

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Homer, Alaska, as of and for the year ended December 31, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Honorable Mayor and
Members of the City Council

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005, on our consideration of City of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Mikunda, Cottrell & Co.

April 29, 2005

CITY OF HOMER

Management's Discussion and Analysis

December 31, 2004

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, 2004. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. *All amounts reported in this MD&A, unless otherwise indicated, are expressed in thousands of dollars.*

Financial Highlights

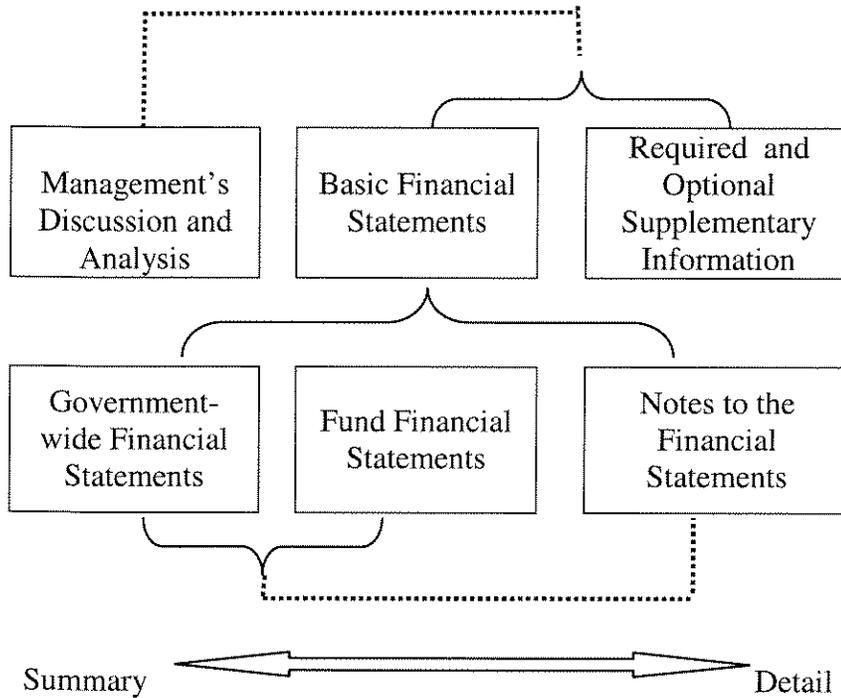
- The City's assets exceeded its liabilities at the close of the 2004 fiscal year by \$113,014. This amount represents an increase over the previous year by \$185. This increase in net assets is attributed to operating revenues exceeding operating expenses in the City's governmental funds.
- As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$6,083, a decrease of \$148. The decrease is a result of operating expenditures exceeding operating revenues in the City's governmental funds.
- At the end of the current year, unreserved fund balance for the General Fund was \$1,248 or 16.7% of total fund expenditures.
- At year-end, the City of Homer's outstanding debt totals \$8,833, a decrease of \$491 from the previous year.
- The budgeted deficit of \$234 was due to the City Council authorizing the use of fund balance down to the target level of two million dollars.

Overview of Financial Statements

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

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

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



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

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

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

Fund Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-47 of this report.

Government-wide Financial Analysis

At the close of the 2004 fiscal year, the City's net assets (assets exceeding liabilities) totaled \$113,014 (see Table A-1). Of this amount \$101,412, or 89.7%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amount of net assets, are labeled as restricted or unrestricted. The restricted balances of \$3,237 in the governmental activities is for debt service and capital projects. In the business-type activities, the balance of \$2,316 is for debt service and capital projects. The unrestricted amount totals \$6,049, and is available to meet the City's ongoing obligations to citizens and creditors.

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

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 7,532	7,190	7,836	7,463	15,368	14,653
Capital assets	<u>36,401</u>	<u>36,494</u>	<u>72,872</u>	<u>73,492</u>	<u>109,273</u>	<u>109,986</u>
Total assets	<u>43,933</u>	<u>43,684</u>	<u>80,708</u>	<u>80,955</u>	<u>124,639</u>	<u>124,639</u>
Long-term liabilities outstanding	2,275	2,512	6,972	7,244	9,756	9,756
Other liabilities	<u>675</u>	<u>950</u>	<u>1,705</u>	<u>1,104</u>	<u>2,054</u>	<u>2,054</u>
Total liabilities	<u>2,950</u>	<u>3,462</u>	<u>8,677</u>	<u>8,348</u>	<u>11,810</u>	<u>11,810</u>
Net assets:						
Invested in capital assets, net of related debt	34,745	34,358	66,667	66,924	101,412	101,282
Restricted	3,237	2,744	2,316	2,135	5,553	5,059
Unrestricted	<u>3,001</u>	<u>3,120</u>	<u>3,048</u>	<u>3,368</u>	<u>6,049</u>	<u>6,488</u>
Total net assets	\$ <u>40,983</u>	<u>40,222</u>	<u>72,031</u>	<u>72,607</u>	<u>113,014</u>	<u>112,829</u>

As reflected in Table A-2, the City's net assets increased by \$185, or less than 1% during the 2004 fiscal year. Revenues exceeded expenses in the governmental activities by \$761 and expenses exceeded revenues in the business-type activities by \$576. Key elements of the increases and decreases follow:

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Program revenues:	\$ 1,573	2,478	5,249	5,071	6,822	7,549
Charges for service	402	589	-	-	402	589
Operating grants and contributions	1,273	325	951	3,272	2,224	3,597
General revenues:						
Property taxes	1,889	1,785	-	-	1,889	1,785
Sales taxes	3,770	3,506	1,020	956	4,790	4,462
Other	<u>207</u>	<u>250</u>	<u>215</u>	<u>297</u>	<u>422</u>	<u>547</u>
Total revenues	\$ <u>9,114</u>	<u>8,933</u>	<u>7,435</u>	<u>9,596</u>	<u>16,549</u>	<u>18,529</u>

