

# City of Homer, Alaska



## Comprehensive Annual Financial Report

Year Ended  
December 31, 2013

# City of Homer, Alaska

## Comprehensive Annual Financial Report

Year Ended December 31, 2013

Mary E. Wythe  
Mayor

Walt Wrede  
City Manager

Prepared by the Finance Department

Zhiyong (John) Li  
Finance Director

# City of Homer, Alaska

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## Comprehensive Annual Financial Report

Year Ended December 31, 2013

**City of Homer, Alaska**  
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*City of Homer*

*Homer, Alaska*

May 19, 2014

To the Honorable Mayor Mary E. Wythe  
Members of the City Council,  
The Citizens of the City of Homer:

The Finance Department is pleased to submit the Comprehensive Annual Financial Report of the City of Homer, for the fiscal year ended December 31, 2013. 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.<sup>1</sup> Formal budgetary integration is employed as a management control device during the year for the General Fund. Capital projects are budgeted on a project length basis. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Homer City Council. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level. The City Council may pass subsequent supplemental appropriations. Activities of the General Fund and Enterprise Funds are included in the annual appropriating budget. Appropriations lapse at the end of the year. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. 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 54 as part of the required supplementary information for the governmental funds.

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<sup>1</sup> Financial policies can be located beginning on page 15 of the City of Homer Annual 2013 Budget.

## **Capital Projects**

A significant portion of economic activity and growth in Homer is directly related to capital investment in infrastructure. Much of this growth is currently fueled by public sector spending. The private sector economy shows signs of recovery and growth, particularly in the marine trades, tourism, and residential construction.

Major capital projects that are planned, or in progress in 2014 and 2015 include the following:

### **City of Homer Special Assessment District (SAD) 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 Special Assessment Districts (SAD). In 2013, the City successfully completed the Kachemak Drive Water and Sewer Improvements (Phase II), Crittenden Drive Road Improvement, and Waddell St. Road Improvement SAD Projects.

In 2013, the City increased its indebtedness by borrowing \$12.7 Million from the Kenai Peninsula Borough to finance construction of a natural gas distribution system throughout the town. The loan will be paid through a special assessment district with assessments paid by benefited property owners.

Special Assessment Districts currently in the planning, design, and construction phase include:

- 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 SAD failed at the petition phase but the City anticipates that local property owners will mount another effort. The City plans to close the water loop independently using grant funds. Design work commenced in 2013 and will continue in 2014.
- Gas Utility SAD. In 2012 the Homer City Council approved a natural gas distribution system SAD. The City sold a bond to the Kenai Peninsula Borough in the amount of \$12.7 Million. The revenue from the bond sale will be used to finance construction of gas mains in approximately 73 miles of road within the City limits. Construction of Phase I, the downtown core was completed in 2013. The Homer Spit portion of Phase II was completed in May of 2014, and the remainder of Phase II is scheduled to be completed by August 2014.

### **OTHER CITY CAPITAL PROJECTS**

- Deep Water Dock: The City and the Alaska Department of Transportation and Public Facilities recently entered into a Transfer of Responsibility Agreement (TORA) under which the City will take full responsibility for the project. Under this agreement, a \$2 million dollar federal earmark approved in 2005 will be combined with a \$1 million Legislative Grant to conduct a feasibility study on expanding and strengthening the Deep Water Dock. Feasibility work will commence in 2014.
- Skyline Drive Fire Station: At the City's request, the Legislature re-appropriated a \$2 million grant intended for improvements at the Main St. and Sterling Highway

intersection to construct the long awaited fire station on Skyline Drive. Engineering and design was completed in 2013 and construction is anticipated during the summer of 2014.

- Harbormaster's Office: The legislative re-appropriation described above also provided most of the funding (\$1.5 Million) needed for a new harbormaster's office. The necessary \$500,000 match came from the Port Reserve Account. The City General Fund was tapped for the remaining funds in the form of a \$300,000 loan. The engineering and design phase is complete and construction will commence in the fall of 2014.
- Natural Gas Trunk Line: The 2012 State Capital Budget contained an \$8.15 Million grant to the City of Homer for construction of a natural gas trunk line from Anchor Point, through Homer, and on to Kachemak City. This is the large diameter pipe that will bring gas into Homer and serve the distribution system described above. Construction was completed in 2013 which enabled construction of the distribution system described above.
- Spit Trail: The City has received approximately \$2.1 Million in Legislative and Scenic Byways grants to complete the Spit Trail and make improvements to End of the Road Park. The City and the Department of Transportation and Public Facilities recently entered into a Transfer of Responsibility Agreement (TORA) which enables the City to proceed with the project. Engineering, design, and much of the construction is scheduled for 2013. The project will be completed in the Spring of 2014.
- Load and Launch Ramp: The City and the Alaska Department of Fish and Game recently entered into a Memorandum of Understanding regarding the reconstruction and rehabilitation of the Load and Launch Ramp in the harbor. The state is expected to bring about \$3 million to the table in construction funds and is paying for all of the engineering and design work. The City will be expected to contribute a local match for construction. Engineering and design commenced in 2012 and was completed in 2013. Construction is anticipated in the fall of 2014.
- Harbor Revenue Bond Projects: The City Council has identified several priority harbor improvement projects that total approximately \$ 8.9 million. Engineering and design funds were secured through a Denali Commission grant and a local match of harbor reserve funds. \$ 4.2 Million of the construction cost is was approved in the 2014 State Capital Budget and the City raised another \$4.2 million through the sale of revenue bonds through the Alaska Municipal Bond Bank. Construction activity will be completed in 2014.
- Cruise Ship Passenger Amenities: In 2011 the City received a Legislative Grant in the amount of \$6 million for improvements that directly benefit cruise ship passengers. Improvements will include a pathway around the harbor, a passenger staging area, restrooms at various locations, and improvements at the Deep Water Dock that will make docking and movement of passengers easier and more comfortable. Engineering and Design commenced in 2012. Construction began 2013 and will be completed in 2014.
- The FY 2015 State Capital Budget contained funding for a new sheet pile dock within the confines of the small boat harbor. Engineering and design are expected to occur in 2015.
- The FY 2015 State Capital Budget contained funding for road improvements at Waddell Way. This is Phase I of the larger East-West corridor project contained on the City

Transportation Plan and CIP List. Land Acquisition, engineering, and design are expected in 2015.

- Natural Gas Conversions: The City provided funds to convert six City buildings and facilities to natural gas in 2013. Another two buildings and several restrooms will be converted in 2014.

### **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 2014. Construction began in 2011.
- The 2014 State Capital Budget contained partial funding to install artificial turf at the Homer High School football field and to improve various Borough roads. The High School Project will be completed in 2014.
- The 2014 State Capital Budget contained funds to convert South Peninsula Hospital to natural gas; which was completed in 2014.

### **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 2014. A STIP Amendment currently out for public comment contains a proposal for upgrades to Pioneer Ave. This project could occur in 2015.
- The State is scheduled to undertake Phase II of its Homer Sterling Highway repaving project in 2014. The project will extend from the Sterling Highway intersection with Pioneer Avenue to the end of the Homer Spit. ADOT/PF will also undertake major improvements on the Spit Road where serious erosion has occurred which threatens the road itself.

### **Major Private Sector Projects**

- Due to the overall downturn in the economy, the City did not experience large private capital investments or developments in 2013. Things appeared to be turning around slightly at the end of 2012 with renewed interest in subdivisions and construction. Several new commercial buildings and upgrades to existing buildings are planned.

## **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 2013 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 document can be obtained from the City of Homer's Finance Department by calling (907) 235-8121. The Annual Budget can also be accessed through the City's web site at [www.ci.homer.ak.us](http://www.ci.homer.ak.us) and selecting the Finance Department.

## **FINANCIAL INFORMATION**

### **Single Audit**

As a recipient of federal and state assistance, the City is responsible for providing an independent audit to ensure compliance with applicable laws and regulations related to these programs. The reporting entity that is included in our Comprehensive Annual Financial Report is determined by the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standard, Section 2100. The criteria deal with the City's responsibility over a governmental organization and the scope of public service. Based on these criteria, the various funds (being all the funds 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, 2012.

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 BDO USA LLP 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



Zhiyong Li  
Finance Director

# City of Homer, Alaska

## Principal City Officials

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### Mayor

Mary E. Wythe

### City Council

David Lewis  
Gus Van Dyke  
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  
Zhiyong (John) Li  
Bob Painter  
Anne Dixon  
Rick Abboud  
Mark Robl  
Bryan Hawkins  
Carey Meyer



City of Homer, Alaska

Organizational Chart

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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

City of Homer, Alaska

GFOA Certificate of Achievement for Excellence in Financial Reporting

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Government Finance Officers Association

**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, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise City of Homer's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *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 City of Homer, Alaska, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules 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.

### *Supplementary Information*

Our audit for the year ended December 31, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 and the Schedule of State Financial Assistance are required by OMB Circular A-133 and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2013 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2013.

City of Homer's basic financial statements for the year ended December 31, 2012 (not presented herein) were audited by other auditors whose report thereon dated May 7, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated May 7, 2013, stated that the individual fund financial statements and schedules for the year ended December 31, 2012 were subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2012.

The accompanying introductory and statistical sections, as listed 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 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* in considering City of Homer's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
May 19, 2014

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## Management's Discussion and Analysis

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# City of Homer, Alaska

## Management's Discussion and Analysis December 31, 2013

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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, 2013. 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

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- The assets of the City of Homer exceeded its liabilities at December 31, 2013, by \$126,170 (Net Position). Of this amount, unrestricted net position of \$9,178 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position decreased by \$1,036.

As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$19,769, a decrease of \$638 from the prior year. A combination of factors contributed the decrease. The Capital Projects (including Gas-Line and HART-Road) resulted in a \$1,313 increase to the fund balance; the Utility (Water & Sewer) Special Revenue fund decreased by \$192; the General Fund decrease by \$41; all other Non-Major Funds have an increase of \$217.

- At the end of the current year, the fund balance for the General Fund was \$6,048. Of this amount, \$5,594 was unassigned and available for spending.
- At year-end, the City of Homer's outstanding governmental debt totals \$25,301, an increase of \$7,982 from the previous year due to the issuance of special assessment debt. Business-type debt outstanding was \$4,205 due to the issuance of Harbor bonds.

### Overview of the Financial Statements

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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.



# City of Homer, Alaska

## Management's Discussion and Analysis

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 position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net position *Statement of revenues, expenses and changes in net position *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.

# City of Homer, Alaska

## Management's Discussion and Analysis

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### Government-wide Financial Statements

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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 18-19 of this document.

- The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate the improvement or deterioration of the City's financial position.
- The statement of activities presents information showing how the City's net position changed during the concluded fiscal year. All changes in net position 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

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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.

# City of Homer, Alaska

## Management's Discussion and Analysis

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The City of Homer maintains eighteen 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 and Utility Special Revenue Fund. Budgetary comparison statements are provided for these funds to demonstrate compliance with the budgets.

*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 one enterprise fund 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 and accrued leave cash-outs.

### Notes to the Financial Statements

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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 28-51 of this report.

### Government-wide Financial Analysis

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At the close of the 2013 fiscal year, the City's net position (assets exceeding liabilities) totaled \$126,170 (see Table A-1). Of this amount \$108,961, or 86%, 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 amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$7,738 in the governmental activities is for debt service and capital projects. The restricted balance of \$294 is for debt service for the business-type activities. The total unrestricted amount totals \$9,178 and is available to meet the City's ongoing obligations to citizens and creditors.

# City of Homer, Alaska

## Management's Discussion and Analysis

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current assets	\$ 27,431	\$ 24,289	\$ 7,373	\$ 2,665	\$ 34,804	\$ 26,954
Capital assets	82,728	81,072	42,890	40,260	125,618	121,332
<b>Total Assets</b>	<b>110,159</b>	<b>105,361</b>	<b>50,263</b>	<b>42,925</b>	<b>160,422</b>	<b>148,286</b>
<b>Liabilities</b>						
Noncurrent liabilities	26,014	17,281	4,665	407	30,679	17,688
Other liabilities	2,087	1,990	1,486	1,402	3,573	3,392
<b>Total Liabilities</b>	<b>28,101</b>	<b>19,271</b>	<b>6,151</b>	<b>1,809</b>	<b>34,252</b>	<b>21,080</b>
<b>Net Position</b>						
Net investment in capital assets	66,236	63,753	42,725	40,260	108,961	104,013
Restricted	7,737	6,692	294	-	8,031	6,692
Unrestricted	8,085	15,645	1,093	856	9,178	16,501
<b>Total Net Position</b>	<b>\$ 82,058</b>	<b>\$ 86,090</b>	<b>\$ 44,112</b>	<b>\$ 41,116</b>	<b>\$ 126,170</b>	<b>\$ 127,206</b>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
<b>Program Revenues</b>						
Charges for services	\$ 7,712	\$ 4,357	\$ 4,452	\$ 3,917	\$ 12,164	\$ 8,275
Operating grants and contributions	9,835	1,378	135	250	9,970	1,628
Capital grants and contributions	343	1,699	3,523	883	3,866	2,582
<b>General Revenues</b>						
Property taxes	3,225	2,999	-	-	3,225	2,999
Sales taxes	7,307	7,031	-	-	7,307	7,031
Other	573	809	300	233	873	1,042
<b>Total Revenues</b>	<b>28,995</b>	<b>18,273</b>	<b>8,410</b>	<b>5,283</b>	<b>37,405</b>	<b>23,557</b>

# City of Homer, Alaska

## Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Expenses</b>						
<b>General</b>						
government	\$ 3,509	\$ 3,889	\$ -	\$ -	\$ 3,509	\$ 3,889
Public safety	4,802	4,757	-	-	4,802	4,757
Public works	2,920	2,681	-	-	2,920	2,681
Library	1,038	988	-	-	1,038	988
Airport	267	284	-	-	267	284
Parks and recreation	577	512	-	-	577	512
Community services	7,801	899	-	-	7,801	899
Unallocated interest	441	251	-	-	441	251
Port and harbor	-	-	5,286	4,650	5,286	4,650
Water and sewer	4,607	4,598	-	-	4,607	4,598
<b>Total Expenses</b>	<b>25,962</b>	<b>18,859</b>	<b>5,286</b>	<b>4,650</b>	<b>31,248</b>	<b>23,736</b>
<b>Increase (decrease) in net position before transfers and special item</b>						
	3,033	(586)	3,124	406	6,157	(179)
Transfers	128	-	(128)	-	-	-
Special item	(7,193)	-	-	-	(7,193)	-
<b>Increase (Decrease) In Net Position</b>	<b>(4,032)</b>	<b>(586)</b>	<b>2,996</b>	<b>406</b>	<b>(1,036)</b>	<b>(179)</b>
<b>Net Position, beginning</b>	<b>86,090</b>	<b>86,676</b>	<b>41,116</b>	<b>40,710</b>	<b>127,206</b>	<b>127,384</b>
<b>Net Position, ending</b>	<b>\$ 82,058</b>	<b>\$ 86,090</b>	<b>\$ 44,112</b>	<b>\$ 41,116</b>	<b>\$ 126,170</b>	<b>\$ 127,206</b>

As reflected in Table A-2, the City's net position decreased by \$1,036. Expenses exceeded revenues in the governmental activities by \$4,032 and in the business-type activities revenues exceeded expenses by \$2,996. Key elements of the increases and decreases follow:

- Revenues increased, by approximately \$13,848 in 2013 from 2012.
- Sales Taxes reflect an increase from 2012. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2013 to 2012 are as follows:

	2013	2012	Increase/ (Decrease)
<b>Fund</b>			
General	\$ 4,873	\$ 4,699	\$ 174
HART - Road	1,096	1,057	39
HART-Trail	122	100	22
Utility(Water & Sewer - HAWSP)	1,217	1,175	42
<b>Total</b>	<b>\$ 7,308</b>	<b>\$ 7,031</b>	<b>\$ 277</b>

# City of Homer, Alaska

## Management's Discussion and Analysis

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- Capital grants and contributions increased by \$1,284.
- Property taxes increased by \$226.
- Expenses in the governmental activities increased by \$7,103 for 2013.

### Financial Analysis of the Governmental Funds

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*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, unassigned 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, 2013, the City's governmental funds reported combined ending fund balances of \$19,769, a decrease of \$638 compared to balances a year earlier. Of the ending balance, \$3,768, or 19% is unassigned and is available to the City for future spending. Most of the remaining fund balance is restricted for Roads \$6,467, Permanent Fund, \$1,966, or assigned for future capital projects and other purposes \$6,995; and non-spendable in the form of inventory, interfund loan and prepaid items \$573. The increase of total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$11,944 compared to revenues and transfers in of \$11,903. The \$41, decrease in the General Fund balance was actually less than the final budgeted net change in fund balance of \$44. This was primarily due to higher than expected property taxes and sales taxes.
- 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 three fourths ( $\frac{3}{4}$ )% of all sales tax revenue received to go towards the improvement of streets and sidewalks. In 2013, \$1,096 was received from sales taxes and \$26 was received from interest earned on this revenue. Council designated 10% of sales tax revenue earmarked for HART is designated specifically for trails. In 2013, \$122 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 2013 \$20 was transferred into this fund, \$143 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 2013, \$82 was received in this fund as a transfer.

# City of Homer, Alaska

## Management's Discussion and Analysis

### 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, 2013, totals \$125,618 (net of accumulated depreciation). This amount represents a \$4,286 increase over the previous year.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 10,676	\$ 10,676	\$ 15,254	\$ 15,254	\$ 25,930	\$ 25,930
Buildings	49,622	49,614	13,035	13,035	62,657	62,649
Improvements other than buildings	45,043	44,635	37,696	37,535	82,739	82,170
Machinery and equipment	14,591	14,139	3,176	3,108	17,767	17,247
Infrastructure	30,771	29,421	-	-	30,771	29,421
Construction in progress	4,077	1,002	4,639	852	8,716	1,854
Accumulated depreciation	(72,052)	(68,415)	(30,910)	(29,524)	(102,962)	(97,939)
<b>Total Capital Assets</b>	<b>\$ 82,728</b>	<b>\$ 81,072</b>	<b>\$ 42,890</b>	<b>\$ 40,260</b>	<b>\$ 125,618</b>	<b>\$ 121,332</b>

Major capital asset events during the 2013 year included:

- General Fund:
  - Beluga Slough
  - Boiler Replacement
  - Fishing Lagoon Dredging
  - Airport Front Door Replacement
  - Steamer Unit
  - Vapor Steamer

Construction in progress associated with the General Fund activities include Karen Hornaday Park improvements.

