibility and design work were ongoing in 2011. The City proposes to lengthen the face of the dock and strengthen the approach trestle as part of Phase I improvements. It has been difficult to access the initial \$ 2 Million in federal funding for a myriad of reasons. An additional \$ 1 Million for the project has been appropriated by the Alaska Legislature. A Memorandum of Understanding between the City and DOT/PF and the release of federal funds is anticipated in 2012.
- **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 ongoing.
- **Natural Gas Transmission Line and Distribution System:** The 2011 State Capital Budget contained funding for a natural gas transmission line from Anchor Point to Homer. That line item was vetoed by the governor. The 2012 Capital Budget also contains funding for the project and prospects for approval by the governor appear much better this time around. The line will be financed by \$8.15 Million from the State and \$2.5 Million to be "up-fronted" by Enstar Natural Gas Company and repaid by a \$1.00 per mcf increase in the tariff. If construction of the transmission line is approved, it is anticipated that the City Council will discuss the relative merits of providing financing for the build-out of the distribution system in 2012. Build-out of the entire town is estimated to cost \$12 Million. The financing may be provided through creation of an LID and the sale of bonds.
- **Spit Trail:** The City has received approximately \$2.1 Million in Legislative and Scenic Byways grants to complete the Spit Trail and make improvements at End of the Road Park. Progress was made in 2011 working with DOT/PF to obtain an MOU regarding construction in the ROW and release of the funds. Engineering, design, and the start of construction should all occur in 2012.
- **Harbor Revenue Bond Projects:** The City Council has identified five or six top CIP repair and/or replacement projects within the Homer Harbor that have a funding priority. A committee was formed in 2011 to look at the projects and the funding alternatives. The Committee is discussing applying for funds through the State Municipal Matching Grant Program and providing the 50% local match by selling revenue bonds.
- **Parks and Recreation:** The City has \$305,000 in funding to make improvements at Karen Hornaday Park. A volunteer group is taking the lead in constructing a new playground and \$55,000 of this funding is allocated toward that effort. Other improvements to the park including drainage, parking, the day use area, ball fields, and survey and design work for relocating the road are expected in 2012.
- **Cruise Ship Amenities:** In 2011 the City received a legislative grant in the amount of \$ 6 Million for improvements that directly benefit cruise ship passengers. The money came from State Commercial Vessel Passenger Tax proceeds. Improvements will include a

pathway around the harbor, a staging area, restrooms, and improvements at the Deep Water dock that will making docking and disembarkation easier and more comfortable. Engineering, design, and construction will all commence in 2012.

Kenai Peninsula Borough Projects

- The most significant Borough project in the Homer area at the moment is the closure of the landfill. This is a \$10 Million dollar project expected to be largely completed in 2012 or 2013. Construction began in 2011.
- The 2012 State Capital Budget contains funding to replace the track at the Homer High School and to improve various Borough roads.
- The South Peninsula Hospital Expansion Phase II was completed in the spring of 2011.

State of Alaska Projects

- A major airport improvement and expansion project is scheduled within the next few years pending the availability of funds.
- Funding to proceed with planned East End Road Improvements (beyond M.P. 3.5) is anticipated.
- The State has made repair and upgrade of Lake Street a priority STIP project and preliminary planning and scoping has begun. Construction is anticipated in 2013.

Major Private Sector Projects

- Due to the overall downturn in the economy, the City did not review any new, large subdivisions in 2011. The City reviewed 13 plats in 2011 and it issued 40 zoning permits. This continues the downward trend from 45 in 2010, 55 in 2009, and 62 in 2008.
- Major private sector developments in 2011 include Kenai Peninsula Housing Initiatives' residential units on Mattox Street, Homer Senior Center residential development on Main St., the Seldovia Village Tribe Wellness Center, and improvements at The Boatyard.

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 employers include South Peninsula Hospital, Homer Electric Association, the Federal, State, Borough, and City governments, the marine trades, the service industry, a thriving non-profit sector, arts and music, independent entrepreneurs, and small, locally owned businesses. Homer has been the number one commercial halibut port in the state in terms of pounds landed. The community has many economic assets including the largest single basin boat harbor in the state, an open access year around ice free port, an excellent airport, and access to the national highway system. Major attractions include the Pratt Museum, the Islands and Ocean Center, numerous art galleries, and unlimited recreational opportunities.

The City Council recently adopted a new Comprehensive Economic development Strategy (CEDS). One of the objectives in adopting the Plan was to define and articulate the types of economic development the community supports and how to stimulate it. The Council is presently discussing implementation priorities and strategies. Large prospects for the future that could impact the local economy include green technology and energy development (both renewable and non-renewable), a proposed expansion of the Deep Water Dock, expansion and

improvements at the airport, expansion of the Pratt Museum, the prospect of bringing natural gas to Homer, and development of the Pebble Mine. The CEDS places a strong emphasis on local food production, a sustainable economy based upon small local businesses, and building upon what Homer already is.

Economic growth in Homer has slowed over the past few years much as it has in the rest of the country. Economic activity in most sectors has declined. The City of Homer has been able to avoid significant cuts in programs and services so far due to conservative budgeting and fiscal management practices. But additional revenues will be needed in order to provide the high quality services residents expect and to keep up with maintenance, repair, and replacement obligations. It is important for the City to encourage the creation of more year around job opportunities so that young people can remain and working families can afford to live here.

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 2011 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, 2010.

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 the staff of Mikunda, Cottrell & Co. and their professional manner, patience and communication skills in conducting 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 Mauras, 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
Beauregard Burgess

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 Mauras
Bob Painter
Anne Dixon
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, 2010

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.



Linda C. Sandson

President

Jeffrey R. Emer

Executive Director

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Homer, Alaska, as of and for the year ended December 31, 2011 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Utility Special Revenue 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 May 4, 2012 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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Homer's basic financial statements for the year ended December 31, 2010 which are not presented with the accompanying financial statements. In our report dated June 7, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Homer's financial statements as a whole. Certain individual fund financial statements and schedules related to the December 31, 2010 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The other data included in this report, designated as the "introductory" and "statistical" section in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mikunda, Cottrell & Co.

Anchorage, Alaska
May 4, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOMER

Management's Discussion and Analysis

December 31, 2011

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, 2011. 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, 2011, by \$127,385 (Net Assets). Of this amount, unrestricted net assets of \$15,887 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$938.

As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$20,237, an increase of \$1,092 from the prior year. The decrease is due to the Utility Fund operating losses of \$312, and HART Roads and Non-major Funds not completing major capital projects during the year.

- At the end of the current year, the fund balance for the General Fund was \$6,728. Of this amount, \$6,312 was unreserved, undesignated, and available for spending.
- At year-end, the City of Homer's outstanding debt totals \$16,630, an increase of \$1,140 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 fund.

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
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, public works, and water/sewer utility	Activities the City operates similar to private businesses; port & harbor
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net assets *Statement of revenues, expenses and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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.

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 system 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 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.

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 28-49 of this report.

Government-wide Financial Analysis

At the close of the 2011 fiscal year, the City's net assets (assets exceeding liabilities) totaled \$127,385 (see Table A-1). Of this amount \$104,214, or 82%, 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 \$7,284 in the governmental activities is for debt service and capital projects. There is no debt service for the business-type activities. The total unrestricted amount totals \$15,887 and is available to meet the City's ongoing obligations to citizens and creditors.

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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 24,478	24,245	1,460	1,058	25,938	25,303
Capital assets	<u>80,247</u>	<u>77,917</u>	<u>40,597</u>	<u>41,762</u>	<u>120,844</u>	<u>119,679</u>
Total assets	<u>104,725</u>	<u>102,162</u>	<u>42,057</u>	<u>42,820</u>	<u>146,782</u>	<u>144,982</u>
Non-Current liabilities	16,495	15,150	409	804	16,904	15,954
Other liabilities	<u>1,555</u>	<u>2,141</u>	<u>938</u>	<u>441</u>	<u>2,493</u>	<u>2,582</u>
Total liabilities	<u>18,050</u>	<u>17,291</u>	<u>1,347</u>	<u>1,245</u>	<u>19,397</u>	<u>18,536</u>
Net Assets:						
Invested in capital assets, net of related debt	63,617	62,428	40,597	41,762	104,214	104,190
Restricted	7,284	5,610	-	-	7,284	5,610
Unrestricted	<u>15,774</u>	<u>10,833</u>	<u>112</u>	<u>(187)</u>	<u>15,887</u>	<u>16,646</u>
Total net assets	\$ <u>86,675</u>	<u>84,871</u>	<u>40,710</u>	<u>41,575</u>	<u>127,385</u>	<u>126,446</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Program revenues:						
Charges for services	\$ 4,414	4,348	3,563	3,504	7,977	7,852
Operating grant and contributions	734	665	103	49	837	714
Capital grants and contributions	2,983	1,632	-	-	3,042	1,632

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

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General revenues:						
Property taxes	\$ 2,922	3,052	59	-	2,922	3,052
Sales taxes	7,059	6,614	-	-	7,059	6,614
Other	<u>1,222</u>	<u>1,272</u>	<u>189</u>	<u>235</u>	<u>1,411</u>	<u>1,507</u>
Total revenues	<u>19,334</u>	<u>17,583</u>	<u>3,914</u>	<u>3,788</u>	<u>23,248</u>	<u>21,377</u>
Expenses:						
General government	3,908	3,723	-	-	3,908	3,723
Public safety	4,452	4,168	-	-	4,452	4,168
Public works	2,613	2,677	-	-	2,613	2,677
Library	943	931	-	-	943	931
Airport	281	208	-	-	281	208
Parks and recreation	388	469	-	-	388	469
Community services	586	263	-	-	586	263
Unallocated interest	226	226	-	-	226	226
Port and harbor	-	-	4,650	4,501	4,650	4,501
Water and sewer	<u>4,263</u>	<u>4,571</u>	<u>-</u>	<u>-</u>	<u>4,263</u>	<u>4,571</u>
Total expenses	<u>17,660</u>	<u>17,236</u>	<u>4,650</u>	<u>4,501</u>	<u>22,310</u>	<u>21,737</u>
Increase (decrease) in net assets before transfers	1,674	347	(736)	(713)	938	(366)
Transfers	<u>131</u>	<u>(25)</u>	<u>(131)</u>	<u>25</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,805	322	(867)	(688)	938	(366)
Beginning net assets	84,871	57,449	41,575	69,363	126,446	126,812
Reclassification of Water/Sewer To Special Revenue	<u>-</u>	<u>27,100</u>	<u>-</u>	<u>(27,100)</u>	<u>-</u>	<u>-</u>
Ending net assets	\$ <u>86,676</u>	<u>84,871</u>	<u>40,709</u>	<u>69,363</u>	<u>127,384</u>	<u>126,446</u>

As reflected in Table A-2, the City's net assets increased by \$938. Revenues exceeded expenses in the governmental activities by \$1,804, and in the business-type activities expenses exceeded revenues by \$867. Key elements of the increases and decreases follow:

- Revenues increased substantially, by approximately \$1,871 in 2011 from 2010.
 - Sales Taxes reflect an increase from 2011. For 2011 the General Fund includes Sales tax received from the Utility Fund where in prior years it was segregated. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2010 to 2011 are as follows:

Fund Type	2011	2010	Increase in 2011
General	4,681	4,411	270
HART – Roads	1,061	990	71
HART – Trails	135	112	23
Utility(Water/Sewer-HAWSP)	1,179	1,102	77
Total	\$7,056	\$6,615	\$441

- Property taxes decreased by \$130, due to a decline in property values.
- Expenditures in the governmental activities increased by \$424 for 2011.

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, 2011, the City's governmental funds reported combined ending fund balances of \$20,237, an increase of \$1,092 compared to balances a year earlier. Of the ending balance, \$6,215, or 31% is unassigned and is available to the City for future spending. Most of the remaining fund balance is restricted for Roads (\$5,796), Permanent Fund, (\$1,487), or assigned for future capital projects (\$2,817); and nonspendable in the form of inventory and prepaid items (\$579). The increase of total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$10,211 compared to revenues and transfers in of \$11,365. The \$1,154 change in the General Fund balance was actually more than the final budgeted net change in fund balance of \$(53,372). This was primarily due to the receipt of loans and grants and PERS relief.
- The City Facilities 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 2011, \$1,061 was received from sales taxes and \$35 was received from interest earned on this revenue. Council designated 10% of sales tax revenue earmarked for HART is designated specifically for trails. In 2011, \$135 was put aside for trails.
- In the Non-major funds category, the City maintains five 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. Included in this category are:
 - 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 2011 \$11 was transferred into this fund, \$249 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 2011, \$5 was transferred in and \$26 was expended.

General Fund Budgetary Highlights

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

- Original expenditures budget was amended to recognize PERS relief for all general fund departments with employees.

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, 2011, totals \$119,680 (net of accumulated depreciation). This amount represents a \$3,540 increase over the previous year.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 10,569	10,499	15,254	15,254	25,823	25,753
Buildings	48,837	46,885	13,035	13,035	61,872	59,920
Improvements other than Buildings	37,712	37,471	37,366	37,207	75,078	74,678
Machinery and equipment	13,801	13,396	3,097	2,931	16,898	16,327
Infrastructure	29,373	29,373	-	-	29,373	29,373
Construction in progress	4,910	2,031	-	-	4,910	2,031
Accumulated depreciation	<u>(64,955)</u>	<u>(61,737)</u>	<u>(28,154)</u>	<u>(26,665)</u>	<u>(93,109)</u>	<u>(88,402)</u>
Total capital assets	\$ <u>80,247</u>	<u>77,918</u>	<u>40,598</u>	<u>41,762</u>	<u>120,845</u>	<u>119,680</u>

Major capital asset events during the 2011 year included:

- General Fund:
 - Construction and renovation of City Hall
 - Firehall Parking Lot drainage
 - Live Fire Trailer
 - Respirator
 - Fire computer software upgrade
 - Police Dispatcher software upgrade
 - PW – Road Snowblower
 - Jack Gist Park
 - West Homer Elementary Trail

Construction in progress associated with the General Fund activities include Soundview Trail and Karen Hornaday improvements.

- Utility (Water/Sewer) Special Revenue:
 - Biosolid Treatment Feasibility Study
 - Allmand Bros Light Tower
 - Dynapac Diesel Plate Compactor
 - Polymer Feed Equipment Replacement

Construction in progress associated with the Utility Special Revenue Fund activities include Kachemak Drive Phase 2, Soundview Avenue/Woodland Sanitary Sewer, and Pressure Replacement Valves.

- Port & Harbor:
 - Fork Lift
 - Seacom Software
 - Ford Escape Low energy emission
 - Tug safety upgrades
 - Port Security

Additional information on the City’s capital assets can be found in note 5 on pages 38-40 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue bonds	\$ -	-	-	-	-	-
Notes payable	1,410	1,454	-	-	1,410	1,454
Notes payable – Utility	15,220	14,036	-	11,490	15,220	14,036
Capital leases	-	-	-	34	-	-
Total	<u>16,630</u>	<u>15,490</u>	-	<u>14,524</u>	<u>16,630</u>	<u>15,490</u>
Compensated absences	666	676	140	332	806	828
Loss on refinancing	-	-	-	-	-	-
Total long-term debt	<u>\$ 17,296</u>	<u>16,166</u>	<u>140</u>	<u>14,856</u>	<u>17,436</u>	<u>16,318</u>

Long-term debt - At the end of the 2011 year, the City of Homer had total debt outstanding of \$16,630 as detailed in Table A-4. This excludes \$806 related to compensated absences.