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

	Governmental		Business-type		Total	
	Activities		Activities		Activities	
	2004	2003	2004	2003	2004	2003
Expenses:						
General government	\$ 1,870	1,965	-	-	1,870	1,965
Public safety	3,102	3,128	-	-	3,102	3,128
Public works	2,137	1,980	-	-	2,137	1,980
Library	473	370	-	-	473	370
Airport	173	175	-	-	173	175
Parks and recreation	377	397	-	-	377	397
Community service contributions	181	148	-	-	181	148
Unallocated interest	91	101	-	-	91	101
Port and harbor	-	-	3,710	3,562	3,710	3,562
Water and sewer	-	-	4,250	3,889	4,250	3,889
Total expenses	<u>8,404</u>	<u>8,264</u>	<u>7,960</u>	<u>7,451</u>	<u>16,364</u>	<u>15,715</u>
Increase (decrease) in net assets before special items and transfers	710	669	(525)	2,145	185	2,814
Special items	-	240	-	122	-	-
Transfers	51	(199)	(51)	199	-	-
Increase (decrease) in net assets	<u>761</u>	<u>710</u>	<u>(576)</u>	<u>2,466</u>	<u>185</u>	<u>2,814</u>
Net assets 12/31/03	<u>40,222</u>	<u>39,512</u>	<u>72,607</u>	<u>70,141</u>	<u>112,829</u>	<u>109,653</u>
Net assets 12/31/04	<u>\$40,983</u>	<u>40,222</u>	<u>72,031</u>	<u>72,607</u>	<u>113,014</u>	<u>112,829</u>

Governmental Activities

Governmental activities increased the City of Homer's net assets by \$761, which is due in part to revenues exceeding expenses. The increase in funding is a result of an increase in property and sales taxes due in part to increased property values and moderate growth in our tourism industry. The City's sales tax collections in fiscal year 2004 increase by \$264, or 7.5% higher than amounts received in 2003. Property taxes increased by \$104 or 5.8% from the previous year. These increases in revenue were conservatively anticipated in the City's 2004 budget. Despite the increases in revenue, our program activities did not experience much growth as we had another year of increases in our insurance and benefit expenses.

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

Each year the City of Homer receives less from the State of Alaska in the form of revenue sharing, as the State deals with its budget shortfalls. The City was notified by the governor's office in June 2003 that he is ending the revenue sharing program immediately and in 2004 the City received no State revenue sharing monies. The impact of this loss in revenue will hit the local property owner hardest, as the City will have to seek other means to balance its budget.

Contributions to service organizations in the past have been comprised of two parts. The first was a contribution from the City's General Fund to the Homer Foundation for distribution to various non-profit organizations of \$40,000 and the second part was pass through funds from the State of Alaska which were eliminated by the Governor's office in 2003.

Business-Type Activities

The City's business-type activities resulted in a \$576 decrease in net assets. Port and harbor activities contributed \$152, while the Utility (water and sewer) activities contributed \$388 to the decrease. The balance of the decrease of \$36 was attributed to the internal service fund. Port and harbor program revenues in 2004 totaled \$3,403, including \$723 in capital grants. This is a decrease of \$815 from 2003, primarily caused by a significant decrease in capital grants which totaled \$1,429 for 2003. The Utility program revenues in 2004 totaled \$2,797 including \$228 in capital grants. This is a decrease of \$1,327 from 2003, primarily caused by a significant decrease in capital grants which totaled \$1,843 for 2003. The decrease in net assets related to the port and harbor and Utility system were a result of:

- Utility operating revenues that were \$288 higher than the previous year due to an increased customer base and a rate increase in 2004;
- Utility non-operating revenues decreased \$122 mainly as a result of an increase in sales tax revenue for water-sewer debt payments and a \$90 loss on disposal of assets;
- Port and harbor operating revenues were \$110 lower than the previous year mainly due to the loss of a major customer at the deep water dock resulting in a loss of \$266. Other operating revenues were all higher in 2004 due to increased customer base as a result of the completion of the harbor expansion project and a rate increase in 2004;
- Port and harbor non-operating revenues decreased \$281. This is attributed to the decrease in litigation settlements and state grants and an increase in investment income; and,
- Port and harbor capital contributions were \$723 due to state and federal grants to complete the Pioneer Dock and harbor expansion projects and upgrades to the Coast Guard berth.

Financial Analysis of the Government Funds

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

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$6,083, a decrease of \$148 compared to balances a year earlier. Of the ending balance, \$1,248, or almost 21% is unreserved and undesignated and is available to the City for future spending. Most of the remaining fund balance is designated for debt service and capital projects (\$3,237) or future capital projects (\$70) or reserved for inventory and prepaid items (\$314). The decrease of total fund balance during the year is attributed to:

- In the General Fund, expenditures and transfers out to other funds totaled \$7,825 compared to revenues of \$7,318. The \$507 decrease in the General Fund fund balance was actually more than the final budgeted decrease of \$234. This was due mainly to higher than expected attorney costs.
- The City maintains four capital project funds that account for the use of bond proceeds and intergovernmental grants to support the construction of capital improvements. Financial resources in these funds are intended to eventually be totally expended once the capital improvements have been completed. During the course of the 2004 year, the fund balances of the three capital project funds were increased by \$205.