- Utility (Water/Sewer) Special Revenue:
  - Kachemak Dr Phase II water/sewer
    - Belugas Lift Station
    - Steamer Unit
    - Polymer Feed Equipment Replacement
    - Pressure Reducing Station

# City of Homer, Alaska

## Management's Discussion and Analysis

Construction in progress associated with the Utility Special Revenue Fund activities include:

- Port & Harbor:
  - Fish Cleaning Table
  - Security Gates and Cameras
  - Cruise Ship Enhancements
  - Fish Dock Corrosion and Access Improvements

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</u>	
	2013	2012	2013	2012	2013	2012
Notes payable - library	\$ 1,325	\$ 1,369	\$ -	\$ -	\$ 1,325	\$ 1,369
Notes payable - utility	15,167	15,950	-	-	15,167	15,950
Special assessment bond with government commitment	8,809	-	-	-	8,809	-
General obligation bond payable	-	-	3,735	-	3,735	-
Unamortized bond premium	-	-	470	-	470	-
<b>Total</b>	<b>25,301</b>	<b>17,319</b>	<b>4,205</b>	<b>-</b>	<b>29,506</b>	<b>17,319</b>
Compensated absences	713	752	186	155	899	907
<b>Total Long-Term Debt</b>	<b>\$ 26,014</b>	<b>\$ 18,071</b>	<b>\$ 4,391</b>	<b>\$ 155</b>	<b>\$ 30,405</b>	<b>\$ 18,226</b>

Long-term debt - At the end of the 2013 year, the City of Homer had total debt outstanding of \$29,506 as detailed in Table A-4. This excludes \$899 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 41-44 of this report.



# City of Homer, Alaska

## Management's Discussion and Analysis

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

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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 showing an increase of revenues over expenditures of \$837, before transferring funds to reserve accounts. The increase is due in part to maintaining staffing levels at the 2012 level and not providing COLA's to personnel since 2009.

The Water and Sewer Utility Fund remains vulnerable because of the basic structural flaws. 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 best long term interest of the Fund. The Water/Sewer fund shows an excess of revenue over expenditures in the amount of \$631 before capital outlays of \$702 causing a net decrease in Fund Balance of \$70 before transfers and issuance of long-term debt. The Fund's 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 showing an excess in revenues over expenditures of \$807 before depreciation due to an increase in rates which were implemented due to anticipated bonded projects. Additionally, there has been an increase in activity at the docks, ramps and tidelands.

### Requests for Information

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

Finance Department  
City of Homer  
491 E. Pioneer Ave. Homer, Alaska 99603  
Telephone: (907) 235-8121      [email: finance@ci.homer.ak.us](mailto:finance@ci.homer.ak.us)

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## Basic Financial Statements

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## City of Homer, Alaska

## Statement of Net Position

<i>December 31, 2013</i>	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 14,077,227	\$ 1,779,297	\$ 15,856,524
Receivables, net of allowance for doubtful accounts:			
Accounts	196,288	211,923	408,211
Sales and property taxes	1,264,761	-	1,264,761
State and federal grants and loans	2,353,193	1,109,211	3,462,404
Assessments	5,526,306	-	5,526,306
Other	103,854	-	103,854
Internal balances	126,101	(126,101)	-
Inventory	311,822	15,647	327,469
Prepaid items	238,624	48,607	287,231
Restricted cash and investments	3,233,689	4,333,353	7,567,042
Capital assets not being depreciated - land and construction in progress	14,752,721	19,893,452	34,646,173
Other capital assets, net of accumulated depreciation	67,974,783	22,996,753	90,971,536
<b>Total Assets</b>	<b>\$ 110,159,369</b>	<b>\$ 50,262,142</b>	<b>\$ 160,421,511</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,268,921	\$ 644,931	\$ 1,913,852
Accrued payroll and related liabilities	285,946	36,303	322,249
Accrued interest payable	269,433	-	269,433
Prepaid rentals and deposits	52,444	786,897	839,341
Unearned revenue	210,497	18,000	228,497
Noncurrent liabilities:			
Due within one year:			
Accrued leave	102,292	14,398	116,690
Notes payable	858,081	-	858,081
General obligation bonds payable	-	130,000	130,000
Due in more than one year:			
Accrued leave	610,427	171,617	782,044
Notes payable	15,633,871	-	15,633,871
General obligation bonds payable including bond premium	-	4,074,780	4,074,780
Special assessment bond payable with government commitment to Kenai Peninsula Borough	8,809,368	-	8,809,368
Unearned revenue	-	273,710	273,710
<b>Total Liabilities</b>	<b>28,101,280</b>	<b>6,150,636</b>	<b>34,251,916</b>
<b>Net Position</b>			
Net Investment in capital assets	66,235,552	42,725,081	108,960,633
Restricted:			
Roads and trails	6,467,413	-	6,467,413
Bond retirement	1,270,097	293,697	1,563,794
Unrestricted	8,085,027	1,092,728	9,177,755
<b>Total Net Position</b>	<b>82,058,089</b>	<b>44,111,506</b>	<b>126,169,595</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 110,159,369</b>	<b>\$ 50,262,142</b>	<b>\$ 160,421,511</b>

See accompanying notes to basic financial statements.

**City of Homer, Alaska**  
**Statement of Activities**  
**Year Ended December 31, 2013**

Year Ended December 31, 2013	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
<b>Activities</b>							
<b>Governmental:</b>							
General government	\$ 3,509,077	\$ 662,367	\$ 1,204,212	\$ 333,568	\$ (1,308,930)	\$ -	\$ (1,308,930)
Public safety	4,801,462	329,021	821,489	-	(3,650,952)	-	(3,650,952)
Public works	2,920,106	-	-	-	(2,920,106)	-	(2,920,106)
Library	1,037,518	-	648	9,003	(1,027,867)	-	(1,027,867)
Airport	267,179	137,177	-	-	(130,002)	-	(130,002)
Parks and recreation	576,656	140,960	314,120	-	(121,576)	-	(121,576)
Community services	7,800,998	33,565	7,494,343	-	(273,090)	-	(273,090)
Water	2,682,608	3,303,929	-	-	621,321	-	621,321
Sewer	1,924,466	3,105,293	-	-	1,180,827	-	1,180,827
Unallocated interest	440,827	-	-	-	(440,827)	-	(440,827)
<b>Total Governmental Activities</b>	<b>25,960,897</b>	<b>7,712,312</b>	<b>9,834,812</b>	<b>342,571</b>	<b>(8,071,202)</b>	<b>-</b>	<b>(8,071,202)</b>
Business-type - Port and harbor	5,286,008	4,451,839	134,811	3,523,302	-	2,823,944	2,823,944
<b>Total</b>	<b>\$ 31,246,905</b>	<b>\$ 12,164,151</b>	<b>\$ 9,969,623</b>	<b>\$ 3,865,873</b>	<b>(8,071,202)</b>	<b>2,823,944</b>	<b>(5,247,258)</b>
<b>General Revenues and Transfers</b>							
Property taxes					\$ 3,224,520	-	3,224,520
Sales taxes					7,307,475	-	7,307,475
Grants and entitlements not restricted to a specific purpose					412,954	-	412,954
Investment income					149,444	-	149,444
Other					10,262	299,564	309,826
Transfers					128,000	(128,000)	-
<b>Total General Revenues and Transfers</b>					<b>11,232,655</b>	<b>171,564</b>	<b>11,404,219</b>
Special item - construction of gas pipeline on behalf of third parties					(7,192,924)	-	(7,192,924)
<b>Change in Net Position</b>					<b>(4,031,471)</b>	<b>2,995,508</b>	<b>(1,035,963)</b>
<b>Net Position, beginning</b>					<b>86,089,560</b>	<b>41,115,998</b>	<b>127,205,558</b>
<b>Net Position, ending</b>					<b>\$ 82,058,089</b>	<b>\$ 44,111,506</b>	<b>\$ 126,169,595</b>

*See accompanying notes to basic financial statements.*

## City of Homer, Alaska

Governmental Funds  
Balance Sheet

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project			
<i>December 31, 2013</i>								
<b>Assets</b>								
Cash and investments	\$ 3,569,630	\$ 957,317	\$ -	\$ 346,497	\$ 5,852,924	\$ 2,978,485	\$ 13,704,853	
Receivables, net of allowance:								
Accounts	-	196,288	-	-	-	-	196,288	
Property taxes	112,310	-	-	-	-	-	112,310	
Sales taxes	768,292	192,081	-	-	172,867	19,211	1,152,451	
Assessments	348,605	5,177,701	-	-	-	-	5,526,306	
State and federal grants and loans	-	1,803,926	549,267	-	-	-	2,353,193	
Interfund loan	-	-	-	-	-	22,712	22,712	
Other	102,588	-	-	-	-	1,266	103,854	
Due from other funds	1,963,406	-	-	-	-	-	1,963,406	
Inventory	76,245	235,577	-	-	-	-	311,822	
Prepaid items	206,415	32,209	-	-	-	-	238,624	
Restricted cash and investments	-	-	-	1,270,097	-	1,963,592	3,233,689	
<b>Total Assets</b>	<b>\$ 7,147,491</b>	<b>\$ 8,595,099</b>	<b>\$ 549,267</b>	<b>\$ 1,616,594</b>	<b>\$ 6,025,791</b>	<b>\$ 4,985,266</b>	<b>\$ 28,919,508</b>	
<b>Liabilities</b>								
Accounts payable	\$ 182,458	\$ 331,454	\$ 425,062	\$ 53	\$ -	\$ 78,787	\$ 1,017,814	
Accrued payroll and related liabilities	248,497	37,449	-	-	-	-	285,946	
Customer deposits	16,602	35,842	-	-	-	-	52,444	
Unearned revenue	194,674	-	-	-	-	15,823	210,497	
Due to other funds	-	-	1,862,119	-	-	86,147	1,948,266	
<b>Total Liabilities</b>	<b>642,231</b>	<b>404,745</b>	<b>2,287,181</b>	<b>53</b>	<b>-</b>	<b>180,757</b>	<b>3,514,967</b>	
<b>Deferred Inflows</b>								
Deferred property taxes	108,871	-	-	-	-	-	108,871	
Deferred assessments	348,605	5,177,701	-	-	-	-	5,526,306	
<b>Total Deferred Inflows</b>	<b>457,476</b>	<b>5,177,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,635,177</b>	
<b>Total Liabilities and Deferred Inflows</b>	<b>1,099,707</b>	<b>5,582,446</b>	<b>2,287,181</b>	<b>53</b>	<b>-</b>	<b>180,757</b>	<b>9,150,144</b>	
<b>Fund Balances</b>								
Nonspendable:								
Inventory	76,245	235,577	-	-	-	-	311,822	
Prepaid items	206,415	32,209	-	-	-	-	238,624	
Interfund loan	-	-	-	-	-	22,712	22,712	
Restricted - roads and trails	-	-	-	-	6,025,791	441,622	6,467,413	
Committed - Permanent fund	-	-	-	-	-	1,966,031	1,966,031	
Assigned:								
Library	-	-	-	-	-	32,524	32,524	
Fire	-	-	-	-	-	88,063	88,063	
Community schools	-	-	-	-	-	892	892	
Sustainability	-	-	-	-	-	14,780	14,780	
Water and sewer	-	2,744,867	-	-	-	-	2,744,867	
PERS benefits	171,314	-	-	-	-	14,639	185,953	
Capital and land	-	-	-	1,616,541	-	2,310,653	3,927,194	
Unassigned (deficit)	5,593,810	-	(1,737,914)	-	-	(87,407)	3,768,489	
<b>Total Fund Balances</b>	<b>6,047,784</b>	<b>3,012,653</b>	<b>(1,737,914)</b>	<b>1,616,541</b>	<b>6,025,791</b>	<b>4,804,509</b>	<b>19,769,364</b>	
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 7,147,491</b>	<b>\$ 8,595,099</b>	<b>\$ 549,267</b>	<b>\$ 1,616,594</b>	<b>\$ 6,025,791</b>	<b>\$ 4,985,266</b>	<b>\$ 28,919,508</b>	

See accompanying notes to basic financial statements.

**City of Homer, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**December 31, 2013**

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Total fund balances for governmental funds		\$ 19,769,364
Total net position reported for governmental activities in the Statement of Net Position 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	\$ 10,676,104	
Construction in progress	4,076,617	
Buildings	49,621,871	
Improvements other than buildings	45,042,794	
Machinery and equipment	14,591,185	
Infrastructure	30,770,602	
Accumulated depreciation	<u>(72,051,669)</u>	
<b>Total Capital Assets</b>		<u>82,727,504</u>
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	108,871	
Special assessments not yet due	<u>5,526,306</u>	
<b>Total Other Long-Term Assets</b>		<u>5,635,177</u>
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 Position.		
		209,516
Long-term liabilities, including notes payable, bonds payable, and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued interest	(269,433)	
Note payable to Kenai Peninsula Borough	(8,809,368)	
Notes payable	(16,491,952)	
Accrued leave	<u>(712,719)</u>	
<b>Total Long-Term Liabilities</b>		<u>(26,283,472)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 82,058,089</u>

*See accompanying notes to basic financial statements.*

**City of Homer, Alaska**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**

Year Ended December 31, 2013	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
<b>Revenues</b>							
Property taxes	\$ 3,209,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,209,009
Sales taxes	4,872,983	1,217,246	-	-	1,095,521	121,725	7,307,475
Licenses and permits	35,706	-	-	-	-	-	35,706
Intergovernmental	1,826,564	333,068	8,299,798	-	-	12,654	10,472,084
Charges for services	1,991,509	3,422,912	-	-	-	-	5,414,421
Special assessments	52,875	243,824	-	-	-	-	296,699
Investment income (loss)	(108,152)	-	-	97	25,966	231,533	149,444
Fines and forfeitures	10,469	-	-	-	-	-	10,469
Donations	-	-	-	-	-	1,189	1,189
Other	11,850	10,262	-	-	-	117,064	139,176
<b>Total Revenues</b>	<b>11,902,813</b>	<b>5,227,312</b>	<b>8,299,798</b>	<b>97</b>	<b>1,121,487</b>	<b>484,165</b>	<b>27,035,672</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	3,162,929	-	4,696	-	75,137	8,834	3,251,596
Public safety	4,304,647	-	-	-	-	14,771	4,319,418
Public works	1,938,933	-	-	-	-	18,000	1,956,933
Library	771,638	-	-	-	-	-	771,638
Airport	195,109	-	-	-	-	-	195,109
Parks and recreation	365,830	-	-	-	-	17,609	383,439
Community services	226,801	-	7,491,344	-	-	82,853	7,800,998
Water	-	1,862,937	-	-	-	-	1,862,937
Sewer	-	1,773,753	-	-	-	-	1,773,753
<b>Debt service:</b>							
Principal	43,361	811,620	-	-	-	-	854,981
Interest	56,463	147,094	-	-	-	-	203,557
Capital outlay	-	702,255	2,738,625	-	1,349,975	452,850	5,243,705
<b>Total Expenditures</b>	<b>11,065,711</b>	<b>5,297,659</b>	<b>10,234,665</b>	<b>-</b>	<b>1,425,112</b>	<b>594,917</b>	<b>28,618,064</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>837,102</b>	<b>(70,347)</b>	<b>(1,934,867)</b>	<b>97</b>	<b>(303,625)</b>	<b>(110,752)</b>	<b>(1,582,392)</b>
<b>Other Financing Sources (Uses)</b>							
<b>Issuance of special assessment bond</b>							
Kenai Peninsula Borough	-	-	-	8,809,368	-	-	8,809,368
Transfers in	-	-	-	-	-	327,412	327,412
Transfers out	(877,930)	(121,482)	-	-	-	-	(999,412)
<b>Net Other Financing Sources (Uses)</b>	<b>(877,930)</b>	<b>(121,482)</b>	<b>-</b>	<b>8,809,368</b>	<b>-</b>	<b>327,412</b>	<b>8,137,368</b>
<b>Special item - construction of gas pipeline on behalf of third parties</b>							
	-	-	-	7,192,924	-	-	7,192,924
<b>Net Change in Fund Balances</b>	<b>(40,828)</b>	<b>(191,829)</b>	<b>(1,934,867)</b>	<b>1,616,541</b>	<b>(303,625)</b>	<b>216,660</b>	<b>(637,948)</b>
<b>Fund Balances, beginning</b>	<b>6,088,612</b>	<b>3,204,482</b>	<b>196,953</b>	<b>-</b>	<b>6,329,416</b>	<b>4,587,849</b>	<b>20,407,312</b>
<b>Fund Balances (Deficit), ending</b>	<b>\$ 6,047,784</b>	<b>\$ 3,012,653</b>	<b>\$ (1,737,914)</b>	<b>\$ 1,616,541</b>	<b>\$ 6,025,791</b>	<b>\$ 4,804,509</b>	<b>\$ 19,769,364</b>

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, 2013**

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Net change in fund balances - total governmental funds	\$ (637,948)
The change in net position 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 (\$5,292,296) exceeded depreciation (\$3,636,793).	
	1,655,503
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the increase in other long-term assets.	
	2,746,147
Issuance of long-term debt (\$8,836,927) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$854,981) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net position.	
	(7,981,946)
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the increase in accrued interest payable.	
	(237,270)
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.	
	39,151
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 income of these activities is reported with governmental activities.	
	384,892
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (4,031,471)</b>

*See accompanying notes to basic financial statements.*

**City of Homer, Alaska**  
**Proprietary Funds**  
**Statement of Net Position**

	Major Enterprise Fund Port of Homer	Internal Service Funds
<i>December 31, 2013</i>		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,779,297	\$ 372,374
Accounts receivable, net of allowance for doubtful accounts	211,923	-
State and federal grants receivable	1,109,211	-
Inventory	15,647	-
Prepaid items	48,607	-
<b>Total Current Assets</b>	<b>3,164,685</b>	<b>372,374</b>
<b>Noncurrent Assets</b>		
Capital assets, net of accumulated depreciation	42,890,205	-
Restricted cash and investments	4,333,353	-
<b>Total Noncurrent Assets</b>	<b>47,223,558</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 50,388,243</b>	<b>\$ 372,374</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 644,931	\$ 251,107
Accrued payroll and related liabilities	36,303	-
Accrued leave	14,398	-
General obligation bonds payable	130,000	-
Prepaid rentals and deposits	786,897	-
Due to other funds	-	15,140
Unearned lease revenue	18,000	-
Interfund loan	3,291	-
<b>Total Current Liabilities</b>	<b>1,633,820</b>	<b>266,247</b>
<b>Noncurrent Liabilities, Net of Current Portion</b>		
Unearned lease revenue	252,000	-
Unearned grant revenue	21,710	-
Interfund loan	19,421	-
General obligation bonds payable including bond premium	4,074,780	-
Accrued leave	171,617	-
<b>Total Noncurrent Liabilities</b>	<b>4,539,528</b>	<b>-</b>
<b>Total Liabilities</b>	<b>6,173,348</b>	<b>266,247</b>
<b>Net Position</b>		
Net investment in capital assets	42,725,081	-
Restricted for bond retirement	293,697	-
Unrestricted	1,196,117	106,127
<b>Total Net Position</b>	<b>44,214,895</b>	<b>106,127</b>
<b>Total Liabilities and Net Position</b>	<b>50,388,243</b>	<b>\$ 372,374</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(103,389)	
<b>Net Position of Business-Type Activities</b>	<b>\$ 44,111,506</b>	