The notes payables listed under Notes Payable Utility 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

The number of vacant and unfunded positions continues to be a problem and the uncertainty about the economy and the loss of revenue associated with the sales tax exemption for unprepared foods casts doubt over future revenues.

Overall, the General Fund is in much better shape than it has been the past couple of years. Fortunately, the Council did not have to discuss layoffs, eliminating entire programs, or reducing the level of services like it has the past several years. For the first time since 1999, the City is able to include transfers to the depreciation and fleet reserves in the budget.

The Water and Sewer Utility Fund remains vulnerable because of the basic structural flaws discussed in the past. The City owns a production and distribution system infrastructure that is very expensive to operate and maintain and has relatively few customers to pay for it. The City has a reliable source of funds to build things and expand the infrastructure (dedicated sales tax) but inadequate funds to maintain it all (user fees). There is intense political pressure to keep fees down even though doing so may not be in the long term best interest of the Fund. The Fund debt load is significant and will limit opportunities to finance new projects or expansion of the distribution and collection system for the next few years. This is a problem because one of the solutions to the revenue problem is to increase the number of customers.

The Port and Harbor Enterprise Fund is solvent but at present it is essentially treading water. This budget covers day to day operating expenses and that is about it. The City has deferred maintenance, repair, replacement, and investment in this vital infrastructure for too long. There is room to generate more revenue that can be reinvested in the port and harbor however, deciding how to increase revenues and where to spend the additional money can be difficult. Political pressure to keep fees down has often trumped good management. As a result, fees have not kept up with inflation and they do not generate enough revenue to address basic depreciation. Because the City has not raised fees as it should and has not kept up with maintenance, repair, and replacement, the decisions get harder and the necessary fee increases more drastic.

Requests for Information

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

Finance Department

City of Homer

491 E. Pioneer Ave. Homer, Alaska 99603

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

BASIC FINANCIAL STATEMENTS

CITY OF HOMER, ALASKA

Statement of Net Assets

December 31, 2011

<u>Assets</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and investments	\$ 13,129,275	1,062,017	14,191,292
Receivables, net of allowance for doubtful accounts:			
Accounts	312,710	327,719	640,429
Sales and property taxes	1,249,578	-	1,249,578
State and federal grants and loans	4,531,223	-	4,531,223
Assessments	3,043,478	-	3,043,478
Other	195,017	-	195,017
Internal balances	(20,248)	20,248	-
Inventory	295,506	15,590	311,096
Prepaid items	254,183	33,970	288,153
Restricted cash and investments	1,487,277	-	1,487,277
Capital assets not being depreciated - land and construction in progress	15,478,798	15,254,041	30,732,839
Other capital assets, net of accumulated depreciation	<u>64,767,845</u>	<u>25,343,325</u>	<u>90,111,170</u>
Total assets	<u>\$ 104,724,642</u>	<u>42,056,910</u>	<u>146,781,552</u>
<u>Liabilities</u>			
Accounts payable	396,777	144,312	541,089
Accrued payroll and related liabilities	282,852	50,834	333,686
Accrued leave	118,008	18,210	136,218
Prepaid rentals and deposits	54,530	706,547	761,077
Unearned revenue	19,765	18,000	37,765
Current portion long-term notes payable	683,474	-	683,474
Noncurrent liabilities, net of current portion:			
Long-term notes payable	15,946,494	-	15,946,494
Accrued leave	547,566	121,359	668,925
Unearned revenue	-	288,000	288,000
Total liabilities	<u>18,049,466</u>	<u>1,347,262</u>	<u>19,396,728</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	63,616,675	40,597,366	104,214,041
Restricted:			
Roads and trails	5,796,932	-	5,796,932
Permanent fund	1,487,277	-	1,487,277
Unrestricted	<u>15,774,292</u>	<u>112,282</u>	<u>15,886,574</u>
Total net assets	<u>86,675,176</u>	<u>40,709,648</u>	<u>127,384,824</u>
Total liabilities and net assets	<u>\$ 104,724,642</u>	<u>42,056,910</u>	<u>146,781,552</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Statement of Activities
Year Ended December 31, 2011

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	\$ 3,907,607	511,997	-	1,666,552	(1,729,058)	-	(1,729,058)
Public safety	4,451,784	258,804	674,568	212,360	(3,306,052)	-	(3,306,052)
Public works	2,612,530	9,427	34,300	300,000	(2,268,803)	-	(2,268,803)
Library	943,075	-	25,142	-	(917,933)	-	(917,933)
Airport	281,351	168,569	-	-	(112,782)	-	(112,782)
Parks and recreation	387,924	145,587	-	-	(242,337)	-	(242,337)
Community services	586,195	31,767	35	-	(554,393)	-	(554,393)
Water	2,607,880	1,765,551	-	803,598	(38,731)	-	(38,731)
Sewer	1,655,405	1,521,740	-	-	(133,665)	-	(133,665)
Unallocated interest	225,572	-	-	-	(225,572)	-	(225,572)
Total governmental activities	17,659,323	4,413,442	734,045	2,982,510	(9,529,326)	-	(9,529,326)
Business-type - Port and harbor	4,649,705	3,563,431	103,169	59,176	-	(923,929)	(923,929)
Total	\$ 22,309,028	7,976,873	837,214	3,041,686	(9,529,326)	(923,929)	(10,453,255)
General revenues:							
Property taxes				\$ 2,922,246	-		2,922,246
Sales taxes				7,059,404	-		7,059,404
Grants and entitlements not restricted to a specific purpose				547,715	68,200		615,915
Investment income				111,196	12,592		123,788
Legal settlement				4,666	-		4,666
Other				557,061	108,577		665,638
Transfers				131,335	(131,335)		-
Total general revenues and transfers				11,333,623	58,034		11,391,657
Change in net assets				1,804,297	(865,895)		938,402
Beginning net assets				84,870,879	41,575,543		126,446,422
Ending net assets				\$ 86,675,176	40,709,648		127,384,824

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Governmental Funds
 Balance Sheet
 December 31, 2011

<u>Assets</u>	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Utility Special Revenue</u>	<u>City Facilities Capital Project</u>	<u>HART Roads Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 4,556,592	-	385,493	5,287,991	2,391,098	12,621,174
Receivables, net of allowance:						
Accounts	-	312,710	-	-	-	312,710
Property taxes	102,138	-	-	-	-	102,138
Sales taxes	753,646	188,414	-	169,569	35,811	1,147,440
Assessments	420,372	2,623,106	-	-	-	3,043,478
State and federal grants and loans	-	3,996,977	532,686	-	1,560	4,531,223
Interfund loan	-	-	-	-	29,294	29,294
Other	193,751	-	-	-	1,266	195,017
Due from other funds	1,400,875	-	-	-	-	1,400,875
Inventory	25,316	270,190	-	-	-	295,506
Prepaid items	219,001	35,182	-	-	-	254,183
Restricted cash and investments	-	-	-	-	1,487,277	1,487,277
Total assets	\$ <u>7,671,691</u>	<u>7,426,579</u>	<u>918,179</u>	<u>5,457,560</u>	<u>3,946,306</u>	<u>25,420,315</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	158,864	102,144	40,422	150	1,385	302,965
Accrued payroll and related liabilities	231,615	51,237	-	-	-	282,852
Customer deposits	17,632	36,898	-	-	-	54,530
Deferred revenue	115,445	-	-	-	19,765	135,210
Deferred assessments	420,289	2,623,106	-	-	-	3,043,395
Due to other funds	-	1,267,729	-	-	96,568	1,364,297
Total liabilities	<u>943,845</u>	<u>4,081,114</u>	<u>40,422</u>	<u>150</u>	<u>117,718</u>	<u>5,183,249</u>
Fund balances:						
Nonspendable:						
Inventory	25,316	270,190	-	-	-	295,506
Prepaid items	219,001	35,182	-	-	-	254,183
Interfund loan	-	-	-	-	29,294	29,294
Restricted:						
Roads and trails	-	-	-	5,457,410	339,522	5,796,932
Permanent fund	-	-	-	-	1,487,277	1,487,277
Assigned:						
Library	-	-	-	-	31,844	31,844
Fire	-	-	-	-	68,981	68,981
Retainage reimbursements	-	-	-	-	66	66
Community schools	-	-	-	-	1,092	1,092
Sustainability	-	-	-	-	14,777	14,777
Water and sewer	-	3,040,093	-	-	-	3,040,093
PERS benefits	171,314	-	-	-	14,571	185,885
Capital and land	-	-	877,757	-	1,938,817	2,816,574
Unassigned (deficit)	6,312,215	-	-	-	(97,653)	6,214,562
Total fund balances	<u>6,727,846</u>	<u>3,345,465</u>	<u>877,757</u>	<u>5,457,410</u>	<u>3,828,588</u>	<u>20,237,066</u>
Total liabilities and fund balances	\$ <u>7,671,691</u>	<u>7,426,579</u>	<u>918,179</u>	<u>5,457,560</u>	<u>3,946,306</u>	<u>25,420,315</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 December 31, 2011

Total fund balances for governmental funds \$ 20,237,066

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds.

These assets, net of accumulated depreciation consist of:

Land and land improvements	\$ 10,568,770	
Construction in progress	4,910,028	
Buildings	48,836,551	
Improvements other than buildings	37,711,931	
Machinery and equipment	13,801,258	
Infrastructure	29,372,807	
Accumulated depreciation	<u>(64,954,702)</u>	
Total capital assets		80,246,643

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

Delinquent property taxes receivable	115,445	
Special assessments not yet due	<u>3,043,395</u>	
Total other long-term assets		3,158,840

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.

328,169

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:

Notes payable	(16,629,968)	
Accrued leave	<u>(665,574)</u>	
Total long term liabilities		<u>(17,295,542)</u>

Total net assets of governmental activities \$ 86,675,176

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, 2011

	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	City Facilities Capital Project	HART Roads Capital Project	Nonmajor Funds	
Revenues:						
Property taxes	\$ 2,916,176	-	-	-	-	2,916,176
Sales taxes	4,684,222	1,179,108	-	1,061,183	134,891	7,059,404
Licenses and permits	25,040	-	-	-	-	25,040
Intergovernmental	1,668,581	912,247	2,178,912	-	20,099	4,779,839
Charges for services	1,943,906	3,258,715	-	-	-	5,202,621
Special assessments	29,775	278,722	-	-	-	308,497
Investment income	33,499	4,666	956	34,990	41,751	115,862
Fines and forfeitures	17,460	-	-	-	-	17,460
Donations	-	-	-	-	6,516	6,516
Other	6,104	12,371	-	60	22,545	41,080
Total revenues	<u>11,324,763</u>	<u>5,645,829</u>	<u>2,179,868</u>	<u>1,096,233</u>	<u>225,802</u>	<u>20,472,495</u>
Expenditures:						
Current:						
General government	2,789,160	-	688,969	142,076	19,629	3,639,834
Public safety	3,967,132	-	-	-	22,339	3,989,471
Public works	1,853,376	-	-	-	52,360	1,905,736
Library	705,152	-	-	-	-	705,152
Airport	216,035	-	-	-	-	216,035
Parks and recreation	299,631	-	-	-	-	299,631
Community services	210,285	-	304,660	-	71,250	586,195
Water	-	1,894,144	-	-	-	1,894,144
Sewer	-	1,650,640	-	-	-	1,650,640
Debt service:						
Principal	39,993	977,814	-	-	-	1,017,807
Interest	59,831	169,432	-	-	-	229,263
Capital outlay	-	3,255,129	1,876,122	169,888	239,030	5,540,169
Total expenditures	<u>10,140,595</u>	<u>7,947,159</u>	<u>2,869,751</u>	<u>311,964</u>	<u>404,608</u>	<u>21,674,077</u>
Excess of revenues over (under) expenditures	1,184,168	(2,301,330)	(689,883)	784,269	(178,806)	(1,201,582)
Other financing sources (uses):						
Issuance of long-term debt	-	2,162,442	-	-	-	2,162,442
Transfers in	40,000	-	1,122,002	-	278,004	1,440,006
Transfers out	(70,136)	(172,932)	-	-	(1,065,603)	(1,308,671)
Net other financing sources (uses)	<u>(30,136)</u>	<u>1,989,510</u>	<u>1,122,002</u>	<u>-</u>	<u>(787,599)</u>	<u>2,293,777</u>
Net change in fund balances	1,154,032	(311,820)	432,119	784,269	(966,405)	1,092,195
Beginning fund balances	<u>5,573,814</u>	<u>3,657,285</u>	<u>445,638</u>	<u>4,673,141</u>	<u>4,794,993</u>	<u>19,144,871</u>
Ending fund balances	\$ <u>6,727,846</u>	<u>3,345,465</u>	<u>877,757</u>	<u>5,457,410</u>	<u>3,828,588</u>	<u>20,237,066</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, 2011

Net change in fund balances - total governmental funds	\$ 1,092,195
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$5,547,091) exceeded depreciation (\$3,217,281).	2,329,810
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.	(250,180)
Issuance of long-term debt (\$2,162,442) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$1,021,498) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net assets.	(1,140,944)
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. This is the amount of decrease in accrued leave.	10,922
Internal service funds are used by management to charge the cost of health insurance and accrued leave cash-outs to individual funds. A portion of the net loss of these activities is reported with governmental activities.	<u>(237,506)</u>
Change in net assets of governmental activities	\$ <u><u>1,804,297</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, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,138,901	7,090,319	7,606,502	516,183
Licenses and permits	24,900	24,900	25,040	140
Intergovernmental	915,466	1,194,648	1,668,581	473,933
Charges for services	1,992,408	1,991,062	1,943,906	(47,156)
Special assessments	-	-	29,775	29,775
Investment income	30,000	30,000	33,499	3,499
Fines and forfeitures	17,400	17,400	17,460	60
Total revenues	<u>10,119,075</u>	<u>10,348,329</u>	<u>11,324,763</u>	<u>976,434</u>
Expenditures:				
General government	2,757,362	2,837,508	2,789,160	48,348
Public safety	4,000,002	4,079,152	3,967,132	112,020
Public works	1,734,673	1,781,670	1,853,376	(71,706)
Library	715,581	735,582	705,152	30,430
Airport	213,401	215,400	216,035	(635)
Parks and recreation	378,462	378,462	299,631	78,831
Community services	85,500	211,349	210,285	1,064
Debt service:				
Principal	39,835	39,835	39,993	(158)
Interest	59,989	59,989	59,831	158
Total expenditures	<u>9,984,805</u>	<u>10,338,947</u>	<u>10,140,595</u>	<u>198,352</u>
Excess of revenues over expenditures	134,270	9,382	1,184,168	1,174,786
Other financing sources (uses):				
Transfers in	-	-	40,000	40,000
Transfers out	(175,301)	(62,754)	(70,136)	(7,382)
Net other financing sources (uses)	<u>(175,301)</u>	<u>(62,754)</u>	<u>(30,136)</u>	<u>32,618</u>
Net change in fund balance	\$ <u>(41,031)</u>	<u>(53,372)</u>	1,154,032	<u>1,207,404</u>
Beginning fund balance			<u>5,573,814</u>	
Ending fund balance			\$ <u>6,727,846</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Utility Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2011