Proprietary funds - The City of Homer's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net assets of the Port and Harbor Fund at the end of the year amounted to \$47 while the Utility (water & sewer) Fund reported unrestricted net assets of \$3,075. Issues relating to these two funds were discussed in preceding narrative of the City's business-type activities. The City also maintains an internal service fund to account for the self-insured employee health plan. At the end of 2004, there was a deficit in net assets of \$229 which is a decrease from a deficit of \$113 in 2003. The plan continues to be reorganized in 2005 to bring revenues in line with the expenses.

General Fund Budgetary Highlights

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

- There were no major changes to the budget in 2004 :
 - Original revenue budget was \$7,254; final \$7,270; net difference of \$16.
 - Original expense budget was \$7,190; final \$7,228; net difference of \$38.

The deficiency of revenues and other sources over expenditures and other uses was increased from the budgeted deficit of \$234 to a deficit of \$507.

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, 2004, totals \$109,273 (net of accumulated depreciation). This amount represents a \$712 decrease over the previous year and is attributed primarily to the construction in process on various harbor projects.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 9,080	9,080	15,626	15,626	24,706	24,706
Buildings	6,321	6,550	13,129	14,439	19,450	20,989
Improvements other than buildings	457	1,502	38,041	36,836	38,498	38,338
Machinery and equipment	2,102	2,242	2,147	613	4,249	2,855
Infrastructure	16,440	16,963	154	159	16,594	17,112
Construction work in progress	<u>2,001</u>	<u>157</u>	<u>3,775</u>	<u>5,818</u>	<u>5,776</u>	<u>5,975</u>
Total capital assets	\$ <u>36,401</u>	<u>36,494</u>	<u>72,872</u>	<u>73,491</u>	<u>109,273</u>	<u>109,985</u>

Major capital asset events during the 2004 year included:

- Coast Guard modifications on their berth at the Pioneer Dock
- Construction of a new animal shelter
- Construction of numerous water/sewer expansion projects

Much of the construction in progress associated with business-type activities is related to the water/sewer expansion projects started in 2002/2003, which are scheduled for completion 2004/2005.

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

Long-term debt - At the end of the 2004 year, the City of Homer had total bonded debt outstanding of \$7,899 as detailed in Table A-4. This excludes \$644 related to compensated absences, \$328 for net pension obligation and \$38 of deferred loss on refunding bonds.

Table A-4
City of Homer's Outstanding Debt

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
GO Bonds	\$ 1,340	1,730	-	-	1,340	1,730
Revenue Bonds	-	-	1,105	1,335	1,105	1,335
Special Assessment Bonds	15	21	-	-	15	21
Notes payable	-	-	5,138	5,280	5,138	5,280
Capital leases	<u>301</u>	<u>385</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>385</u>
Total	1,656	2,136	6,243	6,615	7,899	8,751
Compensated absences	393	375	251	242	644	620
Net pension obligation	226	-	102	-	328	-
Loss on refinancing	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(47)</u>	<u>(38)</u>	<u>(47)</u>
Total long-term debt	\$ <u>2,275</u>	<u>2,511</u>	<u>6,558</u>	<u>6,813</u>	<u>8,833</u>	<u>9,324</u>

In November of 2002, the City entered into an agreement with the Alaska Department of Environmental Conservation for a Clean Water Loan and Drinking Water Loan in the amounts of \$3,431 and \$3,417, respectively. And in August 2003, the City entered into another agreement with ADEC for a Clean Water Loan of \$150. These loans are a combination of federal and state monies and bear interest of 2.5%. Loan repayments began one year following completion of the plans and specifications or initiation of operation of the facilities.

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

Additional information on the City's long-term debt can be found in note 6 on pages 39-41 of this report.

Economic Factors and Next Year's Budgets and Rates

- In March 2005, city residents approved a 1% increase to the sales tax charged on goods and services, an increase from 2% to 3%.
- Due to the increase in the sales tax rate, the City Council reduced the property tax mill rate from 5.5 mills to 4.5 mills in 2005.
- The City was notified by the state retirement system that our PERS rates will be increasing by 5% per year for the next 5 years.
- The City will be constructing a new Library in 2005/2006 which will increase our O & M cost as this facility comes on line.

These various factors were taken into consideration in the development of the City's 2005 annual budget. The annual budget is adopted for the General, Port and Harbor, and Utility Funds. Major aspects of the adopted 2005 budget include:

- The property tax rate was reduced to a rate of 4.5 mills or \$.0045 per \$100 appraised value. This amount was levied for the operation and maintenance activities in the General Fund. (Note: the preceding numbers are not reflected in \$000's of dollars).
- Health insurance rates increased on average 25%.
- Worker's comp rates increased approximately 15%.
- The budget included an increase to rates associated with the Water/Sewer Utility and Port and Harbor Funds.