*See accompanying notes to basic financial statements.*

**City of Homer, Alaska**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**

	Major Enterprise Fund	Internal Service Funds
<i>Year Ended December 31, 2013</i>	Port of Homer	
<b>Operating Revenues</b>		
Port and harbor charges for services	\$ 4,451,839	\$ -
Interfund charges	-	2,097,520
Employee health contributions	-	144,483
<b>Total Operating Revenues</b>	<b>4,451,839</b>	<b>2,242,003</b>
<b>Operating Expenses</b>		
Operations	2,299,743	250,228
Administration	1,345,200	89,059
Depreciation	1,386,053	-
Claims	-	1,978,754
Insurance premiums	-	394,881
<b>Total Operating Expenses</b>	<b>5,030,996</b>	<b>2,712,922</b>
Operating loss	(579,157)	(470,919)
<b>Nonoperating Revenues (Expenses)</b>		
State PERS relief	134,811	-
Other income	299,564	-
Bond issuance costs	(37,807)	-
Miscellaneous repairs	(161,394)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>235,174</b>	<b>-</b>
Loss before capital contributions and transfers	(343,983)	(470,919)
Capital contributions	3,523,302	-
Transfers in (out)	(128,000)	800,000
Change in net position	3,051,319	329,081
<b>Net Position, beginning</b>	<b>41,163,576</b>	<b>(222,954)</b>
<b>Net Position, ending</b>	<b>44,214,895</b>	<b>\$ 106,127</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(55,811)	
<b>Change in Net Position of Business-Type Activities</b>	<b>\$ 2,995,508</b>	

*See accompanying notes to basic financial statements.*

**City of Homer, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows**

<i>Year Ended December 31, 2013</i>	Major Enterprise Fund <hr/> Port of Homer	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 4,880,427	\$ -
Receipts from interfund services provided and employee contributions	-	2,242,003
Payments to suppliers	(2,076,537)	-
Payments to employees	(1,454,879)	(250,228)
Payments for insurance claims and administration	-	(2,340,022)
<b>Net cash flows from operating activities</b>	<b>1,349,011</b>	<b>(348,247)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in (out)	(128,000)	800,000
Decrease in due to other funds	-	(83,251)
Nonoperating grants and cruise ship tax received	117,149	-
<b>Net cash flows from noncapital financing activities</b>	<b>(10,851)</b>	<b>716,749</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from bond issuance	4,166,973	-
Capital contributions received	3,076,932	-
Acquisition of property, plant and equipment	(4,016,361)	-
Decrease in interfund loan	(3,291)	-
<b>Net cash flows from capital and related financing activities</b>	<b>3,224,253</b>	<b>-</b>
<b>Net Increase in Cash and Investments</b>	<b>4,562,413</b>	<b>368,502</b>
<b>Cash and Investments, beginning</b>	<b>1,550,237</b>	<b>3,872</b>
<b>Cash and Investments, ending</b>	<b>\$ 6,112,650</b>	<b>\$ 372,374</b>

*See accompanying notes to basic financial statements.*

**City of Homer, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows, continued**

	Major Enterprise Fund	Internal Service Funds
<i>Year Ended December 31, 2013</i>	Port of Homer	
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Provided (Used) by Operating Activities</b>		
Operating loss	\$ (579,157)	\$ (470,919)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,386,053	-
Noncash expense - PERS relief	134,811	-
Increase in allowance for doubtful accounts	4,579	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues	138,170	-
(Increase) decrease in assets:		
Accounts receivable	129,043	-
Inventory	(935)	-
Prepaid items	(626)	-
Increase in liabilities:		
Accounts payable	52,249	122,672
Accrued payroll and related liabilities	200	-
Unearned grant revenue	21,710	-
Accrued leave	30,975	-
Prepaid rentals and deposits	49,939	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,349,011</b>	<b>\$ (348,247)</b>

*See accompanying notes to basic financial statements.*

# City of Homer, Alaska

## Notes to Basic Financial Statements

December 31, 2013

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### 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 (GASB) 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 position 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.

#### *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.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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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 *Gas Line Capital Project Fund* accounts for all activities related to the construction of the gas line.

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.

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.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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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.

Revenues reported in the Utility Special Revenue Fund are comprised primarily of user charges for services. However, the fund also receives significant funding from sales tax. Lesser amounts are reflected from grants and local assessments. All revenues reported in the fund are committed to the Utility service, including operations, maintenance, and debt service.

### *Budgets and Budgetary Accounting*

The City Council is required to pass an appropriation ordinance for the General Fund and Utility Special Revenue 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.

### *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.



# City of Homer, Alaska

## Notes to Basic Financial Statements

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### *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 inflows 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 presented 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.

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.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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### *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. Interest capitalized in 2013 was 47,252.

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:

	Years
Buildings and improvements	30-40
System infrastructure	15-40
Machinery and equipment	5
Infrastructure	20-30

### *Accrued Leave*

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

### *Long-Term Debt*

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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### *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 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 through ordinance. 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 has 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.

*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."

# City of Homer, Alaska

## Notes to Basic Financial Statements

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### *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, 2013.

*December 31, 2013*

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Bank deposits	\$ 383,227
Investments	23,040,339
	<hr/>
	\$ 23,423,566
	<hr/>
Cash and investments	\$ 15,856,524
Restricted cash and investments	7,567,042
	<hr/>
	\$ 23,423,566
	<hr/>

Restricted cash and investments primarily represent funds set aside for capital projects, including unspent bond proceeds.

### *General Investments*

#### *Investment Policy*

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

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

# City of Homer, Alaska

## Notes to Basic Financial Statements

Investment maturities at December 31, 2013 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
U.S. government agencies:				
U.S. Treasuries	\$ 1,551,579	\$ 1,551,579	\$ -	\$ -
FHLM	803,847	-	803,847	-
FNMA	1,596,193	-	1,596,193	-
<hr/>				
Total U.S. government agencies	3,951,619	1,551,579	2,400,040	-
Corporate bonds	258,231	35,637	160,322	62,272
Foreign bonds	77,649	-	77,649	-
Pooled investments (AMLIP)	10,535,617	10,535,617	-	-
<hr/>				
<b>Total Subject to Interest Rate Risk</b>	<b>14,823,116</b>	<b>\$ 12,122,833</b>	<b>\$ 2,638,011</b>	<b>\$ 62,272</b>
<hr/>				
Money market	666,928			
Certificate of deposit	7,550,295			
<hr/>				
<b>Total Investments</b>	<b>\$ 23,040,339</b>			

*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, 2013, the share value of investments in the AML pool is approximately equal to fair value.

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# City of Homer, Alaska

## Notes to Basic Financial Statements

### 3. Accounts Receivable, Valuation Allowances, Deferred Inflows and Unearned Revenues

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2013, receivables for the City's individual major funds and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Utility Special Revenue	City Facilities Capital Project	HART Roads Capital Project	Port of Homer Enterprise	Nonmajor and Other Funds	Totals
Receivables:							
Accounts	\$ -	\$ 254,492	\$ -	\$ -	\$ 252,575	\$ -	\$ 507,067
Sales taxes	768,292	192,081	-	172,867	-	19,211	1,152,451
Property taxes	119,175	-	-	-	-	-	119,175
State and federal grants and loans	-	1,803,926	549,267	-	1,109,211	-	3,462,404
Special assessments	348,605	5,177,701	-	-	-	-	5,526,306
Other	183,585	-	-	-	-	23,978	207,563
<b>Total receivables</b>	<b>1,419,657</b>	<b>7,428,200</b>	<b>549,267</b>	<b>172,867</b>	<b>1,361,786</b>	<b>43,189</b>	<b>10,974,966</b>
Less allowance for uncollectibles	(87,862)	(58,204)	-	-	(40,652)	-	(186,718)
<b>Net Receivables</b>	<b>\$ 1,331,795</b>	<b>\$ 7,369,996</b>	<b>\$ 549,267</b>	<b>\$ 172,867</b>	<b>\$ 1,321,134</b>	<b>\$ 43,189</b>	<b>\$ 10,788,248</b>

At December 31, 2013, the various components of *deferred inflows and unearned revenue* reported in the governmental funds were as follows:

#### Deferred Inflows

Delinquent property taxes receivable - General Fund	\$ 108,871
Special assessments not yet due:	
General Fund	348,605
Utility Special Revenue Fund	5,177,701
<b>Total Deferred Inflows</b>	<b>\$ 5,635,177</b>

#### Unearned Revenue

Intergovernmental revenue collected in advance	\$ 188,352
Grant drawdowns prior to meeting all eligibility requirements	7,582
Other unearned revenue	14,563
<b>Total Unearned Revenue</b>	<b>\$ 210,497</b>

# City of Homer, Alaska

## Notes to Basic Financial Statements

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### 4. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2013 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*

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Due to General Fund from:	
City Facilities Capital Project Fund	\$ 1,862,119
Nonmajor governmental funds	86,147
Internal Service Fund	15,140
<hr/>	
<b>Total Due from Other Funds</b>	<b>\$ 1,963,406</b>

#### *Transfers*

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From General Fund to:	
Internal Service Fund	\$ 584,000
Nonmajor governmental funds	293,930
From Utility Special Revenue Fund to:	
Nonmajor governmental funds	33,482
Internal Service Fund	88,000
From Port of Homer Enterprise Fund to Internal Service Fund	128,000
<hr/>	
<b>Total Transfers to Other Funds</b>	<b>\$ 1,127,412</b>

#### *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 loan had a balance of \$22,712 as of December 31, 2013.

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# City of Homer, Alaska

## Notes to Basic Financial Statements

### 5. Capital Assets

Capital asset activity for the year ended December 31, 2013 follows:

	Balance January 1, 2013	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2013
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 10,676,104	\$ -	\$ -	\$ 10,676,104
Construction in progress	1,002,153	3,074,464	-	4,076,617
<b>Total assets not being depreciated</b>	<b>11,678,257</b>	<b>3,074,464</b>	<b>-</b>	<b>14,752,721</b>
<i>Capital assets being depreciated:</i>				
Buildings	49,614,014	7,857	-	49,621,871
Improvements other than buildings	44,635,404	407,390	-	45,042,794
Machinery and equipment	14,138,576	452,609	-	14,591,185
Infrastructure	29,420,626	1,349,976	-	30,770,602
<b>Total assets being depreciated</b>	<b>137,808,620</b>	<b>2,217,832</b>	<b>-</b>	<b>140,026,452</b>
Less accumulated depreciation for:				
Buildings	27,378,617	723,763	-	28,102,380
Improvements other than buildings	18,550,175	1,351,180	-	19,901,355
Machinery and equipment	8,143,330	791,192	-	8,934,522
Infrastructure	14,342,754	770,658	-	15,113,412
<b>Total accumulated depreciation</b>	<b>68,414,876</b>	<b>3,636,793</b>	<b>-</b>	<b>72,051,669</b>
<b>Total assets being depreciated, net</b>	<b>69,393,744</b>	<b>(1,418,961)</b>	<b>-</b>	<b>67,974,783</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 81,072,001</b>	<b>\$ 1,655,503</b>	<b>\$ -</b>	<b>\$ 82,727,504</b>



# City of Homer, Alaska

## Notes to Basic Financial Statements

	Balance January 1, 2013	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2013
<b>Business-type activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,254,041	\$ -	\$ -	\$ 15,254,041
Construction in progress	852,243	3,892,999	105,831	4,639,411
<b>Total assets not being depreciated</b>	<b>16,106,284</b>	<b>3,892,999</b>	<b>105,831</b>	<b>19,893,452</b>
<i>Capital assets being depreciated:</i>				
Buildings	13,034,836	-	-	13,034,836
Improvements other than buildings	37,534,654	161,055	-	37,695,709
Machinery and equipment	3,107,995	68,138	-	3,176,133
<b>Total assets being depreciated</b>	<b>53,677,485</b>	<b>229,193</b>	<b>-</b>	<b>53,906,678</b>
Less accumulated depreciation for:				
Buildings	8,167,348	293,349	-	8,460,697
Improvements other than buildings	18,580,863	1,013,615	-	19,594,478
Machinery and equipment	2,775,661	79,089	-	2,854,750
<b>Total accumulated depreciation</b>	<b>29,523,872</b>	<b>1,386,053</b>	<b>-</b>	<b>30,909,925</b>
<b>Total capital assets being depreciated, net</b>	<b>24,153,613</b>	<b>(1,156,860)</b>	<b>-</b>	<b>22,996,753</b>
<b>Business-Type Activity</b>				
<b>Capital Assets, Net</b>	<b>\$ 40,259,897</b>	<b>\$ 2,736,139</b>	<b>\$ 105,831</b>	<b>\$ 42,890,205</b>

# City of Homer, Alaska

## Notes to Basic Financial Statements

<i>Year Ended December 31, 2013</i>	Depreciation
<b>Governmental activities</b>	
General government	\$ 194,619
Public safety	347,155
Public works	973,812
Library	230,467
Airport	70,085
Parks and recreation	186,620
Water utility	1,083,405
Sewer utility	550,630
<hr/>	
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,636,793</b>
<hr/>	
<b>Business-type activities</b>	
Port and harbor	\$ 1,386,053
<hr/>	
<b>Total Business-Type Activities</b>	<b>\$ 1,386,053</b>

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	(360,000)
<hr/>	
	\$ 270,000
<hr/>	
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	252,000
<hr/>	
<b>Total Unearned Lease Revenue</b>	<b>\$ 270,000</b>

# City of Homer, Alaska

## Notes to Basic Financial Statements

### 6. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2013:

Governmental activities	Balance January 1, 2013	Additions	Retired	Balance December 31, 2013	Due Within One Year
Notes payable:					
\$1,700,000 USDA library note payable, due in annual installments of \$99,824, including interest at 4.125% through September 2033.	\$ 1,368,811	-	\$ 43,361	\$ 1,325,450	\$ 45,149
\$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.	1,585,641	-	121,973	1,463,668	121,972
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	1,860,007	-	143,077	1,716,930	143,078
\$2,100,000 (maximum) 2012 Sewer Utility Alaska Clean Water loan, due in annual installments of \$79,587 plus interest at 1.5%	1,564,173	27,559	79,587	1,512,145	79,587
\$3,250,000 (maximum) 2006 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 1.5%	2,245,316	-	-	2,245,316	-
\$2,150,000 (maximum) 2012 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,077 plus interest at 1.5% through August 18, 2025	2,023,006	-	87,486	1,935,520	88,798

# City of Homer, Alaska

## Notes to Basic Financial Statements

Governmental activities	Balance January 1, 2013	Additions	Retired	Balance December 31, 2013	Due Within One Year
Notes payable, continued:					
\$470,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 1.5%	\$ 422,412	\$ -	\$ -	\$ 422,412	\$ -
\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	6,188,025	-	364,001	5,824,024	364,002
\$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	61,983	-	15,496	46,487	15,495
\$12,700,000 (maximum) special assessment bond payable to the Kenai Peninsula Borough in two payments of interest only April 1, 2014 and April 1, 2015 and ten equal principal and interest payments beginning April 1, 2016, interest at 4% through April 1, 2025	-	8,809,368	-	8,809,368	-
Accrued leave	751,870	700,099	739,250	712,719	102,292
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 18,071,244</b>	<b>\$ 9,537,026</b>	<b>\$ 1,594,231</b>	<b>\$ 26,014,039</b>	<b>\$ 960,373</b>

# City of Homer, Alaska

## Notes to Basic Financial Statements

<b>Business-type Activities</b>	Balance January 1, 2013	Additions	Retired	Balance December 31, 2013	Due Within One Year
\$3,375,000 Series 2013 Harbor General Obligation Bonds, due in annual installments of \$130,000 plus interest at 2% through June of 2033.	\$ -	\$ 3,735,000	\$ -	\$ 3,735,000	\$ 130,000
Unamortized bond premium		494,506	24,726	469,780	-
Accrued leave	155,040	96,099	65,124	186,015	14,398
<b>Total Business-type Activities Long-Term Liabilities</b>	<b>\$ 155,040</b>	<b>\$ 4,325,605</b>	<b>\$ 89,850</b>	<b>\$ 4,390,795</b>	<b>\$ 144,398</b>

Annual debt service requirements to maturity for long-term debt exclusive of the notes except for the Clean Water loans, Drinking Water loans and note payable to Kenai Peninsula Borough that are not yet in repayment status follow:

<b>Governmental Activities</b> <i>Year Ending December 31,</i>	<b>Notes Payable</b>		
	Principal	Interest	Total
2014	\$ 858,081	\$ 241,165	\$ 1,099,246
2015	861,278	228,100	1,089,378
2016	864,568	213,947	1,078,515
2017	852,465	199,693	1,052,158
2018	855,959	185,569	1,041,528
2019-2023	4,336,126	712,063	5,048,189
2024-2028	3,646,275	352,947	3,999,222
2029-2033	1,549,472	84,142	1,633,614
	<u>13,824,224</u>	<u>\$ 2,217,626</u>	<u>\$ 16,041,850</u>
Payment terms not yet established	<u>2,667,728</u>		
<b>Total Governmental Activities Notes Payable</b>	<b>\$ 16,491,952</b>		

# City of Homer, Alaska

## Notes to Basic Financial Statements

Annual debt service requirements to maturity for the bonds follow:

<b>Business-type Activities</b> <i>Year Ending December 31,</i>	<b>G. O. Bonds Payable</b>		
	Principal	Interest	Total
2014	\$ 130,000	\$ 158,650	\$ 288,650
2015	130,000	156,050	286,050
2016	135,000	153,400	288,400
2017	140,000	149,950	289,950
2018	140,000	145,750	285,750
2019-2023	790,000	648,375	1,438,375
2024-2028	1,000,000	447,500	1,447,500
2029-2033	1,270,000	165,000	1,435,000
	<b>\$ 3,735,000</b>	<b>\$ 2,024,675</b>	<b>\$ 5,759,675</b>

In 2013, the City issued \$3,375,000 in general obligation (GO) bonds to provide funds for Harbor improvements. GO bonds are direct obligations and pledge the full faith and credit of the City.

In 2013, the City entered into a loan agreement with the Kenai Peninsula Borough to borrow up to \$12,700,000 for the design and construction of natural gas distribution improvements in the City. At December 31, 2013, the City had drawn \$8,809,368 on the loan.