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Sales taxes	\$ 1,044,963	1,044,963	1,179,108	134,145
Intergovernmental	-	50,000	912,247	862,247
Charges for services	3,419,043	3,419,042	3,258,715	(160,327)
Special assessments	45,000	45,000	278,722	233,722
Investment income	25,000	25,000	4,666	(20,334)
Other	6,000	6,000	12,371	6,371
Total revenues	<u>4,540,006</u>	<u>4,590,005</u>	<u>5,645,829</u>	<u>1,055,824</u>
Expenditures:				
Water	1,642,253	1,667,255	1,894,144	(226,889)
Sewer	1,602,385	1,627,384	1,650,640	(23,256)
Debt service:				
Principal	1,016,531	1,016,531	977,814	38,717
Interest	165,163	165,163	169,432	(4,269)
Total debt service	<u>1,181,694</u>	<u>1,181,694</u>	<u>1,147,246</u>	<u>34,448</u>
Capital outlay	-	42,033	3,255,129	(3,213,096)
Total expenditures	<u>4,426,332</u>	<u>4,518,366</u>	<u>7,947,159</u>	<u>(3,428,793)</u>
Excess of revenues over (under) expenditures	113,674	71,639	(2,301,330)	(2,372,969)
Other financing sources (uses):				
Issuance of long-term debt	-	-	2,162,442	2,162,442
Transfers out	(121,623)	(121,623)	(172,932)	(51,309)
Net other financing sources (uses)	<u>(121,623)</u>	<u>(121,623)</u>	<u>1,989,510</u>	<u>2,111,133</u>
Net change in fund balance	\$ <u>(7,949)</u>	<u>(49,984)</u>	(311,820)	<u>(261,836)</u>
Beginning fund balance			<u>3,657,285</u>	
Ending fund balance			\$ <u>3,345,465</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Proprietary Funds
Statement of Net Assets
December 31, 2011

<u>Assets</u>	<u>Major Enterprise Fund Port of Homer</u>	<u>Internal Service Funds</u>
Current assets:		
Cash and investments	\$ 1,062,017	508,101
Accounts receivable, net of allowance for doubtful accounts	327,719	-
Inventory	15,590	-
Prepaid items	33,970	-
Total current assets	<u>1,439,296</u>	<u>508,101</u>
Noncurrent assets - capital assets, net of accumulated depreciation	<u>40,597,366</u>	<u>-</u>
Total assets	<u>\$ 42,036,662</u>	<u>508,101</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	144,312	93,812
Accrued payroll and related liabilities	50,834	-
Accrued leave	18,210	-
Prepaid rentals and deposits	706,547	-
Due to other funds	-	36,578
Unearned lease revenue	18,000	-
Interfund loan	3,291	-
Total current liabilities	<u>941,194</u>	<u>130,390</u>
Noncurrent liabilities, net of current portion:		
Unearned lease revenue	288,000	-
Accrued leave	121,359	-
Interfund loan	26,003	-
Total noncurrent liabilities	<u>435,362</u>	<u>-</u>
Total liabilities	<u>1,376,556</u>	<u>130,390</u>
Net assets:		
Invested in capital assets	40,597,366	-
Unrestricted	62,740	377,711
Total net assets	<u>40,660,106</u>	<u>377,711</u>
Total liabilities and net assets	42,036,662	<u>508,101</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>49,542</u>	
Net assets of business-type activities	<u>\$ 40,709,648</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, 2011

	<u>Major Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>Port of Homer</u>	
Operating revenues - charges for services:		
Port and harbor	\$ 3,563,431	-
Interfund charges	-	1,738,908
Total operating revenues	<u>3,563,431</u>	<u>1,738,908</u>
Operating expenses:		
Operations	2,028,960	203,314
Administration	1,077,971	61,502
Depreciation	1,488,909	-
Claims	-	1,285,767
Insurance premiums	-	479,696
Total operating expenses	<u>4,595,840</u>	<u>2,030,279</u>
Operating loss	(1,032,409)	(291,371)
Nonoperating revenues (expenses):		
Investment income	12,592	-
State PERS relief	103,169	-
Other income	95,240	
Cruise ship tax	68,200	-
Harbormaster conference revenue	34,565	
Harbormaster conference expense	(21,228)	-
Net nonoperating revenues (expenses)	<u>292,538</u>	<u>-</u>
Loss before capital contributions and transfers	(739,871)	(291,371)
Capital contributions	59,176	-
Transfers out	<u>(131,335)</u>	<u>-</u>
Change in net assets	(812,030)	(291,371)
Beginning net assets	<u>41,472,136</u>	<u>669,082</u>
Ending net assets	40,660,106	<u>377,711</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(53,865)</u>	
Change in net assets of business-type activities	\$ <u>(865,895)</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2011

	<u>Major Enterprise Fund Port of Homer</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,596,156	-
Receipts from interfund services provided	-	1,738,908
Payments to suppliers	(1,195,122)	-
Payments to employees	(1,730,830)	(203,314)
Payments for insurance claims and administration	<u>-</u>	<u>(1,811,965)</u>
Net cash flows from operating activities	<u>670,204</u>	<u>(276,371)</u>
Cash flows from noncapital financing activities:		
Increase in due to other funds	-	18,314
Transfers out	<u>(131,335)</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(131,335)</u>	<u>18,314</u>
Cash flows from capital and related financing activities:		
Capital contributions received	59,176	-
Acquisition of property, plant and equipment	(324,039)	-
Increase in interfund loan	<u>29,294</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(235,569)</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>12,592</u>	<u>-</u>
Net increase (decrease) in cash and investments	315,892	(258,057)
Beginning cash and investments	<u>746,125</u>	<u>766,158</u>
Ending cash and investments	\$ <u><u>1,062,017</u></u>	<u><u>508,101</u></u>

See accompanying notes to basic financial statements.

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

	Major Enterprise Fund <hr style="width: 100%; border: 0.5px solid black;"/> Port of <u>Homer</u>	Internal Service <hr style="width: 100%; border: 0.5px solid black;"/> Funds
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,032,409)	(291,371)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,488,909	-
Noncash expense - PERS relief	103,169	-
Decrease in allowance for doubtful accounts	(7,134)	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues	176,777	-
(Increase) decrease in assets:		
Accounts receivable	(159,221)	-
Inventory	(4,063)	-
Prepaid items	1,471	-
Increase (decrease) in liabilities:		
Accounts payable	93,648	15,000
Accrued payroll and related liabilities	(378)	-
Accrued leave	(12,868)	-
Prepaid rentals and deposits	40,303	-
Net cash flows from operating activities	\$ 670,204	(276,371)

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements

December 31, 2011

(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 *Utility Special Revenue Fund* accounts for the activities of the water and sewer facility operations including collection and treatment of sewage, and distribution and transmission of water.

The *City Facilities Capital Project Fund* accounts for building and facilities capital improvements.

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

Major proprietary fund:

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

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 and accrued leave cash-outs. These funds report revenues charged to the other funds based on estimated amounts to cover actual costs of benefits.

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

Encumbrance accounting is employed during the year under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as appropriate constraints of fund balance if they meet the definitions and criteria described later in these footnotes.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Cash and Investments

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

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

Investments are recorded at fair value.

Receivables and Payables

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

Property Taxes

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

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

Unbilled Service Revenues

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

Inventory

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Inventory, continued

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 nonspendable fund balance.

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 nonspendable fund balance.

Capital Assets

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

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

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

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

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

Accrued Leave

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Long-Term Debt

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

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

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and City manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Comparative Data

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

(2) 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 in the case of "negative cash," is 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, 2011.

Bank deposits	\$ (63,595)
Investments	<u>15,742,164</u>
	\$ <u>15,678,569</u>
Cash and investments	\$ 14,191,292
Restricted cash and investments	<u>1,487,277</u>
	\$ <u>15,678,569</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;

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

General Investments, continued

Investment Policy, continued

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; graded AA or higher;
8. Commercial paper; graded A1 or higher;
9. Bankers' acceptances; rated at least AA; 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. Aside from the investment policy stated above, the City has no specific policy with respect to interest rate risk.

Investment maturities at December 31, 2011 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U.S. government agencies:				
FNMA	\$ 626,881	601,005	25,876	-
Federal Home Mtg. Corp.	828,075	-	828,075	-
Federal Financing Corp.	533,144	-	533,144	-
US Treasury	<u>50,258</u>	<u>25,044</u>	<u>25,214</u>	<u>-</u>
Total U.S. government agencies	2,038,358	626,049	1,412,309	-
Corporate bonds	260,316	25,348	180,504	54,464
Foreign bonds	101,413	-	101,413	-
Repurchase agreement	<u>458,736</u>	<u>458,736</u>	<u>-</u>	<u>-</u>
Total subject to interest rate risk	<u>2,858,823</u>	<u>1,110,133</u>	<u>1,694,226</u>	<u>54,464</u>
Money market	1,684,374			
Certificates of deposit	4,813,403			
Pooled investments	<u>6,385,564</u>			
Total investments	\$ <u>15,742,164</u>			

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

General Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy specifies the types of investments which can be purchased, in order to limit credit risk, as described above. 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, 2011, the share value of investments in the AML pool is approximately equal to fair value.

(3) **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, 2011, 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>Utility Special Revenue</u>	<u>City Facilities Capital Project</u>	<u>HART Roads Capital Project</u>	<u>Port of Homer Enterprise</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Receivables:							
Accounts	\$ -	366,488	-	-	385,628	-	752,116
Sales taxes	753,646	188,414	-	169,569	-	35,811	1,147,440
Property taxes	118,866	-	-	-	-	-	118,866
State and federal grants and loans	-	3,996,977	532,686	-	-	1,560	4,531,223
Special assessments	420,372	2,623,106	-	-	-	-	3,043,478
Other	<u>247,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,266</u>	<u>249,148</u>
Total receivables	1,540,766	7,174,985	532,686	169,569	385,628	38,637	9,842,271
Less allowance for uncollectibles	<u>(70,859)</u>	<u>(53,778)</u>	<u>-</u>	<u>-</u>	<u>(57,909)</u>	<u>-</u>	<u>(182,546)</u>
Net receivables	\$ <u>1,469,907</u>	<u>7,121,207</u>	<u>532,686</u>	<u>169,569</u>	<u>327,719</u>	<u>38,637</u>	<u>9,659,725</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Valuation Allowances, continued

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, 2011, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable - General Fund	\$ 115,445
Special assessments not yet due:	
General Fund	420,289
Utility Special Revenue Fund	2,623,106
Grant drawdowns prior to meeting all eligibility requirements	1,260
Other deferred revenue	<u>18,505</u>
Total deferred/unearned revenue for governmental funds	\$ <u>3,178,605</u>

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

A schedule of interfund balances and transfers for the year ended December 31, 2011 follows. Interfund transfers are routinely recorded throughout the year and are typically to fund capital depreciation reserves and other operating subsidies.

Due from other funds:

Due to the General Fund from:	
Utility Special Revenue Fund for short-term capital advances	\$ 1,267,729
Nonmajor governmental and Internal Service Fund for short-term advances	<u>133,146</u>
Total due from other funds	\$ <u>1,400,875</u>

Transfers:

From General Fund to:	
City Facilities Capital Project Fund	\$ 52,754
Nonmajor governmental funds	17,382
From the Utility Special Revenue Fund to City Facilities Capital Project Fund	172,932
From the Port of Homer Enterprise Fund to City Facilities Capital Project Fund	131,335
From nonmajor governmental funds to:	
General Fund	40,000
City Facilities Capital Project Fund	764,981
Nonmajor governmental funds	<u>260,622</u>
Total transfers to other funds	\$ <u>1,440,006</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

Interfund loan

In 2011 the City underwent an extensive energy audit with the goal of identifying areas for energy savings and efficiencies. Numerous minor upgrades or repairs were conducted in this effort. Most of these costs were funded by fund balances set aside in the prior year along with grant funds. The City approved and recorded an interfund loan from the Energy Revolving Loan Capital Project Fund to the Port of Homer Enterprise Fund in the amount of \$29,294 to fund a portion of the Port related upgrades. The Port will repay the loan in \$3,291 annual installments over nine years. The City will seek additional funding or transfers to alleviate the resulting deficit in the Energy Revolving Loan Capital Project Fund.

(5) **Capital Assets**

Capital asset activity for the year ended December 31, 2011 follows:

	Balance January 1, <u>2011</u>	Additions and <u>Reclass- ifications</u>	Deletions and <u>Reclass- ifications</u>	Balance December 31, <u>2011</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 10,498,770	70,000	-	10,568,770
Construction in progress	<u>2,031,239</u>	<u>4,823,162</u>	<u>1,944,373</u>	<u>4,910,028</u>
Total assets not being depreciated	<u>12,530,009</u>	<u>4,893,162</u>	<u>1,944,373</u>	<u>15,478,798</u>
Capital assets being depreciated:				
Buildings	46,884,553	1,951,998	-	48,836,551
Improvements other than buildings	37,470,979	240,952	-	37,711,931
Machinery and equipment	13,395,906	405,352	-	13,801,258
Infrastructure	<u>29,372,807</u>	<u>-</u>	<u>-</u>	<u>29,372,807</u>
Total assets being depreciated	<u>127,124,245</u>	<u>2,598,302</u>	<u>-</u>	<u>129,722,547</u>
Less accumulated depreciation for:				
Buildings	25,901,453	754,187	-	26,655,640
Improvements other than buildings	16,232,938	1,031,396	-	17,264,334
Machinery and equipment	6,539,017	788,618	-	7,327,635
Infrastructure	<u>13,064,013</u>	<u>643,080</u>	<u>-</u>	<u>13,707,093</u>
Total accumulated depreciation	<u>61,737,421</u>	<u>3,217,281</u>	<u>-</u>	<u>64,954,702</u>
Total assets being depreciated, net	<u>65,386,824</u>	<u>(618,979)</u>	<u>-</u>	<u>64,767,845</u>
Governmental activity capital assets, net	\$ <u>77,916,833</u>	<u>4,274,183</u>	<u>(1,944,373)</u>	<u>80,246,643</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance January 1, <u>2011</u>	Additions and <u>Reclass- ifications</u>	Deletions and <u>Reclass- ifications</u>	Balance December 31, <u>2011</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ <u>15,254,041</u>	-	-	<u>15,254,041</u>
Capital assets being depreciated:				
Buildings	13,034,836	-	-	13,034,836
Improvements other than buildings	37,206,871	159,267	-	37,366,138
Machinery and equipment	<u>2,931,783</u>	<u>164,772</u>	-	<u>3,096,555</u>
Total assets being depreciated	<u>53,173,490</u>	<u>324,039</u>	-	<u>53,497,529</u>
Less accumulated depreciation for:				
Buildings	7,580,650	293,349	-	7,873,999
Improvements other than buildings	16,461,897	1,120,247	-	17,582,144
Machinery and equipment	<u>2,622,748</u>	<u>75,313</u>	-	<u>2,698,061</u>
Total accumulated depreciation	<u>26,665,295</u>	<u>1,488,909</u>	-	<u>28,154,204</u>
Total capital assets being depreciated, net	<u>26,508,195</u>	<u>(1,164,870)</u>	-	<u>25,343,325</u>
Business-type activity capital assets, net	\$ <u>41,762,236</u>	<u>(1,164,870)</u>	-	<u>40,597,366</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 187,426
Public safety	379,680
Public works	830,660
Library	233,129
Airport	67,118
Parks and recreation	95,203
Water utility	1,016,181
Sewer utility	<u>407,884</u>
Total depreciation expense – governmental activities	\$ <u>3,217,281</u>

Business-type activities

Port and harbor	\$ <u>1,488,909</u>
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CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

The Port of Homer Enterprise Fund received a building from the State of Alaska in 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>(324,000)</u>
	\$ <u>306,000</u>
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	<u>288,000</u>
Total unearned lease revenue	\$ <u>306,000</u>