Requests for Information

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

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

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BASIC FINANCIAL STATEMENTS

CITY OF HOMER, ALASKA

Statement of Net Assets

December 31, 2004

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 4,427,248	2,130,426	6,557,674
Receivables, net of allowance for doubtful accounts:			
Accounts	204,299	386,992	591,291
Sales and property taxes	691,113	169,031	860,144
State and federal grants	826,510	963,716	1,790,226
Assessments	862,626	921,403	1,784,029
Internal balances	206,183	(206,183)	-
Inventory	84,252	182,072	266,324
Prepaid items	229,707	72,802	302,509
Restricted cash and investments	-	2,717,497	2,717,497
Bond issuance costs, net	-	35,126	35,126
Litigation receivable	-	463,237	463,237
Capital assets not being depreciated - land and construction in progress	11,081,806	19,400,806	30,482,612
Other capital assets, net of accumulated depreciation	<u>25,319,532</u>	<u>53,471,169</u>	<u>78,790,701</u>
 Total assets	 \$ <u>43,933,276</u>	 <u>80,708,094</u>	 <u>124,641,370</u>
<u>Liabilities</u>			
Accounts payable	425,342	1,023,507	1,448,849
Accrued payroll and related liabilities	132,596	41,609	174,205
Accrued interest	-	87,979	87,979
Prepaid rentals and deposits	15,777	533,750	549,527
Deferred revenue	101,410	18,000	119,410
Noncurrent liabilities:			
Deferred lease revenue	-	414,000	414,000
Due within one year:			
Accrued leave	63,260	27,021	90,281
Notes payable	-	297,331	297,331
Bonds payable	425,280	235,000	660,280
Capital lease obligations	88,360	-	88,360
Due in more than one year:			
Accrued leave	329,229	223,554	552,783
Notes payable	-	4,840,933	4,840,933
Bonds payable, net of deferred loss	930,527	831,656	1,762,183
Capital lease obligations	212,257	-	212,257
Net pension obligation	<u>226,120</u>	<u>102,595</u>	<u>328,715</u>
Total liabilities	<u>2,950,158</u>	<u>8,676,935</u>	<u>11,627,093</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	34,744,914	66,667,055	101,411,969
Restricted for debt service and capital projects	3,237,361	2,316,028	5,553,389
Unrestricted	<u>3,000,843</u>	<u>3,048,076</u>	<u>6,048,919</u>
Total net assets	<u>40,983,118</u>	<u>72,031,159</u>	<u>113,014,277</u>
 Total liabilities and net assets	 \$ <u>43,933,276</u>	 <u>80,708,094</u>	 <u>124,641,370</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Statement of Activities
Year Ended December 31, 2004

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 1,870,428	377,892	135,746	3,745	(1,353,045)	-	(1,353,045)
Public safety	3,101,937	815,935	39,218	932,192	(1,314,592)	-	(1,314,592)
Public works	2,136,469	90,436	2,573	-	(2,043,460)	-	(2,043,460)
Library	473,298	-	172,614	337,425	36,741	-	36,741
Airport	173,258	131,072	-	-	(42,186)	-	(42,186)
Parks and recreation	377,010	157,362	29,986	-	(189,662)	-	(189,662)
Community services	180,964	-	21,861	-	(159,103)	-	(159,103)
Unallocated interest	90,915	-	-	-	(90,915)	-	(90,915)
Total governmental activities	<u>8,404,279</u>	<u>1,572,697</u>	<u>401,998</u>	<u>1,273,362</u>	<u>(5,156,222)</u>	<u>-</u>	<u>(5,156,222)</u>
Business-type:							
Port and harbor	3,709,842	2,679,831	-	723,375	-	(306,636)	(306,636)
Water and sewer utility	<u>4,250,305</u>	<u>2,569,494</u>	<u>-</u>	<u>227,808</u>	<u>-</u>	<u>(1,453,003)</u>	<u>(1,453,003)</u>
Total business-type activities	<u>7,960,147</u>	<u>5,249,325</u>	<u>-</u>	<u>951,183</u>	<u>-</u>	<u>(1,759,639)</u>	<u>(1,759,639)</u>
Total	\$ <u>16,364,426</u>	<u>6,822,022</u>	<u>401,998</u>	<u>2,224,545</u>	<u>(5,156,222)</u>	<u>(1,759,639)</u>	<u>(6,915,861)</u>
General revenues:							
Taxes:							
Property taxes				\$ 1,888,761	-		1,888,761
Sales taxes				3,770,288	1,019,645		4,789,933
Grants and entitlements not restricted to a specific purpose				50,398	-		50,398
Investment income				47,793	72,812		120,605
Other				109,437	141,954		251,391
Transfers				<u>50,685</u>	<u>(50,685)</u>		<u>-</u>
Total general revenues and transfers				<u>5,917,362</u>	<u>1,183,726</u>		<u>7,101,088</u>
Changes in net assets					761,140	(575,913)	185,227
Beginning net assets					<u>40,221,978</u>	<u>72,607,072</u>	<u>112,829,050</u>
Ending net assets				\$	<u>40,983,118</u>	<u>72,031,159</u>	<u>113,014,277</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Governmental Funds

Balance Sheet

December 31, 2004

<u>Assets</u>	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>City Facilities Capital Project</u>	<u>Streets and Sidewalks Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 458,928	-	2,799,743	1,168,577	4,427,248
Receivables, net of allowance for doubtful accounts:					
Property taxes	72,121	-	-	-	72,121
Sales taxes	449,961	-	169,031	-	618,992
Assessments	857,533	-	-	5,093	862,626
State and federal grants	-	826,510	-	-	826,510
Other	189,150	7,637	-	3,660	200,447
Due from other funds	974,895	-	-	-	974,895
Inventory	84,252	-	-	-	84,252
Prepaid items	229,707	-	-	-	229,707
Total assets	\$ 3,316,547	834,147	2,968,774	1,177,330	8,296,798
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	226,614	120,310	-	98	347,022
Accrued payroll and related liabilities	131,550	1,032	14	-	132,596
Deferred revenue	78,371	95,160	-	-	173,531
Deferred assessments	852,224	-	-	4,720	856,944
Due to other funds	-	687,450	-	-	687,450
Deposits	15,777	-	-	-	15,777
Total liabilities	1,304,536	903,952	14	4,818	2,213,320
Fund balances:					
Reserved:					
Debt service and capital projects	-	-	2,968,760	268,601	3,237,361
Inventory and prepaid items	313,959	-	-	-	313,959
Unreserved:					
Designated:					
Interfund loan for animal shelter	450,000	-	-	-	450,000
Library	-	-	-	471,148	471,148
Fire department	-	-	-	11,697	11,697
Capital outlay and land	-	-	-	421,066	421,066
Undesignated:					
General Fund	1,248,052	-	-	-	1,248,052
Capital Project Fund (deficit)	-	(69,805)	-	-	(69,805)
Total fund balances (deficit)	2,012,011	(69,805)	2,968,760	1,172,512	6,083,478
Total liabilities and fund balances	\$ 3,316,547	834,147	2,968,774	1,177,330	8,296,798