Concurrent with the issuance of the loan with the Borough, the City issued a \$12,700,000 natural gas distribution special assessment bond. The bond proceeds are to be used for the design and construction of natural gas distribution improvements in the City. After completion of the project, the City will establish an assessment district. This bond will be repaid from amounts to be levied against the property owners benefited by this construction in the assessment district. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

# City of Homer, Alaska

## Notes to Basic Financial Statements

### 7. Fund Balances

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:

	General	Utility Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project	Nonmajor and Other Funds	Totals
<b>Nonspendable:</b>							
Inventory	\$ 76,245	\$ 235,577	-	-	-	-	311,822
Prepaid items	206,415	32,209	-	-	-	-	238,624
Interfund loan	-	-	-	-	-	22,712	22,712
<b>Total nonspendable</b>	<b>282,660</b>	<b>267,786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,712</b>	<b>573,158</b>
<b>Restricted - Roads and trails</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,025,791</b>	<b>441,622</b>	<b>6,467,413</b>
<b>Committed - Permanent fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,966,031</b>	<b>1,966,031</b>
<b>Assigned:</b>							
Library	-	-	-	-	-	32,524	32,524
Fire	-	-	-	-	-	88,063	88,063
Community schools	-	-	-	-	-	892	892
Sustainability	-	-	-	-	-	14,780	14,780
Water and sewer	-	2,744,867	-	-	-	-	2,744,867
PERS benefits	171,314	-	-	-	-	14,639	185,953
Capital and land	-	-	-	1,616,541	-	2,310,653	3,927,194
<b>Total assigned</b>	<b>171,314</b>	<b>2,744,867</b>	<b>-</b>	<b>1,616,541</b>	<b>-</b>	<b>2,461,551</b>	<b>6,994,273</b>
<b>Unassigned (deficit)</b>	<b>5,593,810</b>	<b>-</b>	<b>(1,737,914)</b>	<b>-</b>	<b>-</b>	<b>(87,407)</b>	<b>3,768,489</b>
<b>Total Fund Balances</b>	<b>\$ 6,047,784</b>	<b>\$ 3,012,653</b>	<b>\$(1,737,914)</b>	<b>\$ 1,616,541</b>	<b>\$ 6,025,791</b>	<b>\$ 4,804,509</b>	<b>\$ 19,769,364</b>

At December 31, 2013, the following nonmajor funds had a fund deficit:

Non-capital Projects Special Revenue Fund	\$ 87,138
Land Reserve Capital Projects Fund	269
Leave Cash-out Internal Service Fund	15,140

Expenditures in the Utility Special Revenue Fund exceed appropriations by \$840,976.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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### 8. Accounting for Health Self-Insurance

The City provides health insurance on a self-insured basis up to \$90,000 each occurrence or \$2,077,184 in aggregate for all medical claims during the year. Coverage in excess of these amounts is insured by a private carrier up to lifetime claims of \$1,000,000 per each individual.

The City contracts with a third-party administrator for health claims servicing. The City charges each department a premium based on the employees and their selected coverage. This premium is based on actual claims paid by the City. An equal amount is recorded as revenue by the Risk Management Internal Service Fund which is then responsible for paying all claims. The City accrues a liability for claims incurred but not reported at year-end.

A schedule of the changes in the claims liability for the years ended December 31, 2013 and 2012 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
<b>2013 Health Insurance</b>	\$ 128,435	\$ 1,978,754	\$ 1,856,082	\$ 251,107
<b>2012 Health Insurance</b>	\$ 93,812	\$ 1,780,281	\$ 1,745,658	\$ 128,435

### 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, 2013.

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

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### 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 legislation 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.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

#### *Employee Contribution Rates*

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

#### *Employer and Other Contribution Rates*

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

*Contractual Rate:* This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

*GASB 43 Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For State fiscal year FY14 (six months ended December 2013), the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the six months ended June 30, 2013 were determined as part of the June 30, 2010 actuarial valuation. Rates for the six months ended December 31, 2013 (State FY14) were determined in the June 30, 2011 valuation.

<i>January to June 2013</i>	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	12.33%	20.09%	39.93%
<b>Total Contribution Rate</b>	<b>22.00%</b>	<b>35.84%</b>	<b>64.88%</b>
<hr/>			
<i>July to December 2013</i>			
Pension	10.64%	18.38%	24.95%
Postemployment healthcare	11.36%	17.30%	39.93%
<b>Total Contribution Rate</b>	<b>22.00%</b>	<b>35.68%</b>	<b>64.88%</b>

\* Note the State of Alaska will be implementing new GASB rules for pension accounting beginning in FY15. These new rules will change the accounting and disclosure requirements at the plan level.

### *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 is required to contribute approximately 13.84% and 13.68% of covered payroll for each six month period noted above. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$915,801 as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from the annual pension and OPEB cost required by the City, as reported below:

# City of Homer, Alaska

## Notes to Basic Financial Statements

<i>Year Ended December 31,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contributions	% of TBC Contributed
2013	\$ 606,589	\$ 571,025	\$ 1,177,614	\$ 1,177,614	100%
2012	526,358	671,272	1,197,630	1,197,630	100%
2011	550,105	604,927	1,155,032	1,155,032	100%

### 11. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

#### *Employee Contribution Rates*

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

#### *Employer Contribution Rates*

The City is required to contribute the following amounts based on covered salary:

<i>January to June 2013</i>	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.14%	0.99%
<b>Contribution Rate</b>	<b>5.62%</b>	<b>6.47%</b>

#### *July to December 2013*

Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
<b>Contribution Rate</b>	<b>5.68%</b>	<b>6.62%</b>

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

# City of Homer, Alaska

## Notes to Basic Financial Statements

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Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the DBUL payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

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, 2013 were \$208,337 and \$179,098, 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 and Subsequent Events

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:

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Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
General Fund - undesignated	3.00%
Kenai Peninsula Borough	3.00%
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Total Sales Tax Percentage	7.50%

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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

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### 15. Homer Natural Gasline Project

In March 2013, the City Council approved a Contribution in Aid of Construction Agreement (CIAC), Ordinance 13-03, between the City of Homer and Enstar Natural Gas Company for construction and improvements within the Homer natural gas distribution system. In connection with the project, a special assessment district was authorized. The City's share of the Homer Natural Gasline project is being financed through a \$12.7 million loan obtained from Kenai Peninsula Borough. Once the project is completed, local assessments will be issued and allocated among the individual benefiting property owners. These assessment revenues will be dedicated to repayment of the loan.

### 16. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

*GASB 67 - Financial Reporting for Pension Plans* - Effective for year-end December 31, 2014 - This statement contains certain revisions to prior GASB statements on the topic of improving financial reporting by state and local governmental pension plans.

*GASB 68 - Accounting and Financial Reporting for Pensions* - Effective for year-end December 31, 2015 - This statement contains certain revisions to prior GASB statements on the topics of Net Pension Liability and Pension Expense.

*GASB 69 - Government Combinations and Disposals of Government Operations* - Effective for year-end December 31, 2014 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

*GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees* - Effective for year-end December 31, 2014 - This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

*GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date* - Effective for year-end December 31, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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## Required Supplementary Information

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**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31, 2013</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,792,553	\$ 7,741,971	\$ 8,093,842	\$ 351,871
Licenses and permits	24,900	24,900	35,706	10,806
Intergovernmental	1,639,297	1,674,879	1,826,564	151,685
Charges for services	2,025,015	2,040,015	1,991,509	(48,506)
Special assessments	-	-	52,875	52,875
Investment income (loss)	25,000	25,000	(108,152)	(133,152)
Fines and forfeitures	17,500	17,500	10,469	(7,031)
<b>Total Revenues</b>	<b>11,524,265</b>	<b>11,524,265</b>	<b>11,902,813</b>	<b>378,548</b>
<b>Expenditures</b>				
General government	3,133,601	3,178,255	3,162,929	15,326
Public safety	4,468,784	4,418,433	4,304,647	113,786
Public works	2,121,654	2,069,383	1,938,933	130,450
Library	825,681	825,681	771,638	54,043
Airport	233,313	222,741	195,109	27,632
Parks and recreation	401,136	401,137	365,830	35,307
Community services	133,454	236,304	226,801	9,503
Debt service:				
Principal	43,361	43,361	43,361	-
Interest	56,463	56,463	56,463	-
<b>Total Expenditures</b>	<b>11,417,447</b>	<b>11,451,758</b>	<b>11,065,711</b>	<b>386,047</b>
<b>Excess of Revenues Over Expenditures</b>	<b>106,818</b>	<b>72,507</b>	<b>837,102</b>	<b>764,595</b>
<b>Other Financing Uses - transfers out</b>	<b>(151,656)</b>	<b>(112,843)</b>	<b>(877,930)</b>	<b>(765,087)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (44,838)</b>	<b>\$ (40,336)</b>	<b>(40,828)</b>	<b>\$ (492)</b>
<b>Fund Balance, beginning</b>			<b>6,088,612</b>	
<b>Fund Balance, ending</b>			<b>\$ 6,047,784</b>	



**City of Homer, Alaska**  
**Utility Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31, 2013</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 1,176,549	\$ 1,176,549	\$ 1,217,246	\$ 40,697
Intergovernmental	-	-	333,068	333,068
Charges for services	3,490,807	3,490,807	3,422,912	(67,895)
Special assessments	45,000	45,000	243,824	198,824
Investment income	11,000	11,000	-	(11,000)
Other	112,810	112,810	10,262	(102,548)
<b>Total Revenues</b>	<b>4,836,166</b>	<b>4,836,166</b>	<b>5,227,312</b>	<b>391,146</b>
<b>Expenditures</b>				
Water	1,828,789	1,828,789	1,862,937	(34,148)
Sewer	1,629,639	1,629,639	1,773,753	(144,114)
Debt service:				
Principal	859,226	859,226	811,620	47,606
Interest	204,276	204,276	147,094	57,182
<b>Total debt service</b>	<b>1,063,502</b>	<b>1,063,502</b>	<b>958,714</b>	<b>104,788</b>
Capital outlay	390,000	390,000	702,255	(312,255)
<b>Total Expenditures</b>	<b>4,911,930</b>	<b>4,911,930</b>	<b>5,297,659</b>	<b>(385,729)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	(75,764)	(75,764)	(70,347)	5,417
<b>Other Financing Uses - transfers out</b>	(67,697)	(67,697)	(121,482)	(53,785)
<b>Net Change in Fund Balance</b>	<b>\$ (143,461)</b>	<b>\$ (143,461)</b>	<b>(191,829)</b>	<b>\$ (48,368)</b>
Fund Balance, beginning			3,204,482	
Fund Balance, ending			<b>\$ 3,012,653</b>	

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## Supplementary Information

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# Nonmajor Governmental Funds

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## SPECIAL REVENUE FUNDS

A Special Revenue Fund is established to finance particular activities and is created from proceeds of specific revenue sources that are restricted or committed for specific purposes.

**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.

**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**

	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	Total Special Revenue Funds	HART Trails	Depre- ciation Reserves	Land Reserve	Energy Revolving Loan	Fleet Reserve Allocation	Total Capital Project Funds	
<i>December 31, 2013</i>																
<b>Assets</b>																
Cash and investments	\$ 32,524	\$ 88,063	\$ 13,363	\$ 892	\$ 14,780	\$ -	\$ 2,439	\$ 14,639	\$ 166,700	\$ 422,411	\$ 1,758,562	\$ -	\$ 53,331	\$ 577,481	\$ 2,811,785	\$ 2,978,485
Receivables, net:																
Sales taxes	-	-	-	-	-	-	-	-	-	19,211	-	-	-	-	19,211	19,211
Interfund loan	-	-	-	-	-	-	-	-	-	-	-	22,712	-	-	22,712	22,712
Other	-	-	1,266	-	-	-	-	-	1,266	-	-	-	-	-	-	1,266
Restricted cash and investments	-	-	-	-	-	-	1,963,592	-	1,963,592	-	-	-	-	-	-	1,963,592
<b>Total Assets</b>	<b>\$ 32,524</b>	<b>\$ 88,063</b>	<b>\$ 14,629</b>	<b>\$ 892</b>	<b>\$ 14,780</b>	<b>\$ -</b>	<b>\$ 1,966,031</b>	<b>\$ 14,639</b>	<b>\$ 2,131,558</b>	<b>\$ 441,622</b>	<b>\$ 1,758,562</b>	<b>\$ -</b>	<b>\$ 76,043</b>	<b>\$ 577,481</b>	<b>\$ 2,853,708</b>	<b>\$ 4,985,266</b>
<b>Liabilities</b>																
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,787	\$ -	\$ -	\$ -	\$ 78,787	\$ 78,787
Unearned revenue	-	-	14,563	-	-	1,260	-	-	15,823	-	-	-	-	-	-	15,823
Due to other funds	-	-	-	-	-	85,878	-	-	85,878	-	-	269	-	-	269	86,147
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>14,563</b>	<b>-</b>	<b>-</b>	<b>87,138</b>	<b>-</b>	<b>-</b>	<b>101,701</b>	<b>-</b>	<b>78,787</b>	<b>269</b>	<b>-</b>	<b>-</b>	<b>79,056</b>	<b>180,757</b>
<b>Fund Balances</b>																
Nonspendable - interfund loan	-	-	-	-	-	-	-	-	-	-	-	-	22,712	-	22,712	22,712
Restricted - roads and trails	-	-	-	-	-	-	-	-	-	441,622	-	-	-	-	441,622	441,622
Committed - Permanent fund	-	-	-	-	-	-	1,966,031	-	1,966,031	-	-	-	-	-	-	1,966,031
Assigned:																
Library	32,524	-	-	-	-	-	-	-	32,524	-	-	-	-	-	-	32,524
Fire	-	88,063	-	-	-	-	-	-	88,063	-	-	-	-	-	-	88,063
Community schools	-	-	-	892	-	-	-	-	892	-	-	-	-	-	-	892
Global warming	-	-	-	-	14,780	-	-	-	14,780	-	-	-	-	-	-	14,780
PERS benefits	-	-	-	-	-	-	-	14,639	14,639	-	-	-	-	-	-	14,639
Capital and land	-	-	66	-	-	-	-	-	66	-	1,679,775	-	53,331	577,481	2,310,587	2,310,653
Unassigned (deficit)	-	-	-	-	-	(87,138)	-	-	(87,138)	-	-	(269)	-	-	(269)	(87,407)
<b>Total Fund Balances (Deficits)</b>	<b>32,524</b>	<b>88,063</b>	<b>66</b>	<b>892</b>	<b>14,780</b>	<b>(87,138)</b>	<b>1,966,031</b>	<b>14,639</b>	<b>2,029,857</b>	<b>441,622</b>	<b>1,679,775</b>	<b>(269)</b>	<b>76,043</b>	<b>577,481</b>	<b>2,774,652</b>	<b>4,804,509</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,524</b>	<b>\$ 88,063</b>	<b>\$ 14,629</b>	<b>\$ 892</b>	<b>\$ 14,780</b>	<b>\$ -</b>	<b>\$ 1,966,031</b>	<b>\$ 14,639</b>	<b>\$ 2,131,558</b>	<b>\$ 441,622</b>	<b>\$ 1,758,562</b>	<b>\$ -</b>	<b>\$ 76,043</b>	<b>\$ 577,481</b>	<b>\$ 2,853,708</b>	<b>\$ 4,985,266</b>

**City of Homer, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)**

Year Ended December 31, 2013	Special Revenue Funds								Capital Project Funds						Total Nonmajor Governmental Funds	
	Library Donations	Fire Department Donations	Retainage Reimbursements	Community Schools	Sustainability	Non-capital Projects	Permanent Fund	PERS Funding	Total Special Revenue Funds	HART Trails	Depreciation Reserves	Land Reserve	Energy Revolving Loan	Fleet Reserve Allocation		Total Capital Project Funds
<b>Revenues</b>																
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,725	\$ -	\$ -	\$ -	\$ -	\$ 121,725	\$ 121,725
Intergovernmental	-	-	-	-	-	12,654	-	-	12,654	-	-	-	-	-	-	12,654
Investment income	9	3	-	-	1	-	219,565	27	219,605	1,448	7,218	-	-	3,262	11,928	231,533
Donations	370	319	-	-	-	-	-	-	689	-	500	-	-	-	500	1,189
Other	-	-	-	-	-	2,112	-	-	2,112	-	110,677	-	-	4,275	114,952	117,064
<b>Total Revenues</b>	<b>379</b>	<b>322</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>14,766</b>	<b>219,565</b>	<b>27</b>	<b>235,060</b>	<b>123,173</b>	<b>118,395</b>	<b>-</b>	<b>-</b>	<b>7,537</b>	<b>249,105</b>	<b>484,165</b>
<b>Expenditures</b>																
Current:																
General government	-	-	-	-	-	-	-	-	-	8,415	419	-	-	-	8,834	8,834
Public safety	-	-	-	-	-	14,771	-	-	14,771	-	-	-	-	-	-	14,771
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	18,000	18,000	18,000
Community services	-	-	-	200	-	-	82,653	-	82,853	-	-	-	-	-	-	82,853
Parks and recreation	-	-	-	-	-	-	-	-	-	17,609	-	-	-	-	17,609	17,609
Capital outlay	-	-	-	-	-	24,745	-	-	24,745	18,103	142,543	-	-	267,459	428,105	452,850
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>39,516</b>	<b>82,653</b>	<b>-</b>	<b>122,369</b>	<b>44,127</b>	<b>142,962</b>	<b>-</b>	<b>-</b>	<b>285,459</b>	<b>472,548</b>	<b>594,917</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>379</b>	<b>322</b>	<b>-</b>	<b>(200)</b>	<b>1</b>	<b>(24,750)</b>	<b>136,912</b>	<b>27</b>	<b>112,691</b>	<b>79,046</b>	<b>(24,567)</b>	<b>-</b>	<b>-</b>	<b>(277,922)</b>	<b>(223,443)</b>	<b>(110,752)</b>
<b>Other Financing Sources</b>																
Transfers in	-	-	-	-	-	-	181,087	-	181,087	-	20,000	-	44,185	82,140	146,325	327,412
<b>Net Change in Fund Balances</b>	<b>379</b>	<b>322</b>	<b>-</b>	<b>(200)</b>	<b>1</b>	<b>(24,750)</b>	<b>317,999</b>	<b>27</b>	<b>293,778</b>	<b>79,046</b>	<b>(4,567)</b>	<b>-</b>	<b>44,185</b>	<b>(195,782)</b>	<b>(77,118)</b>	<b>216,660</b>
<b>Fund Balances (Deficits), beginning</b>	<b>32,145</b>	<b>87,741</b>	<b>66</b>	<b>1,092</b>	<b>14,779</b>	<b>(62,388)</b>	<b>1,648,032</b>	<b>14,612</b>	<b>1,736,079</b>	<b>362,576</b>	<b>1,684,342</b>	<b>(269)</b>	<b>31,858</b>	<b>773,263</b>	<b>2,851,770</b>	<b>4,587,849</b>
<b>Fund Balances (Deficits), ending</b>	<b>\$ 32,524</b>	<b>\$ 88,063</b>	<b>\$ 66</b>	<b>\$ 892</b>	<b>\$ 14,780</b>	<b>\$ (87,138)</b>	<b>\$ 1,966,031</b>	<b>\$ 14,639</b>	<b>\$ 2,029,857</b>	<b>\$ 441,622</b>	<b>\$ 1,679,775</b>	<b>\$ (269)</b>	<b>\$ 76,043</b>	<b>\$ 577,481</b>	<b>\$ 2,774,652</b>	<b>\$ 4,804,509</b>

## General Fund

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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