(6) **Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

<u>Governmental activities</u>	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2011</u>	Due Within <u>One Year</u>
Notes payable:					
\$1,700,000 USDA library note payable, due in annual installments of \$99,824, including interest at 4.125% through September 2033	\$ 1,454,138	-	43,684	1,410,454	41,643
\$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	335,983	-	335,983	-	-
\$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	1,829,587	-	121,973	1,707,614	121,973

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

<u>Governmental activities, continued</u>	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2011</u>	Due Within <u>One Year</u>
Notes payable, continued:					
\$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	\$ 2,146,162	-	143,077	2,003,085	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	92,894	-	15,496	77,398	15,496
\$2,100,000 (maximum) 2011 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	-	1,032,830	-	1,032,830	-
\$3,250,000 (maximum) 2006 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	2,233,379	11,937	-	2,245,316	-
\$2,150,000 (maximum) 2011 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	-	988,619	-	988,619	-
\$470,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	414,455	7,957	-	422,412	-
\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$361,285, plus interest at 1.5% through December 28, 2029	6,864,347	44,562	361,285	6,547,624	361,285

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>Governmental activities, continued</u>					
Notes payable, continued:					
\$174,612 (maximum) 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 1%	\$ 101,716	72,896	-	174,612	-
\$21,500 (maximum) 2009 American Recovery and Reinvestment Act loan, terms not yet established; interest at 1%	16,363	3,641	-	20,004	-
Accrued leave	<u>676,496</u>	<u>445,748</u>	<u>456,670</u>	<u>665,574</u>	<u>118,008</u>
Total governmental activities long-term liabilities	\$ <u>16,165,520</u>	<u>2,608,190</u>	<u>1,478,168</u>	<u>17,295,542</u>	<u>801,482</u>
<u>Business-type activities</u>					
Accrued leave	\$ <u>152,437</u>	<u>88,611</u>	<u>101,479</u>	<u>139,569</u>	<u>18,210</u>

Annual debt service requirements to maturity for the notes except for the Clean Water loans, Drinking Water loans, 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>
2012	\$ 683,474	212,550	896,024
2013	685,193	201,206	886,399
2014	686,979	189,789	876,768
2015	688,844	178,299	867,143
2016	690,701	166,733	857,434
2017-2021	3,408,435	659,572	4,068,007
2022-2026	3,205,370	362,704	3,568,074
2027-2031	1,542,972	117,013	1,659,985
2032-2033	<u>154,207</u>	<u>8,867</u>	<u>163,074</u>
	11,746,175	<u>2,096,733</u>	<u>13,842,908</u>
Payment terms not yet established	<u>4,883,793</u>		
	\$ <u>16,629,968</u>		

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(7) **Fund Balances**

The City has implemented the provisions of GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended December 31, 2011. Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	<u>General</u>	<u>Utility Special Revenue</u>	<u>City Facilities Capital Project</u>	<u>HART Roads Capital Project</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:						
Inventory	\$ 25,316	270,190	-	-	-	295,506
Prepaid items	219,001	35,182	-	-	-	254,183
Interfund loan	-	-	-	-	29,294	29,294
Restricted:						
Roads and trails	-	-	-	5,457,410	339,522	5,796,932
Permanent fund	-	-	-	-	1,487,277	1,487,277
Assigned:						
Library	-	-	-	-	31,844	31,844
Fire	-	-	-	-	68,981	68,981
Retainage reimbursements	-	-	-	-	66	66
Community schools	-	-	-	-	1,092	1,092
Global warming	-	-	-	-	14,777	14,777
Water and sewer	-	3,040,093	-	-	-	3,040,093
PERS benefits	171,314	-	-	-	14,571	185,885
Capital and land	-	-	877,757	-	1,938,817	2,816,574
Unassigned (deficit)	<u>6,312,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,653)</u>	<u>6,214,562</u>
Total fund balances	<u>\$ 6,727,846</u>	<u>3,345,465</u>	<u>877,757</u>	<u>5,457,410</u>	<u>3,828,588</u>	<u>20,237,066</u>

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

The City provides health insurance on a self-insured basis up to \$55,000 each occurrence or \$1,629,669 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, 2011 and 2010 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2010 health insurance	\$ <u>112,898</u>	<u>1,090,563</u>	<u>1,124,649</u>	<u>78,812</u>
2011 health insurance	\$ <u>78,812</u>	<u>1,285,767</u>	<u>1,270,767</u>	<u>93,812</u>

(9) **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, 2011.

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

(10) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. 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 Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) 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 no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are 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. 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 are recognized in these financial statements as an on-behalf revenue and expenditure/expense.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (3.21% for pension and 3.54% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.57% for pension and 3.93% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

The City's contribution rates for 2011 were as follows:

	<u>Employer Rate</u>	<u>Actuarial Rate</u>	<u>GASB 43/45 Rate*</u>
<u>January to June</u>			
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</u>
	<u>Employer Rate</u>	<u>Actuarial Rate</u>	<u>GASB 43/45 Rate*</u>
<u>July to December</u>			
Pension	10.48%	14.65%	13.72%
Postemployment healthcare	<u>11.52%</u>	<u>16.11%</u>	<u>49.98%</u>
Total contribution rate	<u>22.00%</u>	<u>30.76%</u>	<u>63.70%</u>

* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

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, the State of Alaska contributed approximately 8.76% of covered payroll to the Plan for the July to December period. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on behalf contribution in the amount of \$643,880 as revenue and expenditure/expense in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year Ended December 31</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contributions</u>	<u>% of TBC Contributed</u>
2011	\$ 550,105	\$ 604,927	\$ 1,155,032	\$ 1,155,032	100%
2010	503,833	658,566	1,162,399	1,162,399	100%
2009	410,225	796,361	1,206,586	1,206,586	100%

(11) **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, 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 Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62 %</u>	<u>9.48%</u>

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average 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.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

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, 2011 were \$131,598 and \$112,287, respectively.

(12) **Deferred Compensation Plan**

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

(13) **Contingencies**

In April 2012, a complaint was filed with the Federal Maritime Commission alleging unfair practices at the City port facilities and seeking damages in excess of \$675,000. The City does not believe that the complaint has merit and intends to vigorously defend against it. Because the claim is in its earliest stages no possible outcome can be estimated at this time. Therefore, no liability is reflected in these financial statements for this claim.

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

Grants

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

(14) **Designated Sales Tax**

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

Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	<u>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.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(15) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates as follows:

GASB 60 – Service Concession Arrangements – Effective for year end December 31, 2012 – This statement provides guidance on proper accounting for service concession arrangements, a type of public private partnership associated with the operation of a public facility.

GASB 61 – The Financial Reporting Entity – Effective for year end December 31, 2013 – this statement will review a review of all entities reported as component units.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – Effective for year end December 31, 2012 – This statement will result in a change to the city’s presentation of proprietary fund statements and government-wide statements from a traditional “balance sheet format” to a new Statement of Net Position format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

GASB 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – Effective for year end December 31, 2013 – This statement provides guidance on proper accounting for Hedge Terminations and clarifies when a termination has occurred.

GASB 65 – Items Previously Reported as Assets and Liabilities – Effective for year end December 31, 2013 – This statement is a companion to GASB statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, certain regulatory assets and liabilities will be reclassified to dererred inflows and outflows.

GASB 66 – Technical Corrections – 2012 – Effective for year end December 31, 2013 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loans Purchases, and Servicing Fees.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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.

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 – 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.

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 Hall Complex – 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.

Energy Revolving Loan – This fund accounts for forward funding of energy efficiency improvement projects with corpus to be reinstated through future repayments.

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

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2011

	Special Revenue Funds										Capital Project Funds					Total Nonmajor Govern- mental Funds
	Library Donations	Fire Depart- ment Donations	Retainage Reimburse- ments	Com- munity Schools	Sustain- ability	Non- capital Projects	Permanent Fund	PERS Funding	Special Revenue Funds	HART Trails	Depre- ciation Reserves	Land Reserve	Energy Revolving Loan	Fleet Reserve Allocation	Total Capital Project Funds	
Assets																
Cash and investments	\$ 31,844	68,981	17,305	1,092	14,777	-	14,571	148,570	303,711	1,374,987	39,586	-	524,244	2,242,528	2,391,098	
Receivables, net:																
Sales taxes	-	-	-	-	-	-	-	-	35,811	-	-	-	-	35,811	35,811	
State and federal grants	-	-	-	-	1,560	-	-	1,560	-	-	-	-	-	-	1,560	
Interfund loan	-	-	-	-	-	-	-	-	-	-	-	29,294	-	29,294	29,294	
Other	-	-	1,266	-	-	-	-	1,266	-	-	-	-	-	-	1,266	
Restricted cash and investments	-	-	-	-	-	-	1,487,277	1,487,277	-	-	-	-	-	-	1,487,277	
Total assets	\$ 31,844	68,981	18,571	1,092	14,777	1,560	1,487,277	1,638,673	339,522	1,374,987	39,586	29,294	524,244	2,307,633	3,946,306	
Liabilities and Fund Balances																
Liabilities:																
Accounts payable	-	-	-	-	-	1,385	-	1,385	-	-	-	-	-	-	1,385	
Deferred revenue	-	-	18,505	-	-	1,260	-	19,765	-	-	-	-	-	-	19,765	
Due to other funds	-	-	-	-	-	67,965	-	67,965	-	-	-	28,603	-	28,603	96,568	
Total liabilities	-	-	18,505	-	-	70,610	-	21,150	-	-	-	28,603	-	28,603	117,718	
Fund balances:																
Nonspendable - interfund loan	-	-	-	-	-	-	-	-	-	-	-	29,294	-	29,294	29,294	
Restricted:																
Roads and trails	-	-	-	-	-	-	-	-	339,522	-	-	-	-	-	339,522	
Permanent fund	-	-	-	-	-	-	1,487,277	1,487,277	-	-	-	-	-	-	1,487,277	
Assigned																
Library	31,844	-	-	-	-	-	-	-	-	-	-	-	-	-	31,844	
Fire	-	68,981	-	-	-	-	-	68,981	-	-	-	-	-	-	68,981	
Retainage reimbursements	-	-	66	-	-	-	-	66	-	-	-	-	-	-	66	
Community schools	-	-	-	1,092	-	-	-	1,092	-	-	-	-	-	-	1,092	
Global warming	-	-	-	-	14,777	-	-	14,777	-	-	-	-	-	-	14,777	
PERS benefits	-	-	-	-	-	-	14,571	14,571	-	-	-	-	-	-	14,571	
Capital and land	-	-	-	-	-	-	-	-	-	1,374,987	39,586	-	524,244	1,938,817		
Unassigned (deficit)	-	-	-	-	-	(69,050)	-	(69,050)	-	-	-	(28,603)	-	(97,653)		
Total fund balances	\$ 31,844	68,981	66	1,092	14,777	(69,050)	1,487,277	1,549,558	339,522	1,374,987	39,586	691	524,244	2,279,030	3,828,588	
Total liabilities and fund balances	\$ 31,844	68,981	18,571	1,092	14,777	1,560	1,487,277	1,638,673	339,522	1,374,987	39,586	29,294	524,244	2,307,633	3,946,306	

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 Year Ended December 31, 2011

	Special Revenue Funds										Capital Project Funds					Total Nonmajor Governmental Funds
	Library Donations	Department Donations	Retention Reimbursements	Community Schools	Sustainability	Non-capital Projects	Permanent Fund	PEIRS Funding	Special Revenue Funds	City Hall Complex	HART Trails	Depreciation Reserves	Land Reserve	Energy Revolving Loan	Fleet Reserve Allocation	
Revenues:																
Sales taxes	-	-	-	-	-	-	-	-	-	134,891	-	-	-	-	-	134,891
Intergovernmental	-	-	-	-	-	20,099	-	20,099	-	-	-	-	-	-	-	20,099
Investment income	8	7	-	-	3	226	24,407	37	24,688	1,695	10,491	-	-	4,877	17,063	
Donations	317	6,164	-	35	-	-	-	6,516	-	-	-	-	-	-	-	6,516
Other	-	-	3,843	-	-	18,325	-	22,168	-	300	77	-	-	-	377	22,545
Total revenues	325	6,171	3,843	35	3	38,650	24,407	37	73,471	136,886	10,568	-	-	4,877	152,331	225,802
Expenditures:																
Current:																
General government	-	-	46	-	-	2,366	-	2,412	-	15,771	1,446	-	-	-	17,217	19,629
Public safety	-	5,514	-	-	-	16,825	-	22,339	-	-	-	-	-	-	-	22,339
Public works	-	-	3,797	-	-	-	-	3,797	-	-	22,408	-	-	-	26,155	48,563
Community services	-	-	-	79	-	-	68,445	-	68,524	-	2,726	-	-	-	2,726	71,250
Capital outlay	-	-	-	-	-	8,477	-	8,477	-	7,815	222,738	-	-	-	230,553	239,030
Total expenditures	-	5,514	3,843	79	-	27,668	68,445	-	105,549	23,586	249,318	-	-	-	26,155	404,608
Excess of revenues over (under) expenditures	325	657	-	(44)	3	10,982	(44,038)	37	(32,078)	113,300	(238,750)	-	-	-	(21,278)	(146,728)
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	278,004	-	-	-	-	278,004
Transfers out	-	-	-	-	-	(161,980)	-	-	(161,980)	(394,981)	(55,000)	-	-	(315,000)	(138,642)	(903,623)
Net other financing sources (uses)	-	-	-	-	-	(161,980)	-	-	(161,980)	(394,981)	(223,004)	-	-	(315,000)	(138,642)	(625,619)
Net change in fund balances	325	657	-	(44)	3	(150,998)	(44,038)	37	(194,058)	113,300	(15,746)	-	-	(315,000)	(159,920)	(772,347)
Beginning fund balances	31,519	68,324	66	1,136	14,774	81,948	1,531,315	14,534	1,743,616	394,981	1,390,733	39,586	315,691	684,164	3,051,377	4,794,993
Ending fund balances (deficit)	31,844	68,981	66	1,092	14,777	(69,050)	1,487,277	14,571	1,549,558	-	1,374,987	39,586	691	524,244	2,279,030	3,828,588

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, 2011
 (With Comparative Amounts for 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments	\$ <u>4,556,592</u>	<u>4,773,696</u>
Receivables:		
Property taxes - delinquent, net of allowance for doubtful accounts of \$16,728 (\$16,759 in 2010)	102,138	102,372
Sales taxes	753,646	714,285
Assessments	420,372	444,763
Other, net of allowance for doubtful accounts of \$54,131 (\$130,424 in 2010)	<u>193,751</u>	<u>203,761</u>
Total receivables	<u>1,469,907</u>	<u>1,465,181</u>
Due from other funds	1,400,875	18,264
Inventory	25,316	40,273
Prepaid items	<u>219,001</u>	<u>215,610</u>
 Total assets	 \$ <u>7,671,691</u>	 <u>6,513,024</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	158,864	85,494
Accrued payroll and related liabilities	231,615	276,125
Customer deposits	17,632	-
Deferred revenue	115,445	132,912
Deferred assessments	<u>420,289</u>	<u>444,679</u>
Total liabilities	<u>943,845</u>	<u>939,210</u>
Fund balance:		
Nonspendable - inventory and prepaid items	244,317	255,883
Assigned - PERS benefits	171,314	171,314
Unassigned	<u>6,312,215</u>	<u>5,146,617</u>
Total fund balance	<u>6,727,846</u>	<u>5,573,814</u>
 Total liabilities and fund balance	 \$ <u>7,671,691</u>	 <u>6,513,024</u>