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 December 31, 2004

Total fund balances for governmental funds \$ 6,083,478

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

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

Land	\$ 9,080,213	
Buildings	6,321,072	
Improvements other than buildings	457,407	
Machinery and equipment	2,101,392	
Infrastructure	16,439,661	
Construction in progress	<u>2,001,593</u>	
Total capital assets		36,401,338

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

Delinquent property taxes receivable	72,121	
Special assessments not yet due	<u>856,944</u>	
Total long-term assets		929,065

Internal service funds are used by the City to charge the cost of certain
 activities, such as insurance, to individual funds. A portion of the assets and
 liabilities of the internal service funds is included in the governmental activities
 in the Statement of Net Assets. (155,730)

Long-term liabilities, including bonds payable and accrued leave, are not
 due and payable in the current period and therefore are not reported
 as fund liabilities. These liabilities consist of:

General obligation bonds payable	(1,340,000)	
Capital lease obligations	(300,617)	
Special assessment bonds payable	(15,807)	
Accrued leave	(392,489)	
Net pension obligation	<u>(226,120)</u>	
Total long term liabilities		<u>(2,275,033)</u>

Total net assets of governmental activities \$ 40,983,118

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, 2004

	Major Funds				Total Governmental Funds
	General	City Facilities Capital Project	Streets and Sidewalks Capital Project	Nonmajor Funds	
Revenues:					
Property taxes	\$ 1,885,333	-	-	-	1,885,333
Sales taxes	2,718,299	-	1,019,645	-	3,737,944
Licenses and permits	88,411	-	-	-	88,411
Intergovernmental	547,114	1,419,451	-	-	1,966,565
Charges for services	2,028,181	-	-	-	2,028,181
Special assessments	13,725	-	-	2,792	16,517
Investment income	9,002	452	25,561	12,778	47,793
Fines and forfeitures	24,444	-	-	-	24,444
Donations	-	-	-	170,864	170,864
Other	3,428	153,231	-	16,217	172,876
Total revenues	<u>7,317,937</u>	<u>1,573,134</u>	<u>1,045,206</u>	<u>202,651</u>	<u>10,138,928</u>
Expenditures:					
Current:					
General government	2,388,044	166,034	-	-	2,554,078
Public safety	2,852,376	42,147	-	98	2,894,621
Public works	1,217,189	23,856	96,345	13,190	1,350,580
Library	341,287	-	-	-	341,287
Airport	128,278	-	-	-	128,278
Parks and recreation	300,281	40,190	-	-	340,471
Community services	146,546	21,861	-	12,557	180,964
Debt service:					
Principal payments	84,699	-	-	395,280	479,979
Interest	15,717	-	-	75,198	90,915
Capital outlay	-	1,931,313	-	45,147	1,976,460
Total expenditures	<u>7,474,417</u>	<u>2,225,401</u>	<u>96,345</u>	<u>541,470</u>	<u>10,337,633</u>
Excess of revenues over (under) expenditures	(156,480)	(652,267)	948,861	(338,819)	(198,705)
Other financing sources (uses):					
Transfers in	-	234,422	-	644,789	879,211
Transfers out	(351,047)	(25,000)	(443,604)	(8,875)	(828,526)
Net other financing sources (uses)	<u>(351,047)</u>	<u>209,422</u>	<u>(443,604)</u>	<u>635,914</u>	<u>50,685</u>
Net change in fund balances	(507,527)	(442,845)	505,257	297,095	(148,020)
Beginning fund balances	<u>2,519,538</u>	<u>373,040</u>	<u>2,463,503</u>	<u>875,417</u>	<u>6,231,498</u>
Ending fund balances (deficit)	<u>\$ 2,012,011</u>	<u>(69,805)</u>	<u>2,968,760</u>	<u>1,172,512</u>	<u>6,083,478</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$ (148,020)
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$1,977,418) exceeded depreciation (\$1,047,156).	930,262
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(1,023,124)
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.	846,948
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$479,979) consumes current financial resources in governmental funds. Neither of these transactions has any effect on net assets.	479,979
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in accrued leave	\$ (17,586)
Increase in net pension obligation	<u>(226,120)</u>
	(243,706)
An internal service fund is used by management to charge the cost of health insurance to individual funds. A portion of the net loss of this activity is reported with governmental activities.	<u>(81,199)</u>
Change in net assets of governmental activities	\$ <u>761,140</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,515,226	4,515,226	4,607,060	91,834
Licenses and permits	158,927	158,927	88,411	(70,516)
Intergovernmental	564,900	573,100	547,114	(25,986)
Charges for services	1,948,965	1,956,965	2,028,181	71,216
Special assessments	-	-	13,725	13,725
Investment income	25,200	25,200	9,002	(16,198)
Fines and forfeitures	40,600	40,600	24,444	(16,156)
Total revenues	<u>7,253,818</u>	<u>7,270,018</u>	<u>7,317,937</u>	<u>47,919</u>
Expenditures:				
General government	2,025,820	2,030,820	2,388,044	(357,224)
Public safety	2,838,841	2,872,041	2,852,376	19,665
Public works	1,266,367	1,266,367	1,217,189	49,178
Library	360,972	360,972	341,287	19,685
Airport	131,392	131,392	128,278	3,114
Parks and recreation	317,918	317,918	300,281	17,637
Community services	147,000	147,000	146,546	454
Debt service:				
Principal	101,900	101,900	84,699	17,201
Interest	-	-	15,717	(15,717)
Total expenditures	<u>7,190,210</u>	<u>7,228,410</u>	<u>7,474,417</u>	<u>(246,007)</u>
Excess of revenues over (under) expenditures	63,608	41,608	(156,480)	(198,088)
Other uses - transfers out	<u>(275,547)</u>	<u>(275,547)</u>	<u>(351,047)</u>	<u>(75,500)</u>
Net change in fund balance	\$ <u>(211,939)</u>	<u>(233,939)</u>	(507,527)	<u>(273,588)</u>
Beginning fund balance			<u>2,519,538</u>	
Ending fund balance			\$ <u>2,012,011</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA
Proprietary Funds
Statement of Net Assets
December 31, 2004