<i>December 31,</i>	2013	2012
<b>Assets</b>		
Cash and investments	\$ 3,569,630	\$ 4,904,951
<b>Receivables</b>		
Property taxes - delinquent, net of allowance for doubtful accounts of \$6,866 (\$14,006 in 2012)	112,310	105,210
Sales taxes	768,292	776,443
Assessments	348,605	376,771
Other, net of allowance for doubtful accounts of \$80,996 (\$102,210 in 2012)	102,588	88,734
<b>Total Receivables</b>	<b>1,331,795</b>	<b>1,347,158</b>
Due from other funds	1,963,406	624,307
Inventory	76,245	60,507
Prepaid items	206,415	195,758
<b>Total Assets</b>	<b>\$ 7,147,491</b>	<b>\$ 7,132,681</b>
<b>Liabilities</b>		
Accounts payable	\$ 182,458	\$ 240,258
Accrued payroll and related liabilities	248,497	304,728
Unearned revenue	194,674	-
Customer deposits	16,602	17,102
<b>Total Liabilities</b>	<b>642,231</b>	<b>562,088</b>
<b>Deferred Inflows</b>		
Deferred property taxes	108,871	105,210
Deferred assessments	348,605	376,771
<b>Total Deferred Inflows</b>	<b>457,476</b>	<b>481,981</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>1,099,707</b>	<b>1,044,069</b>
<b>Fund Balance</b>		
Nonspendable - inventory and prepaid items	282,660	256,265
Assigned - PERS benefits	171,314	171,314
Unassigned	5,593,810	5,661,033
<b>Total Fund Balance</b>	<b>6,047,784</b>	<b>6,088,612</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 7,147,491</b>	<b>\$ 7,132,681</b>

## City of Homer, Alaska

## General Fund

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

Year Ended December 31,	2013			2012
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 3,026,069	\$ 3,209,009	\$ 182,940	\$ 2,991,230
Sales taxes	4,709,902	4,872,983	163,081	4,698,866
Penalties and interest	6,000	11,850	5,850	18,346
<b>Total taxes</b>	<b>7,741,971</b>	<b>8,093,842</b>	<b>351,871</b>	<b>7,708,442</b>
Licenses and permits	24,900	35,706	10,806	22,248
Intergovernmental:				
Revenue - sharing	375,000	341,161	(33,839)	485,141
State PERS relief	480,159	630,058	149,899	563,877
Utility cooperative	28,582	49,343	20,761	27,672
Alcohol beverage tax	22,000	22,450	450	25,750
Public safety	723,138	782,674	59,536	584,863
Library grant	6,500	278	(6,222)	6,500
Public works	34,000	-	(34,000)	34,000
Other grants	5,500	600	(4,900)	13,500
<b>Total intergovernmental</b>	<b>1,674,879</b>	<b>1,826,564</b>	<b>151,685</b>	<b>1,741,303</b>
Charges for services:				
Administrative services	1,320,790	1,320,955	165	1,387,140
Ambulance services	225,000	194,877	(30,123)	99,508
Fire contracts	65,000	70,800	5,800	72,148
Camping fees	160,000	140,960	(19,040)	129,070
Rents and leases	-	9,000	9,000	3,000
Airport services	164,000	137,177	(26,823)	170,609
Community school fees	32,500	33,565	1,065	28,345
Miscellaneous services	72,725	84,175	11,450	86,551
<b>Total charges for services</b>	<b>2,040,015</b>	<b>1,991,509</b>	<b>(48,506)</b>	<b>1,976,371</b>
Special assessments	-	52,875	52,875	67,367

**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2013			2012
	Budget	Actual	Variance	Actual
<b>Revenues, continued</b>				
Investment income (loss)	\$ 25,000	\$ (108,152)	\$ (133,152)	\$ 28,423
Fines and forfeitures	17,500	10,469	(7,031)	8,065
<b>Total Revenues</b>	<b>11,524,265</b>	<b>11,902,813</b>	<b>378,548</b>	<b>11,552,219</b>
<b>Expenditures</b>				
General government:				
City council/mayor:				
Salaries and benefits	4,907	4,757	150	4,946
Supplies	2,500	2,001	499	1,692
Other services and charges	308,817	366,983	(58,166)	606,068
<b>Total city council/mayor</b>	<b>316,224</b>	<b>373,741</b>	<b>(57,517)</b>	<b>612,706</b>
City clerk:				
Salaries and benefits	331,409	335,383	(3,974)	312,631
Supplies	3,900	2,946	954	2,273
Other services and charges	59,583	40,292	19,291	26,584
<b>Total city clerk</b>	<b>394,892</b>	<b>378,621</b>	<b>16,271</b>	<b>341,488</b>
City manager:				
Salaries and benefits	226,219	231,333	(5,114)	269,734
Supplies	4,000	4,209	(209)	3,529
Other services and charges	16,254	16,147	107	11,824
<b>Total city manager</b>	<b>246,473</b>	<b>251,689</b>	<b>(5,216)</b>	<b>285,087</b>
Administrative services:				
Salaries and benefits	1,199,208	1,195,124	4,084	1,092,068
Supplies	11,530	8,515	3,015	13,399
Other services and charges	264,168	246,543	17,625	211,491
<b>Total administrative services</b>	<b>1,474,906</b>	<b>1,450,182</b>	<b>24,724</b>	<b>1,316,958</b>

**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2013			2012
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
General government, continued:				
Planning and zoning/property management:				
Salaries and benefits	\$ 418,475	\$ 412,429	\$ 6,046	\$ 393,520
Supplies	2,900	1,588	1,312	4,341
Other services and charges	27,042	20,611	6,431	24,085
Total planning and zoning/ property management	448,417	434,628	13,789	421,946
City hall complex:				
Supplies	28,300	21,163	7,137	25,221
Other services and charges	127,388	111,250	16,138	170,191
Total city hall complex	155,688	132,413	23,275	195,412
Non-departmental - salaries and benefit	141,655	141,655	-	113,352
Total general government	3,178,255	3,162,929	15,326	3,286,949
Public safety:				
Police department:				
Salaries and benefits	2,202,899	2,162,510	40,389	2,096,621
Supplies	40,350	32,159	8,191	35,727
Other services and charges	311,087	313,455	(2,368)	283,542
Total police department	2,554,336	2,508,124	46,212	2,415,890
Jail:				
Salaries and benefits	568,252	573,037	(4,785)	526,836
Supplies	25,200	37,979	(12,779)	27,830
Other services and charges	113,366	111,245	2,121	115,453
Total jail	706,818	722,261	(15,443)	670,119
Animal control:				
Supplies	22,500	24,631	(2,131)	24,363
Other services and charges	143,313	137,329	5,984	135,356
Total animal control	165,813	161,960	3,853	159,719

**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2013			2012
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public safety, continued:				
Emergency services:				
Salaries and benefits	\$ 675,384	\$ 687,070	\$ (11,686)	\$ 702,001
Supplies	52,000	40,446	11,554	40,208
Other services and charges	264,082	184,786	79,296	213,567
<b>Total emergency services</b>	<b>991,466</b>	<b>912,302</b>	<b>79,164</b>	<b>955,776</b>
<b>Total public safety</b>	<b>4,418,433</b>	<b>4,304,647</b>	<b>113,786</b>	<b>4,201,504</b>
Public works:				
Administration:				
Salaries and benefits	353,410	287,591	65,819	289,086
Supplies	6,400	8,207	(1,807)	4,932
Other services and charges	80,194	80,380	(186)	75,703
<b>Total administration</b>	<b>440,004</b>	<b>376,178</b>	<b>63,826</b>	<b>369,721</b>
Maintenance:				
Salaries and benefits	193,086	209,701	(16,615)	195,775
Supplies	21,850	17,300	4,550	17,565
Other services and charges	112,100	89,078	23,022	83,943
<b>Total maintenance</b>	<b>327,036</b>	<b>316,079</b>	<b>10,957</b>	<b>297,283</b>
Streets:				
Salaries and benefits	215,528	219,708	(4,180)	247,266
Supplies	183,000	183,389	(389)	148,824
Other services and charges	61,506	41,075	20,431	56,628
<b>Total streets</b>	<b>460,034</b>	<b>444,172</b>	<b>15,862</b>	<b>452,718</b>
Motor pool:				
Salaries and benefits	169,646	156,181	13,465	162,280
Supplies	116,360	101,492	14,868	121,095
Other services and charges	200,400	204,031	(3,631)	199,414
<b>Total motor pool</b>	<b>486,406</b>	<b>461,704</b>	<b>24,702</b>	<b>482,789</b>

**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2013			2012
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public works, continued:				
Engineer/inspector:				
Salaries and benefits	\$ 306,103	\$ 296,229	\$ 9,874	\$ 294,649
Supplies	16,500	14,397	2,103	14,553
Other services and charges	33,300	30,174	3,126	28,612
<b>Total engineer/inspector</b>	<b>355,903</b>	<b>340,800</b>	<b>15,103</b>	<b>337,814</b>
<b>Total public works</b>	<b>2,069,383</b>	<b>1,938,933</b>	<b>130,450</b>	<b>1,940,325</b>
Library:				
Salaries and benefits	603,621	575,921	27,700	515,163
Supplies	47,597	40,722	6,875	47,531
Other services and charges	174,463	154,995	19,468	144,909
<b>Total library</b>	<b>825,681</b>	<b>771,638</b>	<b>54,043</b>	<b>707,603</b>
Airport:				
Salaries and benefits	63,332	74,857	(11,525)	63,907
Supplies	43,500	25,694	17,806	43,356
Other services and charges	115,909	94,558	21,351	102,596
<b>Total airport</b>	<b>222,741</b>	<b>195,109</b>	<b>27,632</b>	<b>209,859</b>
Parks and recreation:				
Salaries and benefits	238,382	239,333	(951)	228,718
Supplies	34,500	36,923	(2,423)	34,976
Other services and charges	128,255	89,574	38,681	83,413
<b>Total parks and recreation</b>	<b>401,137</b>	<b>365,830</b>	<b>35,307</b>	<b>347,107</b>
Community services:				
Community service contributions:				
Museum	69,000	69,054	(54)	78,439
Homer Foundation Non-Profit	19,000	19,000	-	19,000
Haven House	-	-	-	12,350
Other	14,850	14,631	219	11,367
<b>Total community service contributions</b>	<b>102,850</b>	<b>102,685</b>	<b>165</b>	<b>121,156</b>

**City of Homer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2013			2012
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Community services, continued:				
Community schools:				
Salaries and benefits	\$ 108,599	\$ 100,387	\$ 8,212	\$ 88,127
Supplies	3,000	1,752	1,248	1,370
Other services and charges	21,855	21,977	(122)	18,117
<b>Total community schools</b>	<b>133,454</b>	<b>124,116</b>	<b>9,338</b>	<b>107,614</b>
<b>Total community services</b>	<b>236,304</b>	<b>226,801</b>	<b>9,503</b>	<b>228,770</b>
Debt service on loans:				
Principal	43,361	43,361	-	41,643
Interest	56,463	56,463	-	58,181
<b>Total debt service</b>	<b>99,824</b>	<b>99,824</b>	<b>-</b>	<b>99,824</b>
<b>Total Expenditures</b>	<b>11,451,758</b>	<b>11,065,711</b>	<b>386,047</b>	<b>11,021,941</b>
<b>Excess of Revenues Over Expenditures</b>	<b>72,507</b>	<b>837,102</b>	<b>764,595</b>	<b>530,278</b>
<b>Other Financing Uses - transfers out</b>	<b>(112,843)</b>	<b>(877,930)</b>	<b>(765,087)</b>	<b>(1,169,512)</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (40,336)</u></b>	<b>(40,828)</b>	<b><u>\$ (492)</u></b>	<b>(639,234)</b>
<b>Fund Balance, beginning</b>		<b><u>6,088,612</u></b>		<b><u>6,727,846</u></b>
<b>Fund Balance, ending</b>		<b><u>\$ 6,047,784</u></b>		<b><u>\$ 6,088,612</u></b>

## Utility Special Revenue Fund

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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**

<i>Year Ended December 31, 2013</i>	Budget	Actual	Variance
<b>Revenues</b>			
Sales taxes	\$ 1,176,549	\$ 1,217,246	\$ 40,697
Intergovernmental:			
Capital grants	-	182,136	182,136
State of Alaska PERS relief	-	150,932	150,932
<b>Total intergovernmental</b>	-	333,068	333,068
Charges for services:			
Water charges and connection fees	1,843,475	1,810,774	(32,701)
Sewer charges and connection fees	1,647,332	1,612,138	(35,194)
<b>Total charges for services</b>	3,490,807	3,422,912	(67,895)
Water and sewer special assessments	45,000	243,824	198,824
Investment income	11,000	-	(11,000)
Other	112,810	10,262	(102,548)
<b>Total Revenues</b>	4,836,166	5,227,312	391,146
<b>Expenditures</b>			
Water:			
Pumping system	99,313	107,927	(8,614)
Treatment plant and operations testing	486,811	492,004	(5,193)
Distribution system and reservoir	381,688	394,578	(12,890)
Water meters	136,407	116,200	20,207
Water hydrants	91,761	96,450	(4,689)
Administration	632,809	655,778	(22,969)
<b>Total water</b>	1,828,789	1,862,937	(34,148)
Sewer:			
Pumping system	782,910	843,575	(60,665)
Collection system	150,278	152,027	(1,749)
Administration	696,451	778,151	(81,700)
<b>Total sewer</b>	1,629,639	1,773,753	(144,114)
Debt service:			
Principal	859,226	811,620	47,606
Interest	204,276	147,094	57,182
<b>Total debt service</b>	1,063,502	958,714	104,788
Capital outlay	390,000	702,255	(312,255)
<b>Total Expenditures</b>	4,911,930	5,297,659	(385,729)
<b>Excess of Revenues Over (Under) Expenditures</b>	(75,764)	(70,347)	5,417
<b>Other Financing Uses - transfers out</b>	(67,697)	(121,482)	(53,785)
<b>Change in Fund Balance</b>	<u>\$ (143,461)</u>	(191,829)	<u>\$ (48,368)</u>
<b>Fund Balance, beginning</b>		<u>3,204,482</u>	
<b>Fund Balance, ending</b>		<u>\$ 3,012,653</u>	

**City of Homer, Alaska**  
**Utility Special Revenue Fund**  
**Combining Balance Sheet**

<i>December 31, 2013</i>	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
<b>Assets</b>					
Cash and investments	\$ 2,615,779	\$ (4,560,303)	\$ (1,191,944)	\$ 4,093,785	\$ 957,317
<b>Receivables</b>					
Accounts	196,288	-	-	-	196,288
Sales taxes	-	192,081	-	-	192,081
Assessments	-	5,177,701	-	-	5,177,701
State and federal grants and loans	-	1,580,014	223,912	-	1,803,926
<b>Total Receivables</b>	<b>196,288</b>	<b>6,949,796</b>	<b>223,912</b>	<b>-</b>	<b>7,369,996</b>
Inventory	235,577	-	-	-	235,577
Prepaid items	32,209	-	-	-	32,209
<b>Total Assets</b>	<b>\$ 3,079,853</b>	<b>\$ 2,389,493</b>	<b>\$ (968,032)</b>	<b>\$ 4,093,785</b>	<b>\$ 8,595,099</b>
<b>Liabilities</b>					
Accounts payable	\$ 126,844	\$ -	\$ 93,324	\$ 111,286	\$ 331,454
Accrued payroll and related liabilities	37,449	-	-	-	37,449
Customer deposits	35,842	-	-	-	35,842
<b>Total Liabilities</b>	<b>200,135</b>	<b>-</b>	<b>93,324</b>	<b>111,286</b>	<b>404,745</b>
<b>Deferred Inflows</b>					
Deferred assessments	-	5,177,701	-	-	5,177,701
<b>Total Liabilities and Deferred Inflows</b>	<b>200,135</b>	<b>5,177,701</b>	<b>93,324</b>	<b>111,286</b>	<b>5,582,446</b>
<b>Fund Balances (Deficits)</b>					
Nonspendable - inventory and prepaid items	267,786	-	-	-	267,786
Assigned - water and sewer	2,611,932	(2,788,208)	(1,061,356)	3,982,499	2,744,867
<b>Total Fund Balances (Deficits)</b>	<b>2,879,718</b>	<b>(2,788,208)</b>	<b>(1,061,356)</b>	<b>3,982,499</b>	<b>3,012,653</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances (Deficits)</b>	<b>\$ 3,079,853</b>	<b>\$ 2,389,493</b>	<b>\$ (968,032)</b>	<b>\$ 4,093,785</b>	<b>\$ 8,595,099</b>

**City of Homer, Alaska**  
**Utility Special Revenue Fund**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)**

<i>Year Ended December 31, 2013</i>	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
<b>Revenues</b>					
Sales tax	\$ -	\$ 1,217,246	\$ -	\$ -	\$ 1,217,246
Intergovernmental:					
Capital grants	-	-	182,136	-	182,136
State of Alaska PERS relief	150,932	-	-	-	150,932
<b>Total intergovernmental</b>	<b>150,932</b>	<b>-</b>	<b>182,136</b>	<b>-</b>	<b>333,068</b>
Charges for services:					
Water charges and connection fees	1,810,774	-	-	-	1,810,774
Sewer charges and connection fees	1,612,138	-	-	-	1,612,138
<b>Total charges for services</b>	<b>3,422,912</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,422,912</b>
Water and sewer special assessments	-	243,824	-	-	243,824
Other	9,611	-	81	570	10,262
<b>Total Revenues</b>	<b>3,583,455</b>	<b>1,461,070</b>	<b>182,217</b>	<b>570</b>	<b>5,227,312</b>
<b>Expenditures</b>					
Water:					
Pumping system	107,927	-	-	-	107,927
Treatment plant and operations testing	492,004	-	-	-	492,004
Distribution system and reservoir	394,578	-	-	-	394,578
Water meters	116,200	-	-	-	116,200
Water hydrants	96,450	-	-	-	96,450
Adminstration	584,272	71,506	-	-	655,778
<b>Total water</b>	<b>1,791,431</b>	<b>71,506</b>	<b>-</b>	<b>-</b>	<b>1,862,937</b>
Sewer:					
Pumping system	843,575	-	-	-	843,575
Collection system	152,027	-	-	-	152,027
Administration	706,645	71,506	-	-	778,151
<b>Total sewer</b>	<b>1,702,247</b>	<b>71,506</b>	<b>-</b>	<b>-</b>	<b>1,773,753</b>
Debt service:					
Principal	-	811,620	-	-	811,620
Interest	1,659	145,435	-	-	147,094
<b>Total debt service</b>	<b>1,659</b>	<b>957,055</b>	<b>-</b>	<b>-</b>	<b>958,714</b>
Capital outlay	-	-	332,821	369,434	702,255
<b>Total Expenditures</b>	<b>3,495,337</b>	<b>1,100,067</b>	<b>332,821</b>	<b>369,434</b>	<b>5,297,659</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>88,118</b>	<b>361,003</b>	<b>(150,604)</b>	<b>(368,864)</b>	<b>(70,347)</b>
<b>Other Financing Sources (Uses)</b>					
Eliminating transfers	(45,015)	(149,926)	149,926	45,015	-
Transfers out	(121,482)	-	-	-	(121,482)
<b>Change in Fund Balances</b>	<b>(78,379)</b>	<b>211,077</b>	<b>(678)</b>	<b>(323,849)</b>	<b>(191,829)</b>
<b>Fund Balances (Deficits), beginning</b>	<b>2,958,097</b>	<b>(2,999,285)</b>	<b>(1,060,678)</b>	<b>4,306,348</b>	<b>3,204,482</b>
<b>Fund Balances (Deficits), ending</b>	<b>\$ 2,879,718</b>	<b>\$ (2,788,208)</b>	<b>\$ (1,061,356)</b>	<b>\$ 3,982,499</b>	<b>\$ 3,012,653</b>