CITY OF HOMER, ALASKA
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2011
(With Comparative Amounts for 2010)

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 2,878,716	2,916,176	37,460	2,954,829
Sales taxes	4,206,603	4,684,222	477,619	4,410,514
Penalties and interest	5,000	6,104	1,104	5,335
Total taxes	<u>7,090,319</u>	<u>7,606,502</u>	<u>516,183</u>	<u>7,370,678</u>
Licenses and permits	<u>24,900</u>	<u>25,040</u>	<u>140</u>	<u>22,965</u>
Intergovernmental:				
Revenue - sharing	374,392	459,632	85,240	374,392
State PERS relief	222,100	432,061	209,961	218,891
Utility cooperative	28,582	59,183	30,601	27,582
Alcohol beverage tax	20,000	20,400	400	25,450
Public safety	500,724	648,305	147,581	599,426
Library grant	6,350	6,500	150	12,500
Public works	34,000	34,000	-	34,000
Reimbursements	3,500	-	(3,500)	-
Other grants	5,000	8,500	3,500	13,500
Total intergovernmental	<u>1,194,648</u>	<u>1,668,581</u>	<u>473,933</u>	<u>1,305,741</u>
Charges for services:				
Administrative services	1,259,098	1,259,098	-	1,251,184
Ambulance services	210,000	117,169	(92,831)	114,318
Fire contracts	65,000	102,412	37,412	68,250
Camping fees	160,000	145,587	(14,413)	175,859
Rents and leases	-	300	300	-
Airport services	179,885	168,569	(11,316)	166,666
Community school fees	30,500	31,767	1,267	32,292
Miscellaneous services	86,579	119,004	32,425	153,318
Total charges for services	<u>1,991,062</u>	<u>1,943,906</u>	<u>(47,156)</u>	<u>1,961,887</u>
Special assessments	<u>-</u>	<u>29,775</u>	<u>29,775</u>	<u>42,097</u>

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Investment income	\$ 30,000	33,499	3,499	15,600
Fines and forfeitures	17,400	17,460	60	15,551
Sales of property and equipment	-	-	-	4,917
Total revenues	<u>10,348,329</u>	<u>11,324,763</u>	<u>976,434</u>	<u>10,739,436</u>
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	4,914	4,868	46	9,734
Supplies	2,500	1,238	1,262	1,055
Other services and charges	268,762	279,519	(10,757)	269,760
Total city council/mayor	<u>276,176</u>	<u>285,625</u>	<u>(9,449)</u>	<u>280,549</u>
City clerk:				
Salaries and benefits	291,784	292,234	(450)	278,505
Supplies	2,725	2,672	53	2,109
Other services and charges	37,918	21,303	16,615	22,474
Total city clerk	<u>332,427</u>	<u>316,209</u>	<u>16,218</u>	<u>303,088</u>
City manager:				
Salaries and benefits	261,123	272,645	(11,522)	264,233
Supplies	4,000	3,608	392	2,779
Other services and charges	14,129	9,556	4,573	15,159
Total city manager	<u>279,252</u>	<u>285,809</u>	<u>(6,557)</u>	<u>282,171</u>
Administrative services:				
Salaries and benefits	1,051,472	1,041,256	10,216	1,041,078
Supplies	12,430	4,511	7,919	7,598
Other services and charges	201,463	188,036	13,427	201,768
Total administrative services	<u>1,265,365</u>	<u>1,233,803</u>	<u>31,562</u>	<u>1,250,444</u>

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
Planning and zoning/property management:				
Salaries and benefits	\$ 382,884	380,460	2,424	379,664
Supplies	2,900	2,114	786	2,775
Other services and charges	26,747	13,737	13,010	20,813
Total planning and zoning/ property management	<u>412,531</u>	<u>396,311</u>	<u>16,220</u>	<u>403,252</u>
City hall complex:				
Supplies	10,726	19,051	(8,325)	8,990
Other services and charges	148,484	139,805	8,679	114,046
Capital outlay	-	-	-	64
Total city hall complex	<u>159,210</u>	<u>158,856</u>	<u>354</u>	<u>123,100</u>
Non-departmental - salaries and benefits	<u>112,547</u>	<u>112,547</u>	-	<u>114,602</u>
Total general government	<u>2,837,508</u>	<u>2,789,160</u>	<u>48,348</u>	<u>2,757,206</u>
Public safety:				
Police department:				
Salaries and benefits	1,988,869	1,969,834	19,035	1,837,882
Supplies	41,350	29,182	12,168	40,968
Other services and charges	299,614	276,993	22,621	308,242
Total police department	<u>2,329,833</u>	<u>2,276,009</u>	<u>53,824</u>	<u>2,187,092</u>
Jail:				
Salaries and benefits	499,792	499,189	603	532,935
Supplies	26,200	30,507	(4,307)	23,072
Other services and charges	119,147	110,715	8,432	127,311
Total jail	<u>645,139</u>	<u>640,411</u>	<u>4,728</u>	<u>683,318</u>
Animal control:				
Supplies	22,500	20,661	1,839	18,345
Other services and charges	143,735	137,696	6,039	130,556
Total animal control	<u>166,235</u>	<u>158,357</u>	<u>7,878</u>	<u>148,901</u>

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Emergency services:				
Salaries and benefits	\$ 622,559	666,979	(44,420)	639,572
Supplies	55,000	38,455	16,545	33,091
Other services and charges	260,386	186,921	73,465	183,761
Total emergency services	<u>937,945</u>	<u>892,355</u>	<u>45,590</u>	<u>856,424</u>
Total public safety	<u>4,079,152</u>	<u>3,967,132</u>	<u>112,020</u>	<u>3,875,735</u>
Public works:				
Administration:				
Salaries and benefits	214,215	256,666	(42,451)	206,807
Supplies	4,000	3,809	191	3,832
Other services and charges	67,815	74,094	(6,279)	80,771
Total administration	<u>286,030</u>	<u>334,569</u>	<u>(48,539)</u>	<u>291,410</u>
Maintenance:				
Salaries and benefits	184,519	185,417	(898)	189,692
Supplies	19,850	22,018	(2,168)	17,954
Other services and charges	95,900	77,090	18,810	54,741
Total maintenance	<u>300,269</u>	<u>284,525</u>	<u>15,744</u>	<u>262,387</u>
Janitorial:				
Salaries and benefits	-	-	-	130,708
Supplies	-	-	-	11,423
Other services and charges	-	-	-	18,854
Total janitorial	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,985</u>
Streets:				
Salaries and benefits	192,579	217,778	(25,199)	243,876
Supplies	176,000	153,518	22,482	130,325
Other services and charges	48,506	30,733	17,773	31,173
Total streets	<u>417,085</u>	<u>402,029</u>	<u>15,056</u>	<u>405,374</u>

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Motor pool:				
Salaries and benefits	\$ 191,209	167,154	24,055	183,846
Supplies	91,360	119,199	(27,839)	85,913
Other services and charges	<u>166,200</u>	<u>211,286</u>	<u>(45,086)</u>	<u>162,168</u>
Total motor pool	<u>448,769</u>	<u>497,639</u>	<u>(48,870)</u>	<u>431,927</u>
Engineer/inspector:				
Salaries and benefits	284,137	292,440	(8,303)	168,546
Supplies	15,580	16,024	(444)	6,471
Other services and charges	<u>29,800</u>	<u>26,150</u>	<u>3,650</u>	<u>4,839</u>
Total engineer/inspector	<u>329,517</u>	<u>334,614</u>	<u>(5,097)</u>	<u>179,856</u>
Total public works	<u>1,781,670</u>	<u>1,853,376</u>	<u>(71,706)</u>	<u>1,731,939</u>
Library:				
Salaries and benefits	561,546	512,053	49,493	558,872
Supplies	33,804	38,788	(4,984)	29,113
Other services and charges	<u>140,232</u>	<u>154,311</u>	<u>(14,079)</u>	<u>128,839</u>
Total library	<u>735,582</u>	<u>705,152</u>	<u>30,430</u>	<u>716,824</u>
Airport:				
Salaries and benefits	77,033	72,092	4,941	86,844
Supplies	27,500	36,908	(9,408)	23,626
Other services and charges	<u>110,867</u>	<u>107,035</u>	<u>3,832</u>	<u>90,648</u>
Total airport	<u>215,400</u>	<u>216,035</u>	<u>(635)</u>	<u>201,118</u>
Parks and recreation:				
Salaries and benefits	218,690	182,812	35,878	256,450
Supplies	34,521	34,268	253	30,715
Other services and charges	<u>125,251</u>	<u>82,551</u>	<u>42,700</u>	<u>90,115</u>
Total parks and recreation	<u>378,462</u>	<u>299,631</u>	<u>78,831</u>	<u>377,280</u>

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

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Expenditures, continued:				
Community services:				
Community service contributions:				
Museum	\$ 66,500	66,500	-	70,000
Homer Foundation Non-Profit	19,000	19,000	-	20,000
Junk cars	-	3,456	(3,456)	7,083
Haven House	12,350	12,350	-	13,000
Other	2,500	2,514	(14)	2,010
Total community service contributions	100,350	103,820	(3,470)	112,093
Community schools:				
Salaries and benefits	85,374	85,046	328	87,572
Supplies	3,500	1,615	1,885	1,782
Other services and charges	22,125	19,804	2,321	21,236
Total community schools	110,999	106,465	4,534	110,590
Total community services	211,349	210,285	1,064	222,683
Debt service on loans:				
Principal	39,835	39,993	(158)	44,960
Interest	59,989	59,831	158	61,710
Total debt service	99,824	99,824	-	106,670
Total expenditures	10,338,947	10,140,595	198,352	9,989,455
Excess of revenues over expenditures	9,382	1,184,168	1,174,786	749,981
Other financing sources (uses):				
Transfers in	-	40,000	40,000	5,000
Transfers out	(62,754)	(70,136)	(7,382)	(76,387)
Net other financing sources (uses)	(62,754)	(30,136)	32,618	(71,387)
Net change in fund balance	\$ (53,372)	1,154,032	1,207,404	678,594
Beginning fund balance		5,573,814		4,895,220
Ending fund balance	\$	6,727,846		5,573,814

UTILITY SPECIAL REVENUE FUND

The Utility Special Revenue 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
 Utility Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Sales taxes	\$ 1,044,963	1,179,108	134,145
Intergovernmental:			
Capital grants	-	803,598	803,598
State of Alaska PERS relief	50,000	108,649	58,649
Total intergovernmental	<u>50,000</u>	<u>912,247</u>	<u>862,247</u>
Charges for services:			
Water charges and connection fees	1,547,482	1,751,263	203,781
Sewer charges and connection fees	<u>1,871,560</u>	<u>1,507,452</u>	<u>(364,108)</u>
Total charges for services	<u>3,419,042</u>	<u>3,258,715</u>	<u>(160,327)</u>
Water and sewer special assessments	45,000	278,722	233,722
Investment income	25,000	4,666	(20,334)
Other	<u>6,000</u>	<u>12,371</u>	<u>6,371</u>
Total revenues	<u>4,590,005</u>	<u>5,645,829</u>	<u>1,055,824</u>
Expenditures:			
Water:			
Pumping system	94,125	89,855	4,270
Treatment plant and operations testing	380,009	495,703	(115,694)
Distribution system and reservoir	344,616	358,839	(14,223)
Water meters	103,563	110,071	(6,508)
Water hydrants	85,690	89,581	(3,891)
Administration	<u>659,252</u>	<u>750,095</u>	<u>(90,843)</u>
Total water	<u>1,667,255</u>	<u>1,894,144</u>	<u>(226,889)</u>
Sewer:			
Pumping system	759,057	751,539	7,518
Collection system	158,474	148,226	10,248
Administration	<u>709,853</u>	<u>750,875</u>	<u>(41,022)</u>
Total sewer	<u>1,627,384</u>	<u>1,650,640</u>	<u>(23,256)</u>
Debt service:			
Principal	1,016,531	977,814	38,717
Interest	<u>165,163</u>	<u>169,432</u>	<u>(4,269)</u>
Total debt service	<u>1,181,694</u>	<u>1,147,246</u>	<u>34,448</u>
Capital outlay	<u>42,033</u>	<u>3,255,129</u>	<u>(3,213,096)</u>
Total expenditures	<u>4,518,366</u>	<u>7,947,159</u>	<u>(3,428,793)</u>
Excess of revenues over (under) expenditures	71,639	(2,301,330)	(2,372,969)
Other financing sources (uses):			
Issuance of long-term debt	-	2,162,442	2,162,442
Transfers out	<u>(121,623)</u>	<u>(172,932)</u>	<u>(51,309)</u>
Net other financing sources (uses)	<u>(121,623)</u>	<u>1,989,510</u>	<u>2,111,133</u>
Change in fund balance	\$ <u>(49,984)</u>	(311,820)	<u>(261,836)</u>
Beginning fund balance		3,657,285	
Ending fund balance		\$ <u>3,345,465</u>	

CITY OF HOMER, ALASKA

Utility Special Revenue Fund
Combining Balance Sheet
December 31, 2011

<u>Assets</u>	<u>Utility Operations</u>	<u>HAWSP Debt Service</u>	<u>Utility Capital Projects</u>	<u>Utility Reserves</u>	<u>Eliminating Entries</u>	<u>Total Utility Fund</u>
Cash and investments	\$ 2,774,480	(7,342,899)	(1,038,268)	4,338,958	1,267,729	-
Receivables:						
Accounts	312,710	-	-	-	-	312,710
Sales taxes	-	188,414	-	-	-	188,414
Assessments	-	2,623,106	-	-	-	2,623,106
State and federal grants and loans	-	3,955,202	41,775	-	-	3,996,977
Total receivables	<u>312,710</u>	<u>6,766,722</u>	<u>41,775</u>	<u>-</u>	<u>-</u>	<u>7,121,207</u>
Inventory	270,190	-	-	-	-	270,190
Prepaid items	35,182	-	-	-	-	35,182
 Total assets	 \$ <u>3,392,562</u>	 <u>(576,177)</u>	 <u>(996,493)</u>	 <u>4,338,958</u>	 <u>1,267,729</u>	 <u>7,426,579</u>
 <u>Liabilities and Fund Balance</u>						
Liabilities:						
Accounts payable	91,706	-	9,119	1,319	-	102,144
Accrued payroll and related liabilities	51,237	-	-	-	-	51,237
Customer deposits	36,898	-	-	-	-	36,898
Deferred assessments	-	2,623,106	-	-	-	2,623,106
Due to other funds	-	-	-	-	1,267,729	1,267,729
Total liabilities	<u>179,841</u>	<u>2,623,106</u>	<u>9,119</u>	<u>1,319</u>	<u>1,267,729</u>	<u>4,081,114</u>
Fund balances (deficits):						
Nonspendable - inventory and prepaid items	305,372	-	-	-	-	305,372
Assigned - water and sewer	2,907,349	(3,199,283)	(1,005,612)	4,337,639	-	3,040,093
Total fund balances (deficits)	<u>3,212,721</u>	<u>(3,199,283)</u>	<u>(1,005,612)</u>	<u>4,337,639</u>	<u>-</u>	<u>3,345,465</u>
 Total liabilities and fund balances	 \$ <u>3,392,562</u>	 <u>(576,177)</u>	 <u>(996,493)</u>	 <u>4,338,958</u>	 <u>1,267,729</u>	 <u>7,426,579</u>

CITY OF HOMER, ALASKA

Utility Special Revenue Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Year Ended December 31, 2011