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>	<u>Total</u>	
Current assets:				
Cash and investments	\$ -	2,130,426	2,130,426	-
Receivables, net of allowance for doubtful accounts:				
Accounts	182,586	204,406	386,992	3,852
Sales taxes	-	169,031	169,031	-
Assessments due within one year	-	98,073	98,073	-
State and federal grants and loans	743,460	220,256	963,716	-
Litigation settlement	121,000	-	121,000	-
Inventory	12,115	169,957	182,072	-
Prepaid items	31,378	41,424	72,802	-
Total current assets	<u>1,090,539</u>	<u>3,033,573</u>	<u>4,124,112</u>	<u>3,852</u>
Noncurrent assets:				
Restricted assets - cash and investments	168,420	2,549,077	2,717,497	-
Assessments due after one year	-	823,330	823,330	-
Bond issuance costs, net	26,655	8,471	35,126	-
Litigation settlement receivable, net of current portion	342,237	-	342,237	-
Capital assets, net of accumulated depreciation	<u>48,474,278</u>	<u>24,397,697</u>	<u>72,871,975</u>	<u>-</u>
Total assets	<u>\$ 50,102,129</u>	<u>30,812,148</u>	<u>80,914,277</u>	<u>3,852</u>
	<u>Liabilities</u>			
Current liabilities:				
Accounts payable	137,011	886,496	1,023,507	78,320
Accrued payroll and related liabilities	24,319	17,290	41,609	-
Accrued leave	14,106	12,915	27,021	-
Accrued interest	9,000	78,979	87,979	-
Current portion of long-term debt	155,000	377,331	532,331	-
Prepaid rentals and deposits	502,238	31,512	533,750	-
Due to other funds	132,727	-	132,727	154,718
Deferred lease revenue	18,000	-	18,000	-
Total current liabilities	<u>992,401</u>	<u>1,404,523</u>	<u>2,396,924</u>	<u>233,038</u>
Noncurrent liabilities, net of current portion:				
Deferred lease revenue	414,000	-	414,000	-
Accrued leave	108,231	115,323	223,554	-
Notes payable	-	4,840,933	4,840,933	-
Revenue bonds payable, net of deferred loss	669,465	162,191	831,656	-
Net pension obligation	53,213	49,382	102,595	-
Total liabilities	<u>2,237,310</u>	<u>6,572,352</u>	<u>8,809,662</u>	<u>233,038</u>
	<u>Net Assets</u>			
Invested in capital assets, net of related debt	47,649,813	19,017,242	66,667,055	-
Restricted for debt service and capital projects	168,420	2,147,608	2,316,028	-
Unrestricted (deficit)	46,586	3,074,946	3,121,532	(229,186)
Total net assets	<u>47,864,819</u>	<u>24,239,796</u>	<u>72,104,615</u>	<u>(229,186)</u>
Total liabilities and net assets	<u>\$ 50,102,129</u>	<u>30,812,148</u>		<u>3,852</u>
Some amounts reported in the business-type activities in the statement of net assets are different because a portion of the internal service fund assets and liabilities are included in business-type activities			(73,456)	
Net assets of business-type activities			<u>\$ 72,031,159</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2004

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
Operating revenues- charges for services:				
Port	\$ 2,679,831	-	2,679,831	-
Water and sewer	-	2,569,494	2,569,494	-
Interfund insurance charges	-	-	-	965,520
Total operating revenues	<u>2,679,831</u>	<u>2,569,494</u>	<u>5,249,325</u>	<u>965,520</u>
Operating expenses:				
Operations	1,420,367	1,252,893	2,673,260	-
Administration	795,411	1,054,414	1,849,825	60,106
Depreciation	1,274,506	1,611,192	2,885,698	-
Claims	-	-	-	722,872
Insurance premiums	-	-	-	299,176
Total operating expenses	<u>3,490,284</u>	<u>3,918,499</u>	<u>7,408,783</u>	<u>1,082,154</u>
Operating loss	(810,453)	(1,349,005)	(2,159,458)	(116,634)
Nonoperating revenues (expenses):				
Investment income	21,632	51,180	72,812	-
Interest expense	(47,444)	(139,468)	(186,912)	-
Litigation settlement	(133,480)	-	(133,480)	-
Sales taxes	-	1,019,645	1,019,645	-
Amortization of bond issuance costs	(5,331)	(2,824)	(8,155)	-
Loss on disposal of asset	-	(90,167)	(90,167)	-
Other income	113,155	28,799	141,954	-
Other expenses	(13,558)	(83,657)	(97,215)	-
Net nonoperating revenues (expenses)	<u>(65,026)</u>	<u>783,508</u>	<u>718,482</u>	<u>-</u>
Loss before contributions and transfers	(875,479)	(565,497)	(1,440,976)	(116,634)
Capital contributions	723,375	227,808	951,183	-
Transfers out	-	(50,685)	(50,685)	-
Change in net assets	(152,104)	(388,374)	(540,478)	(116,634)
Beginning net assets (deficit)	<u>48,016,923</u>	<u>24,628,170</u>		<u>(112,552)</u>
Ending net assets (deficit)	\$ <u>47,864,819</u>	<u>24,239,796</u>		<u>(229,186)</u>
Some amounts reported for business-type activities in the statement of activities are different because a portion the net loss of the internal service fund is reported with business-type activities			(35,435)	
Change in net assets of business-type activities			\$ <u>(575,913)</u>	