## Enterprise Fund

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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 Position**

December 31,	2013	2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,779,297	\$ 1,550,237
Receivables:		
Accounts, net of allowance for doubtful accounts of \$40,652 (\$36,073 in 2012)	211,923	345,545
State and federal grants	1,109,211	779,990
Inventory	15,647	14,712
Prepaid items	48,607	47,981
<b>Total Current Assets</b>	<b>3,164,685</b>	<b>2,738,465</b>
<b>Restricted Cash and Investments</b>		
Unspent bond proceeds	4,039,656	-
Bond reserves	293,697	-
<b>Total Restricted Cash</b>	<b>4,333,353</b>	<b>-</b>
<b>Property, Plant and Equipment</b>		
Property, plant and equipment in service	53,906,678	53,677,485
Land and land improvements	15,254,041	15,254,041
Construction work in progress	4,639,411	852,243
Less accumulated depreciation	(30,909,925)	(29,523,872)
<b>Net Property, Plant and Equipment</b>	<b>42,890,205</b>	<b>40,259,897</b>
<b>Total Assets</b>	<b>\$ 50,388,243</b>	<b>\$ 42,998,362</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 644,931	\$ 592,682
Accrued payroll and related liabilities	36,303	36,103
Accrued leave	14,398	17,751
General obligation bonds payable	130,000	-
Prepaid berth rentals and deposits	786,897	736,958
Unearned lease revenue	18,000	18,000
Interfund loan	3,291	3,291
<b>Total Current Liabilities</b>	<b>1,633,820</b>	<b>1,404,785</b>
<b>Noncurrent Liabilities, net of current portion:</b>		
Unearned lease revenue	252,000	270,000
Unearned grant revenue	21,710	-
Accrued leave	171,617	137,289
Interfund loan	19,421	22,712
General obligation bonds payable including bond premium	4,074,780	-
<b>Total Noncurrent Liabilities</b>	<b>4,539,528</b>	<b>430,001</b>
<b>Total Liabilities</b>	<b>6,173,348</b>	<b>1,834,786</b>
<b>Net Position</b>		
Net investment in capital assets	42,725,081	40,259,897
Restricted for bond retirement	293,697	-
Unrestricted	1,196,117	903,679
<b>Total Net Position</b>	<b>44,214,895</b>	<b>41,163,576</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 50,388,243</b>	<b>\$ 42,998,362</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended December 31,</i>	2013	2012
<b>Operating Revenues</b>		
Harbor	\$ 2,235,358	\$ 2,151,063
Main dock	398,581	242,442
Fish dock	731,751	676,351
Deep water dock	652,166	430,201
Rents, leases and storage	425,168	407,027
Fish grinder	8,815	10,515
<b>Total Operating Revenues</b>	<b>4,451,839</b>	<b>3,917,599</b>
<b>Operating Expenses</b>		
Harbor	1,448,251	1,311,272
Main dock	74,159	67,750
Fish dock	628,882	595,308
Deep water dock	136,225	84,155
Fish grinder	12,226	21,792
Administration	1,345,200	1,191,671
Depreciation	1,386,053	1,369,668
<b>Total Operating Expenses</b>	<b>5,030,996</b>	<b>4,641,616</b>
<b>Operating Loss</b>	<b>(579,157)</b>	<b>(724,017)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	-	16,181
State PERS relief	134,811	118,644
Other income	299,564	216,430
FEMA repairs grant	-	131,335
Miscellaneous repairs	(161,394)	(124,797)
Bond issuance costs	(37,807)	-
Harbormaster conference expense	-	(13,337)
<b>Net Nonoperating Revenues</b>	<b>235,174</b>	<b>344,456</b>
<b>Loss before Capital Contributions and Transfers</b>	<b>(343,983)</b>	<b>(379,561)</b>
Capital contributions	3,523,302	883,031
Transfers out	(128,000)	-
<b>Change in Net Position</b>	<b>3,051,319</b>	<b>503,470</b>
<b>Net Position, beginning</b>	<b>41,163,576</b>	<b>40,660,106</b>
<b>Net Position, ending</b>	<b>\$ 44,214,895</b>	<b>\$ 41,163,576</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2013	2012
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 4,880,427	\$ 4,010,933
Payments to suppliers	(2,076,537)	(1,082,926)
Payments to employees	(1,454,879)	(1,772,535)
<b>Net cash flows from operating activities</b>	<b>1,349,011</b>	<b>1,155,472</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfer out	(128,000)	-
Nonoperating grants and cruise ship tax received	117,149	82,386
<b>Net cash flows from noncapital financing activities</b>	<b>(10,851)</b>	<b>82,386</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from bond issuance	4,166,973	-
Capital contributions received	3,076,932	269,671
Acquisition of property, plant and equipment	(4,016,361)	(1,032,199)
(Decrease) increase in interfund loan	(3,291)	(3,291)
<b>Net cash flows from capital and related financing activities</b>	<b>3,224,253</b>	<b>(765,819)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	-	16,181
<b>Net Increase in Cash and Investments</b>	<b>4,562,413</b>	<b>488,220</b>
<b>Cash and Investments, beginning</b>	<b>1,550,237</b>	<b>1,062,017</b>
<b>Cash and Investments, ending</b>	<b>\$ 6,112,650</b>	<b>\$ 1,550,237</b>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
Operating loss	\$ (579,157)	\$ (724,017)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,386,053	1,369,668
Noncash expense - PERS relief	134,811	118,644
Increase (decrease) in allowance for doubtful accounts	4,579	(21,836)
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	138,170	78,296
(Increase) decrease in assets:		
Accounts receivable	129,043	(113,671)
Inventory	(935)	878
Prepaid items	(626)	(14,011)
Increase (decrease) in liabilities:		
Accounts payable	52,249	448,370
Accrued payroll and related liabilities	200	(14,731)
Unearned grant revenue	21,710	-
Accrued leave	30,975	15,471
Prepaid berth rentals and deposits	49,939	30,411
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,349,011</b>	<b>\$ 1,155,472</b>

## Internal Service Funds

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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 Position**

<i>December 31, 2013</i>	Health Insurance	Leave Cash-out	Total
<b>Assets</b>			
Cash and investments	\$ 372,374	\$ -	\$ 372,374
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 251,107	\$ -	\$ 251,107
Due to other funds	-	15,140	15,140
<b>Total Current Liabilities</b>	<b>251,107</b>	<b>15,140</b>	<b>266,247</b>
<b>Net Position</b>			
Unrestricted (deficit)	121,267	(15,140)	106,127
<b>Total Liabilities and Net Position</b>	<b>\$ 372,374</b>	<b>\$ -</b>	<b>\$ 372,374</b>

## City of Homer, Alaska

## Internal Service Funds

## Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2013</i>	Health Insurance	Leave Cash-out	Total
<b>Operating Revenues</b>			
Interfund charges	\$ 1,866,304	\$ 231,216	\$ 2,097,520
Employee health contributions	144,483	-	144,483
<b>Total Operating Revenues</b>	<b>2,010,787</b>	<b>231,216</b>	<b>2,242,003</b>
<b>Operating Expenses</b>			
Personnel	-	250,228	250,228
Claims	1,978,754	-	1,978,754
Insurance premiums	394,881	-	394,881
Administration	89,059	-	89,059
<b>Total Operating Expenses</b>	<b>2,462,694</b>	<b>250,228</b>	<b>2,712,922</b>
<b>Operating Loss</b>	<b>(451,907)</b>	<b>(19,012)</b>	<b>(470,919)</b>
Transfers in	800,000	-	800,000
<b>Change in Net Position</b>	<b>348,093</b>	<b>(19,012)</b>	<b>329,081</b>
<b>Net Position (Deficit), beginning</b>	<b>(226,826)</b>	<b>3,872</b>	<b>(222,954)</b>
<b>Net Position (Deficit), ending</b>	<b>\$ 121,267</b>	<b>\$ (15,140)</b>	<b>\$ 106,127</b>

**City of Homer, Alaska**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**

<i>Year Ended December 31, 2013</i>	Health Insurance	Leave Cash-out	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services provided	\$ 2,010,787	\$ 231,216	\$ 2,242,003
Payments to employees	-	(250,228)	(250,228)
Payments for insurance claims and administration	(2,340,022)	-	(2,340,022)
<b>Net cash flows from operating activities</b>	<b>(329,235)</b>	<b>(19,012)</b>	<b>(348,247)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Increase (decrease) in due to other funds	(98,391)	15,140	(83,251)
Transfers in	800,000	-	800,000
<b>Net cash flows from noncapital financing activities</b>	<b>701,609</b>	<b>15,140</b>	<b>716,749</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>372,374</b>	<b>(3,872)</b>	<b>368,502</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>3,872</b>	<b>3,872</b>
<b>Cash and Investments, ending</b>	<b>\$ 372,374</b>	<b>\$ -</b>	<b>\$ 372,374</b>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>			
Operating loss	\$ (451,907)	\$ (19,012)	\$ (470,919)
Adjustments to reconcile operating loss to net cash flows from operating activities - increase in accounts payable	122,672	-	122,672
<b>Net Cash Flows from Operating Activities</b>	<b>\$ (329,235)</b>	<b>\$ (19,012)</b>	<b>\$ (348,247)</b>

**City of Homer, Alaska**  
**Health Insurance Internal Service Fund**  
**Statement of Net Position**

<i>December 31,</i>	2013	2012
<b>Assets</b>		
Cash and investments	\$ 372,374	\$ -
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 251,107	\$ 128,435
Due to other funds	-	98,391
<b>Total Current Liabilities</b>	<b>251,107</b>	<b>226,826</b>
<b>Net Position</b>		
Unrestricted (deficit)	121,267	(226,826)
<b>Total Liabilities and Net Position</b>	<b>\$ 372,374</b>	<b>\$ -</b>

**City of Homer, Alaska**  
**Health Insurance Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended December 31,</i>	2013	2012
<b>Operating Revenues</b>		
Interfund insurance charges	\$ 1,866,304	\$ 1,559,289
Employee health contributions	144,483	117,930
<b>Total Operating Revenues</b>	<b>2,010,787</b>	<b>1,677,219</b>
<b>Operating Expenses</b>		
Claims	1,978,754	1,780,281
Insurance premiums	394,881	438,910
Administration	89,059	99,143
<b>Total Operating Expenses</b>	<b>2,462,694</b>	<b>2,318,334</b>
<b>Operating Loss</b>	<b>(451,907)</b>	<b>(641,115)</b>
Transfers in	800,000	-
<b>Change in Net Position</b>	<b>348,093</b>	<b>(641,115)</b>
<b>Net Position (Deficit), beginning</b>	<b>(226,826)</b>	<b>414,289</b>
<b>Net Position (Deficit), ending</b>	<b>\$ 121,267</b>	<b>\$ (226,826)</b>

**City of Homer, Alaska**  
**Health Insurance Internal Service Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2013	2012
<b>Cash Flows from Operating Activities</b>		
Receipts from interfund services provided and employee contributions	\$ 2,010,787	\$ 1,677,219
Payments for insurance claims and administration	(2,340,022)	(2,283,711)
Net cash flows from operating activities	(329,235)	(606,492)
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in	800,000	-
Increase (decrease) in due to other funds	(98,391)	98,391
Net cash flows from noncapital financing activities	701,609	98,391
Net Increase (Decrease) in Cash and Investments	372,374	(508,101)
Cash and Investments, beginning	-	508,101
Cash and Investments, ending	\$ 372,374	\$ -
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
Operating loss	\$ (451,907)	\$ (641,115)
Adjustments to reconcile operating loss to net cash flows from operating activities - increase in accounts payable	122,672	34,623
<b>Net Cash Flows from Operating Activities</b>	<b>\$ (329,235)</b>	<b>\$ (606,492)</b>

**City of Homer, Alaska**  
**Leave Cash-out Internal Service Fund**  
**Statement of Net Position**

<i>December 31,</i>	2013	2012
<b>Assets</b>		
Cash and investments	\$ -	\$ 3,872
<b>Liabilities</b>		
<b>Current Liabilities - due to other funds</b>	<b>\$ 15,140</b>	<b>\$ -</b>
<b>Net Position</b>		
Unrestricted (deficit)	(15,140)	3,872
<b>Total Liabilities and Net Position</b>	<b>\$ -</b>	<b>\$ 3,872</b>

**City of Homer, Alaska**  
**Leave Cash-out Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended December 31,</i>	2013	2012
<b>Operating Revenues - interfund leave cash-out charges</b>	\$ 231,216	\$ 184,999
<b>Operating Expenses - salaries and benefits</b>	250,228	144,549
<b>Change in Net Position</b>	(19,012)	40,450
<b>Net Position (Deficit), beginning</b>	3,872	(36,578)
<b>Net Position (Deficit), ending</b>	\$ (15,140)	\$ 3,872



**City of Homer, Alaska**  
**Leave Cash-out Internal Service Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2013	2012
<b>Cash Flows from Operating Activities</b>		
Receipts from interfund services provided	\$ 231,216	\$ 184,999
Payments to employees	(250,228)	(144,549)
Net cash flows from operating activities	(19,012)	40,450
<b>Cash Flows from Noncapital Financing Activities</b>		
Increase (decrease) in due to other funds	15,140	(36,578)
Net Increase (Decrease) in Cash and Investments	(3,872)	3,872
Cash and Investments, beginning	3,872	-
Cash and Investments, ending	\$ -	\$ 3,872
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Change in net position	\$ (19,012)	\$ 40,450

Schedule of Expenditures of Federal Awards and Schedule of  
State Financial Assistance

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**City of Homer, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	January 1, 2013 Receivable (Unearned)	Federal Share of Expen- ditures	Federal Receipts	December 31, 2013 Receivable (Unearned)
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
Passed through the Alaska Division of Homeland Security and Emergency Management:							
FEMA	FEMA-DR-4054-AK	97.036	\$ 131,335	\$ 117,149	\$ -	\$ 117,149	\$ -
Emergency Management Performance	12EMPG-GR35585	97.042	3,102	-	3,102	3,102	-
Total Department of Homeland Security				117,149	3,102	120,251	-
<b>DENALI COMMISSION</b>							
*Small Boat Harbor Float Replacement Design	01412-01	90.100	440,000	67,113	307,180	318,313	55,980
<b>DEPARTMENT OF COMMERCE</b>							
Passed through the State of Alaska Department of Education and Early Development:							
Alaska Owl Project IT Aid Award Funds - ARRA	OWL 13-738-01	11.557	4,760	(4,286)	3,266	(1,020)	-
Alaska Owl Project Early Literacy - ARRA	OWL 13-738-02	11.557	5,906	-	5,906	5,906	-
Alaska Owl Project Video Conference Program Training - ARRA	OWL 13-738-01	11.557	379	-	379	379	-
Total Department of Commerce				(4,286)	9,551	5,265	-
<b>ENVIRONMENTAL PROTECTION AGENCY</b>							
Passed through the State of Alaska Department of Environmental Conservation:							
Clean Water Loan	409081	66.458	2,697,500	958,268	-	958,268	-
Clean Water Loan - 90% Loan portion	409261	66.458	1,533,841	34,132	-	34,132	-
Clean Water Loan - 10% ARRA subsidy	409261	66.458	150,000	35,241	-	35,241	-
Total CFDA 66.458				1,027,641	-	1,027,641	-
Drinking Water Loan	409101	66.468	385,400	349,581	-	349,581	-
Drinking Water Loan	409271	66.468	1,432,994	60,003	-	60,003	-
Total CFDA 66.468				409,584	-	409,584	-
City of Homer Water and Sewer	XP-00J67801	66.202	485,000	-	182,136	-	182,136
<b>DEPARTMENT OF TRANSPORTATION</b>							
AMHS Bike & Pedestrian Trail/Homer Terminal	2006-01	20.205	59,673	52,242	-	52,242	-
<b>DEPARTMENT OF THE INTERIOR</b>							
Passed through the Kenai Peninsula Borough:							
Beluga Slough Trail	271-21135-11067-43011	15.668	65,351	65,351	-	65,351	-
Passed through the State of Alaska Department of Commerce, Community, and Economic Development CCIAP -							
Beluga Slough Trail Reconstruction to Restore Wetland:	10-CIAP-017	15.668	448,116	426,653	270	426,923	-
<b>Total Federal Financial Assistance</b>				<b>\$ 2,161,447</b>	<b>\$ 502,239</b>	<b>\$ 2,425,570</b>	<b>\$ 238,116</b>

\* Major Program

**City of Homer, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended December 31, 2013**

State Grant Title	Grant Number	Total Grant Award	January 1, 2013 Receivable (Unearned)	State Share of Expenditures	State Receipts	December 31, 2013 Receivable (Unearned)
<b>DEPARTMENT OF ADMINISTRATION</b>						
* PERS Relief	N/A	\$ 915,801	\$ -	\$ 915,801	\$ 915,801	\$ -
<b>DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT</b>						
* Karen Hornaday Park Improvements	11-DC-234	250,000	38,247	120,545	77,136	81,656
Spit Trail Completion	08-DC-288	65,000	21,373	43,305	64,678	-
Fishing Lagoon Improvements	13-DC-129	100,000	100,000	-	100,000	-
* Spit Trail Completion/Harbor Pathway	09-DC-210	150,000	-	150,000	16,528	133,472
Port and Harbor Building & Skyline Fire Station	14-RR-052	2,000,000	-	81,951	5,458	76,493
* South Peninsula Natural Gas Pipeline	13-DC-617	8,150,000	113,790	7,491,210	7,605,000	-
* Cruise Ship Dock and Passenger Facility Improvements	12-DC-609	6,000,000	669,169	3,431,460	2,979,601	1,121,028
* Revenue sharing	N/A	341,161	-	341,161	341,161	-
Total Department of Commerce, Community, and Economic Development			942,579	11,659,632	11,189,562	1,412,649
<b>DEPARTMENT OF REVENUE</b>						
Fish Tax	N/A	41,501	-	41,501	41,501	-
Electric and Telephone Co-op Tax	N/A	49,343	-	49,343	49,343	-
Liquor Licenses	N/A	22,450	-	22,450	22,450	-
Total Department of Revenue			-	113,294	113,294	-
<b>DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>						
Public Library Assistance	PLA-14-738-32	6,600	-	278	6,600	(6,322)
<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>						
Hazardous Materials Safety Training	2012 MOU	8,000	-	7,330	7,330	-
<b>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>						
* Homer Harbor Improvements	14-HG-001	270,002	-	189,850	-	189,850
<b>Total State Financial Assistance</b>			<b>\$ 942,579</b>	<b>\$ 12,886,185</b>	<b>\$ 12,232,587</b>	<b>\$ 1,596,177</b>

\* 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, 2013

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### 1. Basis of Presentation

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

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# City of Homer, Alaska

## Statistical Section (Unaudited)

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

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#### 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.