	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
Revenues:					
Sales tax	\$ -	1,179,108	-	-	1,179,108
Intergovernmental:					
Capital grants	-	-	803,598	-	803,598
State of Alaska PERS relief	108,649	-	-	-	108,649
Total intergovernmental	108,649	-	803,598	-	912,247
Charges for services:					
Water charges and connection fees	1,751,263	-	-	-	1,751,263
Sewer charges and connection fees	1,507,452	-	-	-	1,507,452
Total charges for services	3,258,715	-	-	-	3,258,715
Water and sewer special assessments	-	278,722	-	-	278,722
Investment income	4,666	-	-	-	4,666
Other	12,371	-	-	-	12,371
Total revenues	3,384,401	1,457,830	803,598	-	5,645,829
Expenditures:					
Water:					
Pumping system	89,855	-	-	-	89,855
Treatment plant and operations testing	495,703	-	-	-	495,703
Distribution system and reservoir	358,839	-	-	-	358,839
Water meters	110,071	-	-	-	110,071
Water hydrants	89,581	-	-	-	89,581
Administration	623,918	126,177	-	-	750,095
Total water	1,767,967	126,177	-	-	1,894,144
Sewer:					
Pumping system	751,539	-	-	-	751,539
Collection system	148,226	-	-	-	148,226
Administration	617,229	133,646	-	-	750,875
Total sewer	1,516,994	133,646	-	-	1,650,640
Debt service:					
Principal	-	977,814	-	-	977,814
Interest	523	168,909	-	-	169,432
Total debt service	523	1,146,723	-	-	1,147,246
Capital outlay	-	-	3,016,157	238,972	3,255,129
Total expenditures	3,285,484	1,406,546	3,016,157	238,972	7,947,159
Excess of revenues over (under) expenditures	98,917	51,284	(2,212,559)	(238,972)	(2,301,330)
Other financing sources (uses):					
Issuance of long-term debt	-	2,162,442	-	-	2,162,442
Eliminating transfers	(500,000)	(1,451,149)	1,451,149	500,000	-
Transfers out	-	-	-	(172,932)	(172,932)
Net other financing sources (uses)	(500,000)	711,293	1,451,149	327,068	1,989,510
Change in fund balances	(401,083)	762,577	(761,410)	88,096	(311,820)
Beginning fund balances (deficits)	3,613,804	(3,961,860)	(244,202)	4,249,543	3,657,285
Ending fund balances (deficits)	\$ 3,212,721	(3,199,283)	(1,005,612)	4,337,639	3,345,465

ENTERPRISE FUND

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

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

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Net Assets
December 31, 2011
(With Comparative Amounts for 2010)

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:			
Cash and investments		\$ 1,062,017	746,125
Accounts receivable, net of allowance for doubtful accounts of \$57,909 (\$65,043 in 2010)		327,719	161,364
Inventory		15,590	11,527
Prepaid items		33,970	35,441
Total current assets		<u>1,439,296</u>	<u>954,457</u>
Property, plant and equipment:			
Property, plant and equipment in service		53,497,529	53,173,490
Land and land improvements		15,254,041	15,254,041
Less accumulated depreciation		<u>(28,154,204)</u>	<u>(26,665,295)</u>
Net property, plant and equipment		<u>40,597,366</u>	<u>41,762,236</u>
Total assets		<u>\$ 42,036,662</u>	<u>42,716,693</u>
	<u>Liabilities and Net Assets</u>		
Liabilities:			
Current liabilities:			
Accounts payable		144,312	50,664
Accrued payroll and related liabilities		50,834	51,212
Accrued leave		18,210	17,467
Prepaid berth rentals and deposits		706,547	666,244
Unearned lease revenue		18,000	18,000
Interfund loan		3,291	-
Total current liabilities		<u>941,194</u>	<u>803,587</u>
Noncurrent liabilities, net of current portion:			
Unearned lease revenue		288,000	306,000
Accrued leave		121,359	134,970
Interfund loan		26,003	-
Total noncurrent liabilities		<u>435,362</u>	<u>440,970</u>
Total liabilities		<u>1,376,556</u>	<u>1,244,557</u>
Net assets:			
Invested in capital assets		40,597,366	41,762,236
Unrestricted (deficit)		<u>62,740</u>	<u>(290,100)</u>
Total net assets		<u>40,660,106</u>	<u>41,472,136</u>
Total liabilities and net assets		<u>\$ 42,036,662</u>	<u>42,716,693</u>

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Harbor	\$ 2,035,523	1,866,841
Main dock	206,170	173,112
Fish dock	800,960	941,895
Deep water dock	162,448	153,878
Rents, leases and storage	341,212	357,397
Fish grinder	17,118	11,319
Total operating revenues	<u>3,563,431</u>	<u>3,504,442</u>
Operating expenses:		
Harbor	1,274,411	1,275,450
Main dock	61,529	62,959
Fish dock	602,682	592,330
Deep water dock	78,606	81,338
Fish grinder	11,732	9,124
Administration	1,077,971	1,095,497
Depreciation	1,488,909	1,446,555
Total operating expenses	<u>4,595,840</u>	<u>4,563,253</u>
Operating loss	<u>(1,032,409)</u>	<u>(1,058,811)</u>
Nonoperating revenues (expenses):		
Investment income	12,592	53,821
Interest expense	-	(142)
State PERS relief	103,169	48,469
Other income	95,240	178,725
Cruise ship tax	68,200	2,898
Cruise ship security	-	(2,844)
Harbormaster conference revenue	34,565	-
Harbormaster conference expense	(21,228)	-
Net nonoperating revenues (expenses)	<u>292,538</u>	<u>280,927</u>
Loss before capital contributions and transfers	(739,871)	(777,884)
Capital contributions	59,176	-
Transfers in	-	103,545
Transfers out	(131,335)	(78,620)
Change in net assets	(812,030)	(752,959)
Beginning net assets	<u>41,472,136</u>	<u>42,225,095</u>
Ending net assets	\$ <u>40,660,106</u>	<u>41,472,136</u>

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,596,156	3,692,038
Payments to suppliers	(1,195,122)	(1,400,164)
Payments to employees	<u>(1,730,830)</u>	<u>(1,711,256)</u>
Net cash flows from operating activities	<u>670,204</u>	<u>580,618</u>
 Cash flows from noncapital financing activities - transfers out	 <u>(131,335)</u>	 <u>(78,620)</u>
 Cash flows from capital and related financing activities:		
Principal payments on long-term debt	-	(9,578)
Interest payments on long-term debt	-	(142)
Capital contributions received	59,176	-
Acquisition of property, plant and equipment	(324,039)	(77,303)
Increase in interfund loan	29,294	-
Transfers in	-	103,545
Net cash flows from capital and related financing activities	<u>(235,569)</u>	<u>16,522</u>
 Cash flows from investing activities - investment income received	 <u>12,592</u>	 <u>53,821</u>
 Net increase in cash and investments	 315,892	 572,341
 Beginning cash and investments	 <u>746,125</u>	 <u>173,784</u>
 Ending cash and investments	 \$ <u>1,062,017</u>	 <u>746,125</u>
 Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,032,409)	(1,058,811)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,488,909	1,446,555
Noncash expense - PERS relief	103,169	48,469
Decrease in allowance for doubtful accounts	(7,134)	(19,729)
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues, net	176,777	178,779
(Increase) decrease in assets:		
Accounts receivable	(159,221)	23,990
Inventory	(4,063)	2,893
Prepaid items	1,471	11,565
Increase (decrease) in liabilities:		
Accounts payable	93,648	(49,291)
Accrued payroll and related liabilities	(378)	14,306
Accrued leave	(12,868)	(19,820)
Prepaid berth rentals and deposits	40,303	19,712
Net cash flows from operating activities	\$ <u>670,204</u>	<u>580,618</u>

INTERNAL SERVICE FUNDS

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

Health Insurance Fund – This fund accounts for the cost of medical, dental, vision and self-insurance claims.

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

CITY OF HOMER, ALASKA
 Internal Service Funds
 Combining Statement of Net Assets
 December 31, 2011

<u>Assets</u>	<u>Health Insurance</u>	<u>Leave Cash-out</u>	<u>Total</u>
Cash and investments	\$ <u>508,101</u>	<u>-</u>	<u>508,101</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	93,812	-	93,812
Due to other funds	<u>-</u>	<u>36,578</u>	<u>36,578</u>
Total current liabilities	<u>93,812</u>	<u>36,578</u>	<u>130,390</u>
Net assets - unrestricted (deficit)	<u>414,289</u>	<u>(36,578)</u>	<u>377,711</u>
Total liabilities and net assets	\$ <u>508,101</u>	<u>-</u>	<u>508,101</u>

CITY OF HOMER, ALASKA
 Internal Service Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
 Year Ended December 31, 2011

	<u>Health</u> <u>Insurance</u>	<u>Leave</u> <u>Cash-out</u>	<u>Total</u>
Operating revenues - interfund charges	\$ <u>1,553,908</u>	<u>185,000</u>	<u>1,738,908</u>
Operating expenses:			
Personnel	-	203,314	203,314
Claims	1,285,767	-	1,285,767
Insurance premiums	479,696	-	479,696
Administration	<u>61,502</u>	-	<u>61,502</u>
Total operating expenses	<u>1,826,965</u>	<u>203,314</u>	<u>2,030,279</u>
Change in net assets	(273,057)	(18,314)	(291,371)
Beginning net assets (deficit)	<u>687,346</u>	<u>(18,264)</u>	<u>669,082</u>
Ending net assets (deficit)	\$ <u><u>414,289</u></u>	<u><u>(36,578)</u></u>	<u><u>377,711</u></u>

CITY OF HOMER, ALASKA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2011

	<u>Health</u> <u>Insurance</u>	<u>Leave</u> <u>Cash-out</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 1,553,908	185,000	1,738,908
Payments to employees	-	(203,314)	(203,314)
Payments for insurance claims and administration	<u>(1,811,965)</u>	<u>-</u>	<u>(1,811,965)</u>
Net cash flows from operating activities	<u>(258,057)</u>	<u>(18,314)</u>	<u>(276,371)</u>
 Cash flows from noncapital financing activities - increase in due to other funds	 <u>-</u>	 <u>18,314</u>	 <u>18,314</u>
 Net increase (decrease) in cash and investments	 (258,057)	 -	 (258,057)
 Beginning cash and investments	 <u>766,158</u>	 <u>-</u>	 <u>766,158</u>
 Ending cash and investments	 <u>\$ 508,101</u>	 <u>-</u>	 <u>508,101</u>
 Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (273,057)	(18,314)	(291,371)
Adjustments to reconcile operating loss to net cash flows from operating activities - increase in accounts payable	 <u>15,000</u>	 <u>-</u>	 <u>15,000</u>
Net cash flows from operating activities	<u>\$ (258,057)</u>	<u>(18,314)</u>	<u>(276,371)</u>

CITY OF HOMER, ALASKA
Health Insurance Internal Service Fund
Statement of Net Assets
December 31, 2011
(With Comparative Amounts for 2010)

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments		\$ <u>508,101</u>	<u>766,158</u>
 <u>Liabilities and Net Assets</u> 			
Current liabilities - accounts payable		<u>93,812</u>	<u>78,812</u>
Net assets - unrestricted		<u>414,289</u>	<u>687,346</u>
Total liabilities and net assets		\$ <u>508,101</u>	<u>766,158</u>

CITY OF HOMER, ALASKA
 Health Insurance Internal Service Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended December 31, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues - interfund insurance charges	\$ <u>1,553,908</u>	<u>1,790,275</u>
Operating expenses:		
Claims	1,285,767	1,090,563
Insurance premiums	479,696	412,148
Administration	<u>61,502</u>	<u>50,044</u>
Total operating expenses	<u>1,826,965</u>	<u>1,552,755</u>
Change in net assets	(273,057)	237,520
Beginning net assets	<u>687,346</u>	<u>449,826</u>
Ending net assets	\$ <u><u>414,289</u></u>	<u><u>687,346</u></u>

CITY OF HOMER, ALASKA
 Health Insurance Internal Service Fund
 Statement of Cash Flows
 Year Ended December 31, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,553,908	1,811,169
Payments for insurance claims and administration	<u>(1,811,965)</u>	<u>(1,586,841)</u>
Net cash flows from operating activities	(258,057)	224,328
Beginning cash and investments	<u>766,158</u>	<u>541,830</u>
Ending cash and investments	\$ <u><u>508,101</u></u>	<u><u>766,158</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (273,057)	237,520
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Decrease in accounts receivable	-	20,894
Increase (decrease) in accounts payable	<u>15,000</u>	<u>(34,086)</u>
Net cash flows from operating activities	\$ <u><u>(258,057)</u></u>	<u><u>224,328</u></u>

CITY OF HOMER, ALASKA
 Leave Cash-out Internal Service Fund
 Statement of Net Assets (Deficit)
 December 31, 2011
 (With Comparative Amounts for 2010)

		<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash and investments	\$	<u>-</u>	<u>-</u>
 <u>Liabilities and Net Assets</u> 			
Current liabilities - due to other funds		<u>36,578</u>	<u>18,264</u>
Deficit		<u>(36,578)</u>	<u>(18,264)</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 Deficit
 Year Ended December 31, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues - interfund leave cash-out charges	\$ 185,000	185,000
Operating expenses - salaries and benefits	<u>203,314</u>	<u>130,713</u>
Change in net assets	(18,314)	54,287
Beginning deficit	<u>(18,264)</u>	<u>(72,551)</u>
Ending deficit	\$ <u><u>(36,578)</u></u>	<u><u>(18,264)</u></u>

CITY OF HOMER, ALASKA
 Leave Cash-out Internal Service Fund
 Statement of Cash Flows
 Year Ended December 31, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 185,000	185,000
Payments to employees	<u>(203,314)</u>	<u>(130,713)</u>
Net cash flows from operating activities	(18,314)	54,287
Cash flows from noncapital financing activities - increase (decrease) in due to other funds	<u>18,314</u>	<u>(54,287)</u>
Net increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	<u><u>\$ -</u></u>	<u><u>-</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities - operating income (loss)	<u><u>\$ (18,314)</u></u>	<u><u>54,287</u></u>

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

CITY OF HOMER, ALASKA

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2011 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2011 Receivable (Deferred)</u>
DEPARTMENT OF HOMELAND SECURITY							
Assistance to Firefighters Program- Live Fire Training Trailer	EMW-2009-FO-02404	97.044	\$ 194,275	-	186,200	186,200	-
FEMA Port Security - Port Security Program	2009-PU-T9-0082	97.056	107,252	-	59,176	9,695	49,481
Passed through the State of Alaska Division of Homeland Security & Emergency Management - Emergency Medical Dispatch ProQA Software	10SHSP-GR34067	97.067	26,160	-	26,160	26,160	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through the State of Alaska Department of Education and Early Development - Continuing Education	CED-11-738-159	45.310	888	-	888	888	-
ENVIRONMENTAL PROTECTION AGENCY							
Passed through the State of Alaska Department of Environmental Conservation:							
Clean Water Loan	409081	66.458	2,697,500	951,663	6,605	-	958,268
Clean Water Loan	409261	66.458	1,683,841	-	920,170	-	920,170
Clean Water Loan (ARRA)	409141	66.458	1,404,645	633,925	728,964	1,169,164	193,725
Total CFDA 66.458				1,585,588	1,655,739	1,169,164	2,072,163
Drinking Water Loan	409101	66.468	385,400	339,793	9,788	-	349,581
Drinking Water Loan (78% Federal)	409131	66.468	1,404,645	31,459	34,549	30,924	35,084
Drinking Water Loan (ARRA)	409221	66.468	215,000	106,194	36,412	142,606	-
Drinking Water Loan	409271	66.468	1,432,994	-	658,923	-	658,923
Total CFDA 66.468				477,446	739,672	173,530	1,043,588
DEPARTMENT OF TRANSPORTATION							
Passed through the State of Alaska Department of Transportation and Public Facilities:							
ASTEP CIOT Enforcement	102PT 11-06-01	20.600	4,236	326	2,603	2,929	-
ASTEP Summit	154AL 11-01-02	20.607	398	-	398	398	-
ASTEP DUI Enforcement	154AL 12-01-03	20.607	2,500	-	1,560	-	1,560
ASTEP DUI Enforcement	154AL 11-01-03	20.607	10,000	-	5,830	5,830	-
Total CFDA 20.607				-	7,788	6,228	1,560
TRACS User Group Meeting	154AL 11-01-00	20.610	747	-	747	747	-
National Motor Carrier Safety	11-PD-003	20.218	5,376	-	5,376	5,376	-
DEPARTMENT OF ENERGY							
Passed through the Alaska Energy Authority - Energy Efficient Appliance Rebate Program- Energy Efficiency Audits and Upgrades (ARRA)	7510020	81.128	227,800	23,666	204,134	221,882	5,918
Total Federal Financial Assistance			\$	2,087,026	2,888,483	1,802,799	3,172,710