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

 Proprietary Funds
 Statement of Cash Flows
 Year Ended December 31, 2004

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,839,758	2,575,085	5,414,843	-
Other miscellaneous receipts	-	-	-	-
Receipts from interfund services provided	-	-	-	1,005,223
Payments to suppliers	(1,184,790)	(532,771)	(1,717,561)	-
Payments to employees	(1,219,940)	(1,039,460)	(2,259,400)	-
Litigation settlement	(41,984)	-	(41,984)	-
Payments for insurance claims and administration	-	-	-	(1,069,137)
Net cash provided (used) by operating activities	<u>393,044</u>	<u>1,002,854</u>	<u>1,395,898</u>	<u>(63,914)</u>
Cash flows from noncapital financing activities:				
Decrease in due to other funds	-	-	-	63,914
Transfers in	-	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,914</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(150,000)	(370,079)	(520,079)	-
Interest payments on long-term debt	(42,915)	(77,121)	(120,036)	-
Acquisition of property, plant and equipment	(827,069)	(1,528,958)	(2,356,027)	-
Proceeds from long-term borrowing	-	148,827	148,827	-
Increase in due to other funds	(903,494)	-	(903,494)	-
Capital contributions received	1,508,802	239,183	1,747,985	-
Principal collections on special assessments	-	98,073	98,073	-
Sales tax revenue received	-	1,018,238	1,018,238	-
Transfer in	-	-	-	-
Transfer out	-	(50,685)	(50,685)	-
Net cash provided (used) by capital and related financing activities	<u>(414,676)</u>	<u>(522,522)</u>	<u>(937,198)</u>	<u>-</u>
Cash flows from investing activities -				
investment income received	<u>21,632</u>	<u>51,180</u>	<u>72,812</u>	<u>-</u>
Net increase (decrease) in cash and investments	-	531,512	531,512	-
Beginning cash and investments	<u>168,420</u>	<u>4,147,991</u>	<u>4,316,411</u>	<u>-</u>
Ending cash and investments	\$ <u>168,420</u>	<u>4,679,503</u>	<u>4,847,923</u>	<u>-</u>
Cash and investments at end of year:				
Cash and investments	-	2,130,426	2,130,426	-
Cash and investments restricted for debt service and construction	<u>168,420</u>	<u>2,549,077</u>	<u>2,717,497</u>	<u>-</u>
	\$ <u>168,420</u>	<u>4,679,503</u>	<u>4,847,923</u>	<u>-</u>

See accompanying notes to basic financial statements.

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

	Enterprise Funds			Internal Service Fund
	Port of Homer	Water and Sewer Utility	Total	
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (810,453)	(1,349,005)	(2,159,458)	(116,634)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	1,274,506	1,611,192	2,885,698	-
Increase (decrease) in allowance for doubtful accounts	15,657	(5,127)	10,530	-
Amortization of deferred lease revenue	(18,000)	-	(18,000)	-
Litigation settlement	(133,480)	-	(133,480)	-
Miscellaneous nonoperating revenues	113,155	28,799	141,954	-
Miscellaneous nonoperating expenses	(13,558)	(83,657)	(97,215)	-
(Increase) decrease in assets:				
Receivables	55,370	(20,162)	35,208	39,703
Inventory	(830)	(35,471)	(36,301)	-
Prepaid items	550	1,856	2,406	-
Litigation settlement receivable	91,496	-	91,496	-
Increase (decrease) in liabilities:				
Accounts payable	(213,858)	805,780	591,922	13,017
Accrued payroll and related liabilities	(9,497)	(13,124)	(22,621)	-
Accrued leave	(4,972)	10,310	5,338	-
Prepaid rentals and deposits	(6,255)	2,081	(4,174)	-
Net pension obligation	53,213	49,382	102,595	-
Net cash flows from operating activities	\$ <u>393,044</u>	<u>1,002,854</u>	<u>1,395,898</u>	<u>(63,914)</u>

See accompanying notes to basic financial statements.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements

December 31, 2004

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

Organization and Services Provided

The City of Homer, Alaska was incorporated March 31, 1964 as a first-class city. The City operates under a Council-Manager form of government.

The City provides the full range of municipal services as provided for by Alaska Statute. This includes police and fire protection, ambulance and emergency medical service, water and wastewater service, library, parks and recreation, public improvements, planning and zoning, port and harbor, airport facilities, and general administrative services.

Scope and Presentation

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major funds –

Major governmental funds:

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

The *City Facilities Capital Project Fund* accounts for operating grants and capital improvement projects for buildings and other facilities.

The *Streets and Sidewalks Capital Project Fund* accounts for capital improvement projects for the City's roads.

Major proprietary funds:

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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

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

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

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

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting

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

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

Cash and Investments

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

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

Investments are recorded at fair value.