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#### Demographic and Economic Information

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**City of Homer, Alaska**  
**Statistical Section, continued**  
**(Unaudited)**

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**Source:**

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



**City of Homer, Alaska**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities</b>										
Invested in capital assets, net of related debt	\$ 66,235,552	\$ 63,752,627	\$ 63,616,675	\$ 62,427,809	\$ 43,615,673	\$ 43,848,027	\$ 43,879,310	\$ 42,266,274	\$ 39,633,946	\$ 34,744,914
Restricted	7,737,510	6,691,992	7,284,209	5,610,035	3,350,187	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361
Unrestricted	8,085,027	15,644,941	15,774,292	16,833,035	10,482,882	8,149,368	6,014,887	4,932,592	3,919,540	3,000,843
<b>Total Governmental Activities Net Position</b>	<b>\$ 82,058,089</b>	<b>\$ 86,089,560</b>	<b>\$ 86,675,176</b>	<b>\$ 84,870,879</b>	<b>\$ 57,448,742</b>	<b>\$ 56,331,872</b>	<b>\$ 53,244,384</b>	<b>\$ 50,800,471</b>	<b>\$ 47,322,078</b>	<b>\$ 40,983,118</b>
<b>Business-type Activities</b>										
Invested in capital assets, net of related debt	\$ 42,725,081	\$ 40,259,897	\$ 40,597,366	\$ 41,762,236	\$ 63,567,468	\$ 65,571,218	\$ 62,275,608	\$ 63,457,140	\$ 65,800,613	\$ 66,667,055
Restricted	293,697	-	-	-	4,347,509	7,677,436	7,736,778	3,583,803	2,870,245	2,316,028
Unrestricted	1,092,728	856,101	112,282	(186,693)	1,448,400	(1,289,199)	(806,158)	3,406,230	1,486,971	3,048,076
<b>Total Business-type Activities Net Position</b>	<b>\$ 44,111,506</b>	<b>\$ 41,115,998</b>	<b>\$ 40,709,648</b>	<b>\$ 41,575,543</b>	<b>\$ 69,363,377</b>	<b>\$ 71,959,455</b>	<b>\$ 69,206,228</b>	<b>\$ 70,447,173</b>	<b>\$ 70,157,829</b>	<b>\$ 72,031,159</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 108,960,633	\$ 104,012,524	\$ 104,214,041	\$ 104,190,045	\$ 107,183,141	\$ 109,419,245	\$ 106,154,918	\$ 105,723,414	\$ 105,434,559	\$ 101,411,969
Restricted	8,031,207	6,691,992	7,284,209	5,610,035	7,697,696	12,011,913	11,086,965	7,185,408	6,638,837	5,553,389
Unrestricted	9,177,755	16,501,042	15,886,574	16,646,342	11,931,282	6,860,169	5,208,729	8,338,822	5,406,511	6,048,919
<b>Total Primary Government Net Position</b>	<b>\$ 126,169,595</b>	<b>\$ 127,205,558</b>	<b>\$ 127,384,824</b>	<b>\$ 126,446,422</b>	<b>\$ 126,812,119</b>	<b>\$ 128,291,327</b>	<b>\$ 122,450,612</b>	<b>\$ 121,247,644</b>	<b>\$ 117,479,907</b>	<b>\$ 113,014,277</b>

## 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 2012 the City implemented GASB 63. Net assets have been retitled.

## City of Homer, Alaska

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 3,509,077	\$ 3,889,598	\$ 3,907,607	\$ 3,722,993	\$ 2,066,529	\$ 1,761,505	\$ 1,621,298	\$ 1,453,282	\$ 1,800,060	\$ 1,870,428
Public safety	4,801,462	4,757,442	4,451,784	4,168,529	4,409,769	4,546,766	3,989,765	3,912,322	3,322,075	3,101,937
Public works	2,920,106	2,680,878	2,612,530	2,676,839	2,955,896	2,637,639	2,422,038	2,405,097	1,066,319	2,136,469
Library	1,037,518	987,638	943,075	931,139	932,552	890,800	805,570	370,404	293,831	473,298
Airport	267,179	283,619	281,351	207,701	239,214	233,176	200,331	152,414	149,341	173,258
Parks & recreation	576,656	512,081	387,924	468,782	427,271	494,083	410,556	391,303	356,721	377,010
Community services	7,800,998	899,357	586,195	263,224	266,144	321,970	235,831	211,894	582,677	180,964
Water	2,682,608	2,724,923	2,607,880	2,231,144	-	-	-	-	-	-
Sewer	1,924,466	1,872,736	1,655,405	2,339,709	-	-	-	-	-	-
Unallocated interest	440,827	250,842	225,572	225,553	63,870	141,014	113,536	64,676	70,829	90,915
<b>Total Governmental Activities Expenses</b>	<b>25,960,897</b>	<b>18,859,114</b>	<b>17,659,323</b>	<b>17,235,613</b>	<b>11,361,245</b>	<b>11,026,953</b>	<b>9,798,925</b>	<b>8,961,392</b>	<b>7,641,853</b>	<b>8,404,279</b>
<b>Business-type Activities:</b>										
Port & Harbor	5,286,008	4,876,870	4,649,705	4,501,480	4,794,367	4,529,886	4,406,311	4,075,045	3,885,187	3,709,842
Water & Sewer	-	-	-	-	6,145,835	5,820,558	5,318,033	4,737,887	4,615,144	4,250,305
<b>Total Business-type Activities Expenses</b>	<b>5,286,008</b>	<b>4,876,870</b>	<b>4,649,705</b>	<b>4,501,480</b>	<b>10,940,202</b>	<b>10,350,444</b>	<b>9,724,344</b>	<b>8,812,932</b>	<b>8,500,331</b>	<b>7,960,147</b>
<b>Total Activities Expenses</b>	<b>\$ 31,246,905</b>	<b>\$ 23,735,984</b>	<b>\$ 22,309,028</b>	<b>\$ 21,737,093</b>	<b>\$ 22,301,447</b>	<b>\$ 21,377,397</b>	<b>\$ 19,523,269</b>	<b>\$ 17,774,324</b>	<b>\$ 16,142,184</b>	<b>\$ 16,364,426</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for services										
General Government	\$ 662,367	\$ 515,737	\$ 511,997	\$ 211,625	\$ 185,215	\$ 116,606	\$ 290,197	\$ 437,696	\$ 433,860	\$ 377,892
Public Safety	329,021	234,527	258,804	198,119	633,372	317,835	462,050	323,916	389,826	815,935
Public Works	-	6,048	9,427	12,090	62,544	34,715	71,864	62,633	61,572	90,436
Library	-	-	-	-	4,869	499,189	-	-	-	-
Airport	137,177	170,609	168,569	166,666	165,781	169,196	170,944	143,604	125,316	131,072
Parks and Recreation	140,960	129,070	145,587	175,859	165,849	157,264	183,310	173,204	181,924	157,362
Community Services	33,565	28,345	31,767	32,292	28,166	27,058	38,696	18,549	-	-
Water	3,303,929	1,718,767	1,765,551	2,067,751	-	-	-	-	-	-
Sewer	3,105,293	1,554,324	1,521,740	1,483,423	-	-	-	-	-	-
Operating grants & contributions	9,834,812	1,377,909	734,045	665,150	607,284	697,372	638,290	640,601	729,240	401,998
Capital grants & contributions	342,571	1,698,849	2,982,510	1,632,234	376,375	746,803	339,482	1,616,075	4,361,468	1,273,362
<b>Total Governmental Activities Revenues</b>	<b>17,889,695</b>	<b>7,434,185</b>	<b>8,129,997</b>	<b>6,645,209</b>	<b>2,229,455</b>	<b>2,766,038</b>	<b>2,194,833</b>	<b>3,416,278</b>	<b>6,283,206</b>	<b>3,248,057</b>
<b>Business-type Activities:</b>										
Charges for services Port&Harbor	4,451,839	3,917,599	3,563,431	3,504,442	3,347,738	3,288,715	2,791,713	2,632,892	2,507,815	2,679,831
Charges for services Water/Sewer	-	-	-	-	3,039,391	3,023,126	2,734,564	2,745,335	2,605,377	2,569,494
Operating grants & contributions P&H	134,811	249,979	103,169	48,469	-	-	-	-	-	-
Capital grants & contributions P&H	3,523,302	883,031	59,176	-	-	-	55,187	-	68,090	723,375
Capital grants & contributions W/S	-	-	-	-	317,159	4,571,058	1,333,867	2,274,619	221,412	227,808
<b>Total Business-type Activities Revenues</b>	<b>8,109,952</b>	<b>5,050,609</b>	<b>3,725,776</b>	<b>3,552,911</b>	<b>6,704,288</b>	<b>10,882,899</b>	<b>6,915,331</b>	<b>7,652,846</b>	<b>5,402,694</b>	<b>6,200,508</b>
<b>Total Primary Government</b>										
<b>Program Revenues</b>	<b>\$ 25,999,647</b>	<b>\$ 12,484,794</b>	<b>\$ 11,855,773</b>	<b>\$ 10,198,120</b>	<b>\$ 8,933,743</b>	<b>\$ 13,648,937</b>	<b>\$ 9,110,164</b>	<b>\$ 11,069,124</b>	<b>\$ 11,685,900</b>	<b>\$ 9,448,565</b>
<b>Net (Expense)Revenue</b>										
Governmental Activities	\$ (8,071,202)	\$ (11,424,929)	\$ (9,529,326)	\$ (10,590,404)	\$ (9,131,790)	\$ (8,260,915)	\$ (7,604,092)	\$ (5,545,114)	\$ (1,358,647)	\$ (5,156,222)
Business-type Activities	2,823,944	173,739	(923,929)	(948,569)	(4,235,914)	532,455	(2,809,013)	(1,160,086)	(3,097,637)	(1,759,639)
<b>Total Primary Government</b>										
<b>Net Expenses</b>	<b>\$ (5,247,258)</b>	<b>\$ (11,251,190)</b>	<b>\$ (10,453,255)</b>	<b>\$ (11,538,973)</b>	<b>\$ (13,367,704)</b>	<b>\$ (7,728,460)</b>	<b>\$ (10,413,105)</b>	<b>\$ (6,705,200)</b>	<b>\$ (4,456,284)</b>	<b>\$ (6,915,861)</b>
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
<b>Governmental Activities:</b>										
<b>Taxes:</b>										
Property Taxes	\$ 3,224,520	\$ 2,999,341	\$ 2,922,246	\$ 3,051,919	\$ 2,889,856	\$ 2,976,794	\$ 2,529,614	\$ 2,406,263	\$ 2,091,977	\$ 1,888,761
Sales Taxes	7,307,475	7,031,266	7,059,404	6,613,640	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,770,288
Other	572,660	808,706	1,220,638	1,272,273	2,113,103	967,635	1,195,849	487,481	376,102	207,628
Transfers	128,000	-	131,335	(24,925)	(115,408)	(30,000)	149,064	459,125	110,000	50,685
Special items	(7,192,924)	-	-	-	-	1,099,216	-	-	-	-
<b>Total Governmental Activities Revenue</b>	<b>4,039,731</b>	<b>10,839,313</b>	<b>11,333,623</b>	<b>10,912,907</b>	<b>10,248,660</b>	<b>11,348,403</b>	<b>10,048,005</b>	<b>9,023,507</b>	<b>7,697,607</b>	<b>5,917,362</b>
<b>Business-type Activities:</b>										
Sales tax	-	-	-	-	1,072,222	1,266,790	1,235,022	1,134,096	1,031,167	1,019,645
Other	299,564	232,611	189,369	235,444	452,206	409,544	482,110	774,459	303,140	214,766
Transfers	(128,000)	-	(131,335)	24,925	115,408	30,000	(149,064)	(459,125)	(110,000)	(50,685)
Special item write-off NPO	-	-	-	-	-	514,438	-	-	-	-
<b>Total Business-type Activities Revenue</b>	<b>171,564</b>	<b>232,611</b>	<b>58,034</b>	<b>260,369</b>	<b>1,639,836</b>	<b>2,220,772</b>	<b>1,568,068</b>	<b>1,449,430</b>	<b>1,224,307</b>	<b>1,183,726</b>
<b>Total Primary Government General and Transfers Revenue</b>	<b>\$ 4,211,295</b>	<b>\$ 11,071,924</b>	<b>\$ 11,391,657</b>	<b>\$ 11,173,276</b>	<b>\$ 11,888,496</b>	<b>\$ 13,569,175</b>	<b>\$ 11,616,073</b>	<b>\$ 10,472,937</b>	<b>\$ 8,921,914</b>	<b>\$ 7,101,088</b>
<b>Changes in Net Position</b>										
Governmental Activities	\$ (4,031,471)	\$ (585,616)	\$ 1,804,297	\$ 322,503	\$ 1,116,870	\$ 3,087,488	\$ 2,443,913	\$ 3,478,393	\$ 6,338,960	\$ 761,140
Business-type Activities	2,995,508	406,350	(865,895)	(688,200)	(2,596,078)	2,753,227	(1,240,945)	289,344	(1,873,330)	(575,913)
<b>Total Primary Government</b>	<b>\$ (1,035,963)</b>	<b>\$ (179,266)</b>	<b>\$ 938,402</b>	<b>\$ (365,697)</b>	<b>\$ (1,479,208)</b>	<b>\$ 5,840,715</b>	<b>\$ 1,202,968</b>	<b>\$ 3,767,737</b>	<b>\$ 4,465,630</b>	<b>\$ 185,227</b>

## 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.

In 2012 the City implemented GASB 63. Net assets have been retitled.

Special items - 2008 - Write off NPO, 2013 - Construction of gas pipeline on-behalf of third parties

**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
2013	\$ 3,224,520	\$ 7,307,475	\$ 10,531,995
2012	2,999,341	7,031,266	10,030,607
2011	2,999,341	7,031,266	10,030,607
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

Source: A2 pg 19

**City of Homer, Alaska**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Fund</b>										
Nonspendable	\$ 282,660	\$ 256,265	\$ 244,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	171,314	171,314	171,314	-	-	-	-	-	-	-
Unassigned	5,593,810	5,661,033	6,312,215	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 6,047,784</b>	<b>\$ 6,088,612</b>	<b>\$ 6,727,846</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Governmental Funds</b>										
Nonspendable	\$ 290,498	\$ 250,313	\$ 334,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	6,467,413	6,691,992	7,284,209	-	-	-	-	-	-	-
Committed	1,966,031	1,648,032	-	-	-	-	-	-	-	-
Assigned	6,822,959	5,790,954	5,987,998	-	-	-	-	-	-	-
Unassigned	(1,825,321)	(62,591)	(97,653)	-	-	-	-	-	-	-
<b>Total Other governmental Funds</b>	<b>\$ 13,721,580</b>	<b>\$ 14,318,700</b>	<b>\$ 13,509,220</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ 255,883	\$ 297,291	\$ 353,901	\$ 296,910	\$ 260,274	\$ 280,743	\$ 313,959
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	-	-	-
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
<b>Total Unreserved General Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,317,931</b>	<b>4,597,929</b>	<b>4,246,418</b>	<b>4,702,297</b>	<b>3,632,823</b>	<b>2,586,409</b>	<b>1,698,052</b>
<b>Total General Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,573,814</b>	<b>4,895,220</b>	<b>4,600,319</b>	<b>4,999,207</b>	<b>3,893,097</b>	<b>2,867,152</b>	<b>2,012,011</b>
<b>Other Governmental Funds</b>										
Reserved	-	-	-	5,929,657	4,367,506	4,334,477	3,350,187	3,601,605	3,768,592	3,237,361
Unreserved:										
Library	-	-	-	31,519	31,501	31,326	29,289	27,750	8,982	471,148
Fire Department	-	-	-	68,324	64,110	62,965	53,948	11,482	15,522	11,697
Animal Shelter	-	-	-	-	7,382	7,352	7,173	6,796	10,088	-
Community Schools	-	-	-	1,136	1,792	509	699	197	-	-
Sustainability Global Warming	-	-	-	14,774	15,257	15,162	107	-	-	-
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
Capital Project Deficit	-	-	-	-	(47,379)	(20,873)	(3,744)	(31,147)	(455,223)	(69,805)
<b>Total Unreserved Other Governmental Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,641,400</b>	<b>4,210,594</b>	<b>3,212,823</b>	<b>1,945,344</b>	<b>1,800,043</b>	<b>1,015,292</b>	<b>834,106</b>
<b>Total Other Governmental Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,571,057</b>	<b>8,578,100</b>	<b>7,547,300</b>	<b>5,295,531</b>	<b>5,401,648</b>	<b>4,783,884</b>	<b>4,071,467</b>
<b>Total General Fund and Other Governmental Funds</b>	<b>\$ 19,769,364</b>	<b>\$ 20,407,312</b>	<b>\$ 20,237,066</b>	<b>\$ 19,144,871</b>	<b>\$ 13,473,320</b>	<b>\$ 12,147,619</b>	<b>\$ 10,294,738</b>	<b>\$ 9,294,745</b>	<b>\$ 7,651,036</b>	<b>\$ 6,083,478</b>
<b>Change in Fund Balances</b>	<b>(637,948)</b>	<b>170,246</b>	<b>1,092,195</b>	<b>2,031,354</b>	<b>1,325,701</b>	<b>1,852,881</b>	<b>999,993</b>	<b>1,643,709</b>	<b>1,567,558</b>	<b>(148,020)</b>
<b>Percentage of Change</b>	<b>-3.1%</b>	<b>0.8%</b>	<b>5.7%</b>	<b>11.9%</b>	<b>10.9%</b>	<b>18.0%</b>	<b>10.8%</b>	<b>21.5%</b>	<b>25.8%</b>	<b>-2.4%</b>