CITY OF HOMER, ALASKA
Schedule of State Financial Assistance
Year Ended December 31, 2011

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>January 1, 2011 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>December 31, 2011 Receivable (Deferred)</u>
DEPARTMENT OF ADMINISTRATION						
* PERS Relief	N/A	\$ 643,880	-	643,880	643,880	-
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT						
* Anchor Point to Homer Natural Gas Pipeline	11-DC-232	525,000	225,000	300,000	525,000	-
Kachemak Bay Research	08-DC-286	133,000	55,000	-	55,000	-
* Homer City Hall	11-RR-038	1,457,758	-	1,457,758	935,650	522,108
Katen Hornaday Park Improvements	11-DC-234	250,000	-	4,660	-	4,660
* Revenue - sharing	N/A	459,632	-	459,632	459,632	-
Total Department of Commerce, Community, and Economic Development			<u>280,000</u>	<u>2,222,050</u>	<u>1,975,282</u>	<u>526,768</u>
DEPARTMENT OF REVENUE						
Electric and Telephone Co-op Tax	N/A	59,183	-	59,183	59,183	-
Cruise Ship Landing Tax	N/A	68,200	-	68,200	68,200	-
Liquor Licenses	N/A	20,400	-	20,400	20,400	-
Total Department of Revenue			<u>-</u>	<u>147,783</u>	<u>147,783</u>	<u>-</u>
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						
Public Library Assistance	PLA-10-738-31	6,500	-	6,500	6,500	-
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES						
Sterling Hwy Corridor Mgmt Plan						
Commercial Vehicle Enforcement	11-PD-003	1,344	-	1,344	1,344	-
DEPARTMENT OF ENVIRONMENTAL CONSERVATION						
Water Treatment Plant Upgrades	N/A	3,997,000	199,850	-	199,850	-
Total State Financial Assistance			<u>\$ 479,850</u>	<u>3,021,557</u>	<u>2,974,639</u>	<u>526,768</u>

* Major Program

CITY OF HOMER, ALASKA

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

Year Ended December 31, 2011

Basis of Presentation

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

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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.

Contents

Page

Financial Trends

These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Table 1	Net Assets by Component	89
Table 2	Changes in Net Assets	90
Table 3	Governmental Activities Tax Revenues by Source	91
Table 4	Fund Balances of Governmental Funds	92
Table 5	Changes in Fund Balances of Governmental Funds	93

Revenue Capacity

These tables contain information that may assist the reader in assessing the viability of the City's "own-source" revenue sources.

Table 6	Assessed Value and Estimated Actual Value of Taxable Property	94
Table 7	Property Tax Rates - Direct and Overlapping Government	95
Table 8	Principal Property Taxpayers	96
Table 9	Property Tax Levies and Collections	97

Debt Capacity

These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Table 10	Ratios of Outstanding Debt by Type	98
Table 11	Ratios of General Bonded Debt Outstanding	99
Table 12	Ratios of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures	100

Demographic and Economic Information

These tables offer economic and demographic indicators that are commonly used for financial analysis and that can inform one's understanding of the City's present and ongoing financial status.

Table 13	Demographics and Economic Statistics	101
Table 14	Principal Employers - Lower Kenai Peninsula	102

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

Contents	<u>Page</u>
Operating Information	
These tables contain service and infrastructure indicators that can inform one's understanding of how the information in the City's financial statements relates to the services the City provides and the activities it performs.	
Table 15 City Employees by Function / Program	103
Table 16 Operating Indicators by Function	104
Table 17 Operating Assets Indicators by Function	105

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 Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in capital assets,									
net of related debt	\$ 63,616,675	62,427,809	43,615,673	43,848,027	43,879,310	42,266,274	39,633,946	34,744,914	34,357,797
Restricted	7,284,209	5,610,035	3,350,187	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361	2,743,871
Unrestricted	15,774,292	16,833,035	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>86,675,176</u>	<u>84,870,879</u>	<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	40,597,366	41,762,236	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	112,282	(186,693)	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>40,709,648</u>	<u>41,575,543</u>	<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	104,214,041	104,190,045	107,183,141	109,419,245	106,154,918	105,723,414	105,434,559	101,411,969	101,282,150
Restricted	7,284,209	5,610,035	7,697,696	12,011,913	11,086,965	7,185,408	6,638,837	5,553,389	5,058,428
Unrestricted	15,886,574	16,646,342	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>\$ 127,384,824</u>	<u>126,446,422</u>	<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>

Notes:

The City implemented GASB 34 in 2003.

In 2010, the City converted its Water and Sewer Utility from an Enterprise Fund to a Special Revenue Fund. Prior years presentation has not been reclassified or restated to reflect this change.

CITY OF HOMER, ALASKA

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental Activities:									
General government	\$ 3,907,607	3,722,993	2,066,529	1,761,505	1,621,298	1,453,282	1,800,060	1,870,428	1,040,890
Public safety	4,451,784	4,168,529	4,409,769	4,546,766	3,989,765	3,912,322	3,322,075	3,101,937	3,128,167
Public works	2,612,530	2,676,839	2,955,896	2,637,639	2,422,038	2,405,097	1,066,319	2,136,469	1,979,338
Library	943,075	931,139	932,552	890,800	805,570	370,404	293,831	473,298	370,272
Airport	281,351	207,701	239,214	233,176	200,331	152,414	149,341	173,258	174,868
Parks & recreation	387,924	468,782	427,271	494,083	410,556	391,303	356,721	377,010	397,241
Community services	586,195	263,224	266,144	321,970	235,831	211,894	582,677	180,964	147,891
Water	2,607,880	2,231,144	-	-	-	-	-	-	-
Sewer	1,655,405	2,339,709	-	-	-	-	-	-	-
Unallocated interest	225,572	225,553	63,870	141,014	113,536	64,676	70,829	90,915	100,910
Total Governmental Activities Expenses	17,659,323	17,235,613	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	4,649,705	4,501,480	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	4,649,705	4,501,480	10,940,202	10,350,444	9,724,344	8,812,932	8,500,331	7,960,147	7,451,416
Total Activities Expenses	\$ 22,309,028	21,737,093	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									
General Government	\$ 511,997	211,625	185,215	116,606	290,197	437,696	433,860	377,892	297,629
Public Safety	258,804	198,119	633,372	317,835	462,050	323,916	389,826	815,935	920,648
Public Works	9,427	12,090	62,544	34,715	71,864	62,633	61,572	90,436	99,941
Library	-	-	4,869	499,189.00	-	-	-	-	-
Airport	168,569	166,666	165,781	169,196	170,944	143,604	125,316	131,072	95,918
Parks and Recreation	145,587	175,859	165,849	157,264	183,310	173,204	181,924	157,362	139,003
Community Services	31,767	32,292	28,166	27,058	38,696	18,549.00	-	-	-
Water	1,765,551	2,067,751.00	-	-	-	-	-	-	-
Sewer	1,521,740	1,483,423.00	-	-	-	-	-	-	-
Operating grants & contributions	734,045	665,150	607,284	697,372	638,290	640,601	729,240	401,998	589,364
Capital grants & contributions	2,982,510	1,632,234	376,375	746,803	339,482	1,616,075	4,361,468	1,273,362	325,481
Total Governmental Activities Revenues	8,129,997	6,645,209	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	3,563,431	3,504,442	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
Operating grants & contributions P&H	103,169	48,469.00	-	-	-	-	-	-	-
Capital grants & contributions P&H	59,176	-	-	-	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	3,725,776	3,552,911	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	\$ 11,855,773	10,198,120	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	(9,529,326)	(10,590,404)	(9,131,790)	(8,260,915)	(7,604,092)	(5,545,114)	(1,358,647)	(5,156,222)	(4,871,593)
Business-type Activities	(923,929)	(948,569)	(4,235,914)	532,455	(2,809,013)	(1,160,086)	(3,097,637)	(1,759,639)	891,315
Total Primary Government Net Expenses	\$ (10,453,255)	(11,538,973)	(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	\$ 2,922,246	3,051,919	2,889,856	2,976,794	2,529,614	2,406,263	2,091,977	1,888,761	1,785,092
Sales Taxes	7,059,404	6,613,640	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,770,288	3,506,170
Other	1,220,638	1,272,273	2,113,103	967,635	1,195,849	487,481	376,102	207,628	489,857
Transfers	131,335	(24,925)	(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	11,333,623	10,912,907	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	189,369	235,444	452,206	409,544	482,110	774,459	303,140	214,766	418,591
Transfers	(131,335)	24,925	115,408	30,000	(149,064)	(459,125)	(110,000)	(50,685)	199,442
Special item write-off NPO	-	-	-	514,438.00	-	-	-	-	-
Total Business-type Activities Revenue	58,034	260,369	1,639,836	2,220,772	1,568,068	1,449,430	1,224,307	1,183,726	1,574,386
Total Primary Government and Transfers Revenue	\$ 11,391,657	11,173,276	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	\$ 1,804,297	322,503	1,116,870	3,087,488	2,443,913	3,478,393	6,338,960	761,140	710,084
Business-type Activities	(865,895)	(688,200)	(2,596,078)	2,753,227	(1,240,945)	289,344	(1,873,330)	(575,913)	2,465,701
Total Primary Government	\$ 938,402	(365,697)	(1,479,208)	5,840,715	1,202,968	3,767,737	4,465,630	185,227	3,175,785

Notes:

The City implemented GASB 34 in 2003.

In 2010, the City converted its Water and Sewer Utility from an Enterprise Fund to a Special Revenue Fund. Prior years presentation has not been reclassified or restated to reflect this change.

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
2011	\$ 2,922,246	\$ 7,059,404	\$ 9,981,650
2010	3,051,919	6,613,640	9,665,559
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

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	244,317	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	171,314	-	-	-	-	-	-	-	-	-
Unassigned	6,312,215	-	-	-	-	-	-	-	-	-
Total General Fund	6,727,846	-	-	-	-	-	-	-	-	-
Other Governmental Funds										
Nonspendable	334,666	-	-	-	-	-	-	-	-	-
Restricted	7,284,209	-	-	-	-	-	-	-	-	-
Assigned	5,987,998	-	-	-	-	-	-	-	-	-
Unassigned	(97,653)	-	-	-	-	-	-	-	-	-
Total Other governmental Funds	13,509,220	-	-	-	-	-	-	-	-	-
General Fund										
Reserved	-	255,883	297,291	353,901	296,910	260,274	280,743	313,959	268,279	223,973
Unreserved, designated:										
Interfund Loan Animal Shelter	-	-	200,000	250,000	300,000	350,000	400,000	450,000	-	-
PERS	-	171,314	171,314	171,314	171,314,00	-	-	-	-	-
Designated for subsequent year's expenditures	-	-	-	-	-	-	-	-	-	-
Undesignated	-	5,146,617	4,226,615	3,825,104	4,230,983	3,282,823	2,186,409	1,248,052	1,994,577	2,382,709
Total Unreserved General Fund	-	5,317,931	4,597,929	4,246,418	4,702,297	3,632,823	2,586,409	1,698,052	2,251,259	2,382,709
Total General Fund	-	5,573,814	4,895,220	4,600,319	4,999,207	3,893,097	2,867,152	2,012,011	2,519,538	2,606,682
Other Governmental Funds										
Reserved	-	5,929,657	4,367,506	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361	2,743,871	271,328
Unreserved:										
Library	-	31,519	31,501	31,326	29,289	27,750	8,982	471,148	309,698	177,575
Fire Department	-	68,324	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	10,088.00	-	-	-
Community Schools	-	1,136	1,792	509	699	197.00	-	-	-	-
Sustainability Global Warming	-	14,774	15,257	15,162	107.00	-	-	-	-	-
PERS	-	-	14,436	-	-	-	-	-	-	-
Permanent Fund	-	1,531,315	1,150,377	-	-	-	-	-	-	-
Special Revenue Funds	-	3,434,211	-	-	-	-	-	-	-	-
Capital Project Funds/land	-	2,560,121	2,973,118	3,116,382	1,857,872	1,784,965	1,435,923	421,066	651,221	3,497,206
Capital Project Deficit	-	-	(47,379)	(20,873)	(3,744)	(31,147)	(455,223)	(69,805.00)	-	-
Total Unreserved Other Governmental Funds	-	7,641,400	4,210,594	3,212,823	1,945,344	1,800,043	1,015,292	834,106	968,089	3,694,998
Total Other Governmental Funds	-	13,571,057	8,578,100	7,547,300	5,295,531	5,401,648	4,783,884	4,071,467	3,711,960	3,966,326
Total General Fund and Other Governmental Funds	\$ 20,237,066	19,144,871	13,473,320	12,147,619	10,294,738	9,294,745	7,651,036	6,083,478	6,231,498	6,573,008
Change in Fund Balances	1,092,195	2,031,354	1,325,701	1,852,881	999,993	1,643,709	1,567,558	(148,020)	(341,510)	407,467
Percentage of Change	5.7%	11.9%	10.9%	18.0%	10.8%	21.5%	25.8%	-2.4%	-5.2%	11.0%