## 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)**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Property taxes	\$ 3,209,009	\$ 2,991,230	\$ 2,916,176	\$ 2,954,829	\$ 2,930,696	\$ 2,975,448	\$ 2,501,693	\$ 2,382,936	\$ 2,102,170	\$ 1,888,761
Sales taxes	7,307,475	7,031,266	7,059,404	6,613,640	5,361,109	6,334,758	6,173,478	5,670,638	5,119,528	3,737,944
Licenses and permits	35,706	22,248	25,040	22,965	19,614	26,219	43,765	46,096	42,717	88,411
Intergovernmental	10,472,084	3,573,807	4,779,839	2,937,975	1,854,305	1,778,519	1,873,233	2,247,343	3,740,329	1,966,565
Charges for services	5,414,421	5,246,446	5,202,621	5,139,533	2,629,639	2,337,323	2,382,465	2,136,838	2,183,048	2,028,181
Special assessments	296,699	329,958	308,497	415,625	110,543	127,876	14,802	11,180	15,462	16,517
Investment income	149,444	240,083	115,862	162,146	82,117	156,429	290,987	233,998	150,223	47,793
Fines and forfeitures	10,469	8,065	17,460	15,551	16,065	34,193	19,941	19,435	23,269	24,444
Contributions and donations	1,189	19,044	6,516	4,224	2,910	9,181	42,256	64,412	1,362,374	170,864
Legal settlement	-	-	-	266,027	1,150,878	-	-	740,404	-	-
Sale of property and equipment	-	-	-	4,917	4,869	499,189	-	-	-	-
Other	139,176	56,825	41,080	199,703	45,092	170,538	19,970	24,207	23,362	172,876
<b>Total Revenues</b>	<b>27,035,672</b>	<b>19,518,972</b>	<b>20,472,495</b>	<b>18,737,135</b>	<b>14,207,837</b>	<b>14,449,673</b>	<b>13,362,590</b>	<b>13,577,487</b>	<b>14,762,482</b>	<b>10,142,356</b>
<b>Expenditures</b>										
General government	3,251,596	3,533,983	3,639,834	3,010,375	3,380,193	2,964,905	2,585,147	2,220,086	2,689,530	2,554,078
Public safety	4,319,418	4,212,716	3,989,471	3,939,507	4,096,996	4,189,377	3,622,296	3,549,911	3,053,686	2,894,621
Public works	1,956,933	1,944,267	1,905,736	1,822,923	2,023,907	2,108,115	1,750,045	1,688,688	1,491,893	1,350,580
Library	771,638	707,603	705,152	716,824	724,150	681,983	593,027	449,289	374,932	341,287
Airport	195,109	209,859	216,035	201,118	230,934	228,720	196,710	179,504	146,221	128,278
Parks and recreation	383,439	347,107	299,631	377,280	359,683	422,251	384,697	367,027	338,359	340,471
Community services	7,800,998	899,357	586,195	261,435	266,144	321,970	235,831	211,894	582,677	180,964
Water	1,862,937	1,951,063	1,894,144	1,697,751	-	-	-	-	-	-
Sewer	1,773,753	1,745,959	1,650,640	1,647,605	-	-	-	-	-	-
Debt service:										
Principal retirement	854,981	876,324	1,017,807	1,049,248	57,934	470,615	608,431	655,016	513,640	479,979
Interest and fiscal charges	203,557	218,679	229,263	225,553	63,870	75,812	113,536	64,676	70,829	90,915
Capital outlay	5,243,705	4,267,539	5,540,169	2,265,965	1,612,185	1,103,044	2,421,941	5,153,413	4,043,157	1,976,460
<b>Total Expenditures</b>	<b>28,618,064</b>	<b>20,914,456</b>	<b>21,674,077</b>	<b>17,215,584</b>	<b>12,815,996</b>	<b>12,566,792</b>	<b>12,511,661</b>	<b>14,539,504</b>	<b>13,304,924</b>	<b>10,337,633</b>
<b>Excess (Deficiency) of Revenues</b>										
<b>Over (Under) Expenditures</b>	<b>(1,582,392)</b>	<b>(1,395,484)</b>	<b>(1,201,582)</b>	<b>1,521,551</b>	<b>1,391,841</b>	<b>1,882,881</b>	<b>850,929</b>	<b>(962,017)</b>	<b>1,457,558</b>	<b>(195,277)</b>
Special item - construction of gas pipeline	7,192,924	-	-	-	-	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	8,809,368	1,565,730	2,162,442	534,728	14,536	-	-	2,146,601	-	-
Transfers in	327,412	1,359,935	1,440,006	434,460	413,609	2,183,992	2,499,222	2,160,007	2,498,261	879,211
Transfers out	(999,412)	(1,359,935)	(1,308,671)	(459,385)	(494,285)	(2,213,992)	(2,350,158)	(1,700,882)	(2,388,261)	(828,526)
<b>Net Other Financing Sources (Uses)</b>	<b>8,137,368</b>	<b>1,565,730</b>	<b>2,293,777</b>	<b>509,803</b>	<b>(66,140)</b>	<b>(30,000)</b>	<b>149,064</b>	<b>2,605,726</b>	<b>110,000</b>	<b>50,685</b>
<b>Net Change in Fund Balance</b>	<b>\$ (637,948)</b>	<b>\$ 170,246</b>	<b>\$ 1,092,195</b>	<b>\$ 2,031,354</b>	<b>\$ 1,325,701</b>	<b>\$ 1,852,881</b>	<b>\$ 999,993</b>	<b>\$ 1,643,709</b>	<b>\$ 1,567,558</b>	<b>\$ (144,592)</b>
Debt service as a % of noncapital expenditures	4.54%	6.58%	7.70%	8.40%	1.06%	4.78%	7.37%	8.03%	7.65%	6.79%

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**

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
2004	\$ 333,843,562	\$ 19,148,462	\$ 352,992,024	5.00%	\$ 497,201,500	74.17%
2005	399,827,162	26,893,341	426,720,503	4.50%	587,914,700	71.00%
2006	461,018,162	24,598,683	485,616,845	4.50%	646,448,500	72.58%
2007	489,448,562	22,811,263	512,259,825	4.50%	717,875,400	75.12%
2008	588,595,562	24,988,891	613,584,453	4.50%	777,118,400	71.36%
2009	631,527,262	31,030,146	662,557,408	4.50%	850,068,000	78.96%
2010	606,704,342	38,412,787	645,117,129	4.50%	850,068,600	77.94%
2011	603,338,212	25,118,151	628,456,363	4.50%	987,433,007	75.89%
2012	691,321,600	186,215,500	877,537,100	4.50%	983,993,300	89.18%
2013	615,478,812	25,948,461	641,427,273	4.50%	1,046,894,294	61.27%

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	
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	
2009	4.50	2.30	4.50	0.00	(1)
2010	4.50	2.30	4.50	0.00	
2011	4.50	2.30	4.50	0.00	
2012	4.50	2.30	4.50	0.00	
2013	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, 2013**  
**and December 31, 2004**

Owner	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Homer Spit Properties, LLC	\$ 10,710,900	1	20.93%	\$ 4,086,300	2	12%
Alaska Growth Properties LLC	6,096,200	2	11.91%	-		0%
Lands End Acquisition Corp.	6,084,000	3	11.89%	3,425,200	4	10%
Alaska USA Federal Credit Union	4,668,100	4	9.12%	1,931,900	10	6%
CGF Properties, Inc	4,481,800	5	8.76%	-		0%
Homer Hotels LLC	4,396,000	6	8.59%	-		0%
Moore Kenneth & Roseleen Trust	4,175,100	7	8.16%	2,275,800	6	7%
Wells Fargo (National Bank of AK)	3,740,200	8	7.31%	2,729,400	5	8%
Valentin Caspaar LLC	3,416,500	9	6.68%	-		0%
Harbor Enterprises	3,396,800	10	6.64%	-		0%
ACS of the Northland Inc				9,345,179	1	27%
Tulin Charles E & Helen				4,064,500	3	12%
Johnson John R & Judith E				2,166,700	7	6%
Meritaime Helicopters				2,158,904	8	6%
<b>Total</b>	<b>\$ 51,165,600</b>		<b>100.00%</b>	<b>\$ 32,183,883</b>		<b>94%</b>

Source: Kenai Peninsula Borough

Note: Total Taxable Assessed Values are utilized from Table 6



**City of Homer, Alaska**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<i>Fiscal Year Ended December 31,</i>	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
2004	\$ 1,829,389	\$ 1,768,120	96.65%	\$ 34,012	\$ 1,802,132	100.00%
2005	2,013,518	1,989,890	98.83%	23,628	2,013,518	98.51%
2006	2,342,439	2,299,478	98.17%	32,081	2,331,559	100.00%
2007	2,383,617	2,339,720	98.16%	10,970	2,350,690	99.54%
2008	2,678,567	2,678,150	99.97%	417	2,678,567	98.62%
2009	2,678,567	2,658,526	99.25%	6,959	2,665,485	99.51%
2010	2,862,172	2,815,749	98.38%	41,043	2,856,792	99.52%
2011	2,869,743	2,764,751	96.34%	100,863	2,865,614	99.81%
2012	2,858,559	2,718,294	95.09%	19,748	2,738,041	95.78%
2013	2,806,719	2,719,474	96.89%	44,370	2,763,845	98.47%

Source: Kenai Peninsula Borough

**City of Homer, Alaska**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
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
2012	-	-	17,319,000	-	-	-	-	-	17,319,000	15.45%	3,361
2013	-	8,809,368	16,491,952	-	-	4,204,780	-	-	29,506,100	28.17%	5,674

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)**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Service Funds Available	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2013	5153	\$ 615,479	\$ 3,735	\$ 294	\$ 3,441	0.56%	668
2012	5239	626,606	-	-	-	0.00%	-
2011	5051	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

Note: Population per Alaska Department of Community and Economic Development

Gross Bonded Debt includes all long-term general obligation bonded debt. It excludes special assessment bonds. In 2013, the General Obligation debt is in the Harbor Enterprise Fund.

**City of Homer, Alaska**  
**Ratios of Annual Debt Service Expenditures for**  
**General Bonded Debt to Total General Fund Expenditures**  
**Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
2013	\$ -	\$ -	\$ -	\$ 11,065,711	0.00%
2012	-	-	-	11,021,941	0.00%
2011	-	-	-	10,140,595	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%

Note: Principal and interest does not include debt service paid by the Water & Sewer, and Port Enterprise Funds. The City had no bonded debt payable from the general fund in 2013.

**City of Homer, Alaska**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	(1) Population	(2) Annual Average Wage Per Worker	Per Capita Income	(1) Median Age	(3) School Enrollment	(2) Unemployment Rate
2013	5,153	\$ 36,000	\$ 20,330	44.0	1,427	9.0%
2012	5,239	32,035	21,750	40.6	1,198	9.9%
2011	5,051	32,035	21,750	40.6	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%

## Sources:

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

City of Homer, Alaska

Principal Employers - Lower Kenai Peninsula

Employer	2013		Percentage of Total Employment
	Number of Employees	Rank	

\* The State of Alaska passed legislation that prevents disclosure of employer ranking and or the the number of employees for each employer.

Source: Alaska Department of Labor and Workforce Development

**City of Homer, Alaska**  
**City Employees by Function/Program**  
**Last Ten Fiscal Years**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function/Program</b>										
Administration	30	30	30	29	30	29	29	34	27	27
Public Safety:										
Fire Department	5	5	5	5	6	6	6	6	6	6
Police Department	24	24	24	24	26	21	24	27	26	27
Public Works:										
PW General Fund	22	22	21	15	17	16	13	11	14	14
PW Water/Sewer	11	11	11	17	18	18	19	23	25	25
Port and Harbor	20	20	20	20	20	13	11	13	18	18
<b>Total</b>	<b>112</b>	<b>112</b>	<b>111</b>	<b>110</b>	<b>117</b>	<b>103</b>	<b>102</b>	<b>114</b>	<b>116</b>	<b>117</b>

Notes: Above statistical information taken directly from the 2013 City of Homer Adopted Budget

**City of Homer, Alaska**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function/Program</b>										
General Government										
Registered voters	4,337	4,436	4,277	4,289	4,270	4,161	4,172	4,073	4,022	4,098
Building permits issued	63	49	40	45	55	62	87	83	103	109
Police										
Requests for service	7,067	5,604	6,584	6,661	6,139	7,532	6,052	5,987	5,878	6,141
Physical arrests	662	619	712	572	471	391	425	428	507	429
Traffic citations	194	204	650	660	662	731	515	450	464	525
Animal control impounds	44	66	65	361	3	415	864	1,048	1,065	967
Fire										
Emergency responses	526	523	438	536	641	599	566	472	469	439
Fires calls	74	73	75	combined	combined	83	100	79	111	107
Parks & Recreation										
Camping permits - Tents	3,878	3,386	3,778	9,145	9,172	3,852	3,934	3,830	3,888	4,559
Camping permits - RV's	3,631	3,668	4,090	combined	combined	4,988	5,621	5,250	5,515	6,662
Library										
Number of Visitors	124,102	115,118	123,015	126,030	125,441	132,402	133,186	91,301	88,372	88,136
Number of Library cards	852	793	10,695	11,717	10,720	10,405	10,055	9,812	9,073	9,013
Internet Users	48,184	49,640	48,270	45,887	44,987	-	40,041	-	19,145	18,359
Public Works										
Work orders	6,975	7,737	7,426	7,509	6,573	6,553	6,761	6,852	6,758	6,573
Water										
Number of Consumers	1,780	1,585	1,559	1,541	1,450	1,445	1,406	1,406	1,373	1,337
Water usage in millions gal	129.9	121.9	135	1,308.0	1,503.0	142.2	145.1	137.5	179.0	161.0
Wastewater										
Number of Consumers	1,657	1,513	1,490	1,445	1,444	1,432	1,354	1,354	1,280	1,374
Port & Harbor										
Harbor Assists	698	253	333	196	150	143	197	220	298	302
Dock Landings	1,669	911	843	150	421	226	202	162	139	113
Ice sales (ton)	2,723	2,584	3,182	4,385	4,434	3,776	3,826	3,333	4,261	3,869
Crane hours billed	2,599	2,270	2,364	2,795	3,134	2,672	2,574	2,535	2,819	2,979
Halibut landings (million tons)	7	4	6	11	12	9	10	10	10	10

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**

<i>Fiscal Year</i>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function by Program</b>										
<b>Emergency Services</b>										
Number of Stations	2	1	1	1	1	1	1	1	1	1
Number of Fire Trucks	5	4	4	4	4	4	3	3	2	2
Number of Ambulances	2	2	2	2	2	2	2	2	2	2
Number of Employees/ Volunteers	5 38	43	46	41	39	39	39	38	37	54
<b>Police Protection</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	13	0	12	12	12	11	10	9	9
Number of Employees	24	22	24	26	26	21	24	27	28	27
<b>Public Works</b>										
Miles of City-maintained streets	48.75	48.75	47.1	47.1	46.5	46.5	46.9	46.9	46.5	45.0
<b>Water/ Sewer</b>										
Miles of Water Lines	51.53	46.37	42.5	42.5	42.4	42.4	42.4	42.3	42.1	46.5
Miles of Sewer Lines	60.3	54.98	49.2	49.2	49.2	49.2	49.2	49.2	48.7	39.5
<b>Parks &amp; Recreation</b>										
Number of Parks	23	18	18	18	18	18	18	18	18	18
Acres	518.6	285.9	285.9	285.9	518.2	518.2	518.2	267.4	267.4	267.4
<b>Library</b>										
Volumes	43,424	49,609	47,748	44,072	43,148	42,812	40,181	36,984	34,791	34,080
Circulation	108,146	105,387	104,299	108,166	101,290	99,511	98,815	99,020	89,964	91,886
Public use computers	20	19	20	18	18	18	18	6	6	6
<b>Port &amp; Harbor</b>										
Small Boat Harbor - stalls	105	920	920	920	920	920	920	920	920	920
Transient space square feet	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000

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

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3601 C Street, Suite 600  
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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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Homer, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Homer's basic financial statements, and have issued our report thereon dated May 19, 2014.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered City of Homer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Homer's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Homer's internal control.

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 a 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. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency. (Item 2013-001)

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether City of Homer's financial statements are free from 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*.

### *City of Homer's Response to Findings*

City of Homer's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Homer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Homer's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Homer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
May 19, 2014



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## Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited City of Homer's (the City's) compliance 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 the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of City of Homer's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, City of Homer complied, in all material respects, with the types of 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, 2013.

## Report on Internal Control Over Compliance

Management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Homer's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska  
May 19, 2014



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## **Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by 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

### **Report on Compliance for Each Major State Program**

We have audited City of Homer's (the City's) compliance 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 the City's major state programs for the year ended December 31, 2013. The City's major state programs are identified in the accompanying schedule of state financial assistance.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Homer's major state programs based on our audit of the types of compliance requirements referred to above. 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 the City'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 on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### *Opinion on Each Major State Program*

In our opinion, City of Homer, complied, in all material respects, with the types of 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, 2013.

### **Report on Internal Control over Compliance**

Management of City of Homer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *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 the City'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
May 19, 2014



# City of Homer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2013

<b>Section I - Summary of Auditor's Results</b>
---

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	X yes	___ (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: Unmodified

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:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
90.100	Denali Commission Program	Denali Commission

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes      \_\_\_ no

***State 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: Unmodified

Dollar threshold used to distinguish a major state program: \$ 100,000

# City of Homer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2013

### Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

#### Finding 2013-001      Significant Deficiency - Financial Reporting

*Criteria:* Financial reporting should be done in accordance with the financial reporting framework of U.S. Generally Accepted Accounting Principles (GAAP) and in accordance with pronouncements issued by GASB.

*Condition:* We identified a variety of instances where U.S. GAAP was not being followed and journal entries were identified that needed to be made to correct the accounts to be reported fairly under U.S. GAAP.

*Context:* We identified 25 journal entries that needed to be booked to correct the accounts. The journal entries identified reduced change in net position by \$65,821.

*Effect:* The possible effect on future financial reporting is that numbers reported to the City Council might be materially misstated and not truly represent the activity of the governmental entity in accordance with U.S. GAAP.

*Cause:* Lack of review performed throughout year as the governmental entity did not have a finance director for more than half of the year.

*Recommendation:* We recommend that the client perform a monthly review of accounts to notice if anything appears unusual or not in accordance with the financial reporting framework.

*Views of Responsible  
Officials and Planned*

*Corrective Actions:* See the corrective action plan.

### Federal Award Findings and Questioned Costs

None noted.

### State of Alaska Award Findings and Questioned Costs

None noted.

# City of Homer, Alaska

## Summary Schedule of Prior Audit Findings Year Ended December 31, 2013

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### Financial Statement Findings

There were no prior year audit findings.

### Federal Award Findings

**Finding 12-01**      **Allowable Costs - Internal Control & Noncompliance**  
Environmental Protection Agency  
Passed through State of Alaska  
Clean Water Loan Program  
CFDA number 66.458

**Condition:**            Drinking Water Program eligible costs were erroneously charged to the  
Clean Water Program.

**Status:**                This finding has been resolved

### State of Alaska Award Findings

There were no prior year audit findings.

**City of Homer, Alaska**  
**Corrective Action Plan**  
**Year Ended December 31, 2013**

---

Persons Responsible: Zhiyong Li, Finance Director  
Laurie Moore, Accounting Supervisor  
907-235-3140

<b>Financial Statement Findings</b>
-------------------------------------

**Finding 2013-001      Significant Deficiency - Financial Reporting**

Corrective Action:      The monthly review process was interrupted by personnel turnover during most of the fiscal year of 2013. As part of the corrective action plan, the Finance Director and the Accounting Supervisor have resumed the monthly review process.

Expected Completion: In progress