Notes:
 In 2010, the City converted its Water and Sewer Utility from an Enterprise Fund to a Special Revenue Fund. Prior years presentation has not been reclassified or restated to reflect this change.
 In 2011, the City adopted the provisions of GASB statement 54. Prior year presentation has not been reclassified or restated to reflect the change.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Property taxes	\$ 2,916,176	2,954,829	2,930,696	2,975,448	2,501,693	2,382,936	2,102,170	1,888,761	1,811,202	1,603,317
Sales taxes	7,059,404	6,613,640	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,737,944	3,506,170	3,243,410
Licenses and permits	25,040	22,965	19,614	26,219	43,765	46,096	42,717	88,411	18,930	17,000
Intergovernmental	4,779,839	2,937,975	1,854,305	1,778,519	1,873,233	2,247,343	3,740,329	1,966,565	1,354,063	1,574,238
Charges for services	5,202,621	5,139,533	2,629,639	2,337,323	2,382,463	2,136,838	2,183,048	2,028,181	1,991,495	2,045,851
Special assessments	308,497	415,625	110,543	127,876	14,802	11,180	15,462	16,517	39,571	43,412
Investment income	115,862	162,146	82,117	156,429	290,987	233,998	150,223	47,793	66,649	119,310
Fines and forfeitures	17,460	15,551	16,065	34,193	19,941	19,435	23,269	24,444	36,321	35,577
Contributions and donations	6,516	4,224	2,910	9,181	42,256	64,412	1,362,374	170,864	140,794	77,081
Legal settlement	-	266,027	1,150,878	-	-	740,404	-	-	-	-
Sale of property and equipment	-	4,917	4,869	499,189	-	-	-	-	-	-
Other	41,080	199,703	45,092	170,538	19,970	24,207	23,362	172,876	68,973	369,881
Total revenues	20,472,495	18,737,135	14,207,837	14,449,673	13,362,590	13,577,487	14,762,482	10,142,356	9,034,168	9,129,077
Expenditures:										
General government	3,639,834	3,010,375	3,380,193	2,964,905	2,585,147	2,220,086	2,689,530	2,554,078	1,759,588	1,724,904
Public safety	3,989,471	3,939,507	4,096,996	4,189,377	3,622,296	3,549,911	3,053,686	2,894,621	2,837,662	2,527,104
Public works	1,905,736	1,822,923	2,023,907	2,108,115	1,750,045	1,688,688	1,491,893	1,350,580	1,593,608	1,620,633
Library	705,152	716,824	724,150	681,983	593,027	449,289	374,932	341,287	352,380	333,982
Airport	216,035	201,118	230,934	228,720	196,710	179,504	146,221	128,278	169,211	124,311
Parks and recreation	299,631	377,280	359,683	422,251	384,697	367,027	338,359	340,471	353,548	407,982
Community services	586,195	261,435	266,144	321,970	235,831	211,894	582,677	180,964	147,891	294,809
Water	1,894,144	1,697,751	-	-	-	-	-	-	-	-
Sewer	1,650,640	1,647,605	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	1,017,807	1,049,248	57,934	470,615	608,431	655,016	513,640	479,979	409,761	487,905
Interest and fiscal charges	229,263	225,553	63,870	75,812	113,536	64,676	70,829	90,915	100,910	126,462
Capital outlay	5,540,169	2,265,965	1,612,185	1,103,044	2,421,941	5,153,413	4,043,157	1,976,460	1,161,677	1,565,695
Total expenditures	21,674,077	17,215,584	12,815,996	12,566,792	12,511,661	14,539,504	13,304,924	10,337,633	8,886,236	9,213,787
Excess (deficiency) of revenues over (under) expenditures	(1,201,582)	1,521,551	1,391,841	1,882,881	850,929	(962,017)	1,457,558	(195,277)	147,932	(84,710)
Other financing sources (uses):										
Proceeds from long-term debt	2,162,442	534,728	14,536	-	-	2,146,601	-	-	-	300,000
Transfers in	1,440,006	434,460	413,609	2,183,992	2,499,222	2,160,007	2,498,261	879,211	1,585,122	762,026
Transfers out	(1,308,671)	(459,385)	(494,285)	(2,213,992)	(2,350,158)	(1,700,882)	(2,388,261)	(828,526)	(2,074,564)	(729,406)
Net other financing sources (uses)	2,293,777	509,803	(66,140)	(30,000)	149,064	2,605,726	110,000	50,685	(489,442)	332,620
Net change in fund balance	\$ 1,092,195	2,031,354	1,325,701	1,852,881	999,993	1,643,709	1,567,558	(144,592)	(341,510)	247,910
Debt service as a % of noncapital expenditures	7.70%	8.40%	1.06%	4.78%	7.37%	8.03%	7.65%	6.79%	6.96%	8.50%

Notes:
 In 2010, the City converted its Water and Sewer Utility from an Enterprise Fund to a Special Revenue Fund. Prior years presentation has not been reclassified or restated to reflect this change.

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
2002	\$ 295,979,412	\$ 21,458,976	\$ 317,438,388	5.00%	\$ 397,449,200	79.87%
2003	312,647,212	19,978,948	332,626,160	5.05%	448,443,700	74.17%
2004	333,843,562	19,148,462	352,992,024	5.00%	497,201,500	71.00%
2005	399,827,162	26,893,341	426,720,503	4.50%	587,914,700	72.58%
2006	461,018,162	24,598,683	485,616,845	4.50%	646,448,500	75.12%
2007	489,448,562	22,811,263	512,259,825	4.50%	717,875,400	71.36%
2008	588,595,562	24,988,891	613,584,453	4.50%	777,118,400	78.96%
2009	631,527,262	31,030,146	662,557,408	4.50%	850,068,000	77.94%
2010	606,704,342	38,412,787	645,117,129	4.50%	850,068,600	75.89%
2011	603,338,212	25,118,151	628,456,363	4.50%	987,433,007	63.65%

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)

Fiscal Year	City of Homer (3)		Kenai Peninsula Borough (2)		
	Operating	Special Districts (4)	Operating	Special Districts	
2002	5.00	1.75	7.00	0.10	
2003	5.00	1.75	6.50	0.10	
2004	5.00	1.75	6.50	0.10	
2005	4.50	1.75	6.50	0.10	
2006	4.50	1.75	6.50	0.10	
2007	4.50	1.75	6.50	0.00	
2008	4.50	2.00	5.50	0.00	(1)
2009	4.50	2.30	4.50	0.00	
2010	4.50	2.30	4.50	0.00	
2011	4.50	2.30	4.50	0.00	

Notes: Overlapping rates are those of the City of Homer and Kenai Peninsula Borough
Restrictions: Tax rates can only be changed by the vote of the people.

- (1) The mill rate for the special district, the Post Secondary Fund, was combined into the Operating Fund mill rate
- (2) Data provided by the Kenai Peninsula Borough Clerk's Office
- (3) Data provided by the City of Homer Clerk's Office
- (4) The Homer Special Districts include fire and emergency response, higher education, and support for hospitals.

CITY OF HOMER, ALASKA
Principal Property Taxpayers
December 31, 2011
and December 31, 2002

Owner	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
ACS	\$ 13,532,673	1	2.15%	10,155,966	1	3%
Homer Spit Properties, LLC	10,102,500	2	1.61%	3,628,200	2	1%
Tulin Charles E & Helen L	7,489,400	3	1.19%			0%
Lands End Acquisition Corp.	5,801,216	4	0.92%	3,467,600	3	1%
Alaska USA Federal Credit Union	4,935,478	5	0.79%			0%
Lehner Devony L & Taffe Thomas	3,355,900	9	0.53%			0%
CGF Properties, Inc	3,963,100	6	0.63%	1,833,300	9	1%
Moore Kenneth & Roseleen Trust	3,295,100	10	0.52%	2,099,300	7	1%
Wells Fargo (National Bank of AK)	3,450,710	8	0.55%	2,729,400	5	1%
Harbor Enterprises				2,833,600	4	1%
Spenard Builders Supply				1,958,512	8	1%
Johnson, John R. and Ruth E				2,166,700	6	1%
Maritime Helicopters				1,825,883	10	1%
Total	\$ <u>55,926,077</u>		<u>8.90%</u>	<u>32,698,461</u>		10%

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 are 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
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%
2010	2,862,172	2,815,749	98.38%	41,043	2,856,792	99.81%
2011	2,869,743	2,764,751	96.34%	100,863	2,865,614	99.86%

Source: Kenai Peninsula Borough

Note: Prior years over 100% of Levy were not restated - Penalties and interest were included in the prior years over 100% of tax levy.

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				
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	1,992,753	163,044	620,000	9,539,106	208,909	13,004,092	10.09%	2,384	
2007	-	-	1,955,878	71,768	365,000	10,160,611	153,810	12,707,067	9.63%	2,310	
2008	-	-	1,529,282	27,749	185,000	11,567,201	95,720	13,404,952	10.12%	2,487	
2009	-	-	1,507,077	6,703	-	14,489,912	34,045	16,037,737	13.24%	2,889	
2010	-	-	15,489,024	-	-	-	-	15,489,024	11.70%	3,096	
2011	-	-	16,629,968	-	-	-	-	16,629,968	15.14%	3,292	

Population per Alaska Department of Community and Economic Development

In 2010, the City converted its Water and Sewer Utility from an Enterprise Fund to a Special Revenue Fund. Prior years have not been reclassified or restated.

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>
2011	5003	\$ 504,558	\$ -	\$ -	\$ -	0.00%	\$ -
2010	5003	662,557	-	-	-	0.00%	-
2009	5551	631,527	-	-	-	0.00%	-
2008	5390	588,595	-	-	-	0.00%	-
2007	5502	551,814	-	-	-	0.00%	-
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

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>
2011	\$ -	\$ -	\$ -	\$ 7,947,159	0.00%
2010	-	-	-	9,989,455	0.00%
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%

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>	(1) <u>Population</u>	(2) <u>Annual Average Wage Per Worker</u>	(2) <u>Per Capita Income</u>	(1) <u>Median Age</u>	(3) <u>School Enrollment</u>	(2) <u>Unemployment Rate</u>
2011	5,051	\$ 32,035	\$ 21,750	44.0	765	9.9%
2010	5,003	32,120	21,823	38.8	1,329	11.5%
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%

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

<u>Employer</u>	<u>2011</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
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	111	4	5.00%
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	<u>10</u>	<u>2.88%</u>
 Total Employees (Top Ten)	 1,364		 61.39%
 Average Employees Per Month	 2,222		

Source:
Alaska Department of Labor and Workforce Development

Note:
Comparative principal employers for 2002 is not available.

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

<u>Function/program</u>	<u>2011</u>	<u>2010</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>
Administration	30	29	30	29	29	34	27	27	26	26
Public Safety:										
Fire Department	5	5	6	6	6	6	6	6	6	6
Police Department	24	24	26	21	24	27	26	27	26	26
Public Works:										
PW General Fund	21	15	17	16	13	11	14	14	15	14
PW Water/Sewer	11	17	18	18	19	23	25	25	25	25
Port and Harbor	<u>20</u>	<u>20</u>	<u>20</u>	<u>13</u>	<u>11</u>	<u>13</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total	<u>111</u>	<u>110</u>	<u>117</u>	<u>103</u>	<u>102</u>	<u>114</u>	<u>116</u>	<u>117</u>	<u>116</u>	<u>115</u>

Notes: Above statistical information taken directly from the 2011 City of Homer Adopted Budget

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

Function/Program	Fiscal Year									
	<u>2011</u>	<u>2010</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>
General Government										
Registered voters	4,277	4,289	4,270	4,161	4,172	4,073	4,022	4,098	4,146	4,000
Building permits issued	40	45	55	62	87	83	103	109	86	74
Police										
Requests for service	6,584	6,661	6,139	7,532	6,052	5,987	5,878	6,141	7,552	4,265
Physical arrests	712	572	471	391	425	428	507	429	480	589
Traffic citations	650	660	662	731	515	450	464	525	807	1,033
Animal control impounds	65	361	3	415	864	1,048	1,065	967	2,139	2,139
Fire										
Emergency responses	438	536	641	599	566	472	469	439	457	478
Fires calls	75	combined	combined	83	100	79	111	107	103	109
Parks & Recreation										
Camping permits - Tents	3,778	9,145	9,172	3,852	3,934	3,830	3,888	4,559	4,144	3,291
Camping permits - RV's	4,090	combined	combined	4,988	5,621	5,250	5,515	6,662	6,466	5,905
Library										
Number of Visitors	123,015	126,030	125,441	132,402	133,186	91,301	88,372	88,136	88,810	90,529
Number of Library cards	10,695	11,717	10,720	10,405	10,055	9,812	9,073	9,013	8,713	8,544
Internet Users	48,270	45,887	44,987	-	40,041	-	19,145	18,359	-	-
Public Works										
Work orders	7,426	7,509	6,573	6,553	6,761	6,852	6,758	6,573	6,438	6,036
Water										
Number of Consumers	1,559	1,541	1,450	1,445	1,406	1,406	1,373	1,337	1,297	1,269
Water usage in millions gal	134.8	1,308	1,503.0	142.2	145.1	137.5	179.0	161.0	132.5	132.8
Wastewater										
Number of Consumers	1,490	1,445	1,444	1,432	1,354	1,354	1,280	1,374	1,197	1,153
Port & Harbor										
Harbor Assists	333	196	150	143	197	220	298	302	378	249
Dock Landings	843	150	421	226	202	162	139	113	126	155
Ice sales (ton)	3,182	4,385	4,434	3,776	3,826	3,333	4,261	3,869	3,744	3,896
Crane hours billed	2,364	2,795	3,134	2,672	2,574	2,535	2,819	2,979	3,187	3,492
Halibut landings (million tons)	13	13	12	10	10	10	10	10	12	12

Notes: Above statistical information received directly from the various City of Homer Departments.

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

Function by Program	Fiscal Year									
	<u>2011</u>	<u>2010</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>
Emergency Services										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	4	4	4	4	3	3	2	2	2	2
Number of Ambulances	2	2	2	2	2	2	2	2	2	2
Number of Employees/ Volunteers	46	41	39	39	39	38	37	54	48	52
Police Protection										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	0	12	12	12	11	10	9	9	9	8
Number of Employees	24	26	26	21	24	27	28	27	26	27
Public Works										
Miles of City-maintained streets	47.1	47.1	46.5	46.5	46.9	46.9	46.5	45.0	44.0	41.0
Water/ Sewer										
Miles of Water Lines	42.5	42.5	42.4	42.4	42.4	42.3	42.1	46.5	36.41	36.41
Miles of Sewer Lines	49.2	49.2	49.2	49.2	49.2	49.2	48.7	39.5	42.8	42.8
Parks & Recreation										
Number of Parks	18	18	18	18	18	18	18	18	18	18
Acres	285.9	285.9	518.2	518.2	518.2	267.4	267.4	267.4	267.4	267.4
Library										
Volumes	47,748	44,072	43,148	42,812	40,181	36,984	34,791	34,080	34,080	34,080
Circulation	104,299	108,166	101,290	99,511	98,815	99,020	89,964	91,886	89,617	95,051
Public use computers	20	18	18	18	18	6	6	6	6	6
Port & Harbor										
Small Boat Harbor - stalls	920	920	920	920	920	920	920	920	920	772
Transient space square feet	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000

Notes: Above statistical information received directly from the various City of Homer Departments.

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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 Members of the 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, 2011 which collectively comprise the City of Homer's basic financial statement and have issued our report thereon dated May 4, 2012. 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

Management of City of Homer is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Homer'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 of Homer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Homer'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 Members of the City Council
City of Homer, Alaska

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Homer'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
May 4, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of City of Homer, Alaska with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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

Internal Control Over Compliance

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 to determine the 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 A133, 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 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 noncompliance 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 the City of Homer's management, Honorable Mayor and City Council, others within the entity, 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
May 4, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits

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

Compliance

We have audited the compliance of City of Homer, Alaska with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011. City of Homer's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Homer's management. Our responsibility is to express an opinion on City of Homer's compliance based on our audit.

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

In our opinion, City of Homer complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011.

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

Internal Control Over Compliance

Management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Homer's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 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 state 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 noncompliance with a type of compliance requirement of a state 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 the City of Homer's management, Honorable Mayor and City Council, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
May 4, 2012

CITY OF HOMER, ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

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 X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Unqualified

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

_____ yes X no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Environmental Protection Agency	66.458	Clean Water Loan: Sewer Service Extensions, Phase II
Department of Energy	81.128	Energy Efficient Audits and Upgrades

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

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF HOMER, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2011

Federal

There were no prior year audit findings.

State of Alaska

There were no prior year audit findings.

CITY OF HOMER, ALASKA

Corrective Action Plan

Year Ended December 31, 2011

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