Receivables and Payables

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Property Taxes

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

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

Unbilled Service Revenues

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

Inventory

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

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

Prepaid Items

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

Capital Assets

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

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

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

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

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

Accrued Leave

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

Long-Term Debt

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Equity

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

Comparative Data

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

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

A schedule of interfund balances and transfers for the year ended December 31, 2004, follows:

Due from other funds:

Due to the General Fund from the City Facilities Capital Project Fund for advances to cover the cost of projects	\$ 687,450
Due to the General Fund from the Port of Homer Enterprise Fund for advances to cover the cost of projects	132,727
Due to the General Fund from the Internal Service Fund for advances to cover operating costs	<u>154,718</u>
Total amount due from other funds	\$ <u>974,895</u>

Transfers:

From General Fund to City Facilities Capital Project Fund to cover capital costs	\$ 206,047
From General Fund to nonmajor governmental funds to cover capital costs	115,000
From General Fund to nonmajor governmental funds to cover debt service	30,000
From City Facilities Capital Project Fund to nonmajor governmental fund to cover capital costs	25,000
From Streets and Sidewalks Capital Project Fund to nonmajor governmental funds to cover debt service	433,854
From Streets and Sidewalks Capital Project Fund to City Facilities Capital Project Fund to cover capital costs	9,750
From Water and Sewer Enterprise Fund to nonmajor governmental fund to cover capital costs	40,935
From Water and Sewer Enterprise Fund to City Facilities Capital Project Fund to cover capital costs	9,750
From nonmajor governmental funds to City Facilities Capital Project fund to cover capital costs	<u>8,875</u>
Total transfers to other funds	\$ <u>879,211</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(3) **Cash and Investments**

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

Deposits are categorized below to give an indication of the level of risk assumed by the City at year end.

Category 1 – Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized, including bank balances collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name.

At December 31, 2004, the City's deposits are categorized as follows:

	Category			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Petty cash	\$ -	-	-	-	2,000
Checking accounts	49,868	-	-	49,868	(46,678)
Certificates of deposit	1,610,630	108,091	666,275	2,384,996	2,384,996
Money market account	<u>138,321</u>	<u>-</u>	<u>74,045</u>	<u>212,367</u>	<u>212,367</u>
Totals	<u>\$ 1,798,819</u>	<u>108,091</u>	<u>740,320</u>	<u>2,647,231</u>	<u>2,552,685</u>

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

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

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.

The Alaska Municipal League Investment Pool is an external investment pool which is not SEC registered. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. At December 31, 2004, the share value of investments in the AML pool is approximately equal to fair value.

Investments which are carried at fair value are categorized below to give an indication of the level of credit risk assumed by the City at year end.

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At December 31, 2004, the City's investments are categorized as follows:

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Government securities	\$ 446,305	-	-	446,305
Mortgage-backed securities	1,799,334	-	-	1,799,334
Corporate bonds	968,368	-	-	968,368
Overnight repurchase agreement	<u>-</u>	<u>318,924</u>	<u>-</u>	<u>318,924</u>
Totals	<u>\$ 3,214,007</u>	<u>318,924</u>	<u>-</u>	3,532,931
Alaska Municipal League Investment Pool				<u>3,189,555</u>
Total investments				<u>\$ 6,722,486</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Restricted Cash

The City maintains bond redemption and reserve accounts as required by the bond covenants and City ordinances. The City has also restricted funds that are earmarked for capital projects. The balances in these accounts at December 31, 2004 totaled \$2,717,497 and are included in the central treasury.

A reconciliation of cash and investments as shown on the government-wide statement of net assets follows:

Cash and investments	\$ 6,557,674
Restricted assets – cash and investments	<u>2,717,497</u>
	<u>\$ 9,275,171</u>

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

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2004, receivables for the City's individual major funds and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>City Facilities</u>	<u>Streets and Sidewalks</u>	<u>Port of Homer</u>	<u>Water and Sewer</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 189,150	7,637	-	213,772	207,278	7,512	625,349
Taxes	584,227	-	169,031	-	169,031	-	922,289
State and federal grants	-	826,510	-	743,460	220,256	-	1,790,226
Special assessments	857,533	-	-	-	921,403	5,093	1,784,029
Litigation settlement	-	-	-	<u>463,237</u>	-	-	<u>463,237</u>
Total receivables	<u>1,630,910</u>	<u>834,147</u>	<u>169,031</u>	<u>1,420,469</u>	<u>1,517,968</u>	<u>12,605</u>	<u>5,585,130</u>
Less allowance for uncollectibles	<u>(62,145)</u>	<u>-</u>	<u>-</u>	<u>(31,186)</u>	<u>(2,872)</u>	<u>-</u>	<u>(96,203)</u>
Net receivables	<u>\$ 1,568,765</u>	<u>834,147</u>	<u>169,031</u>	<u>1,389,283</u>	<u>1,515,096</u>	<u>12,605</u>	<u>5,488,927</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2004, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable (General Fund)	\$ 72,121
Special assessments not yet due (General Fund)	852,224
Special assessments not yet due (Debt Service Funds)	4,720
Grant drawdowns prior to meeting all eligibility requirements	<u>101,410</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 1,030,475</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended December 31, 2004 follows:

	Balance January 1, <u>2004</u>	Additions and <u>Reclassifications</u>	Deletions and <u>Reclassifications</u>	Balance December 31, <u>2004</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 9,080,213	-	-	9,080,213
Construction in progress	<u>156,732</u>	<u>1,877,746</u>	<u>32,885</u>	<u>2,001,593</u>
Total assets not being depreciated	<u>9,236,945</u>	<u>1,877,746</u>	<u>32,885</u>	<u>11,081,806</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,152,683	-	-	9,152,683
Improvements other than buildings	1,867,284	9,995	1,036,075	841,204
Machinery and equipment	3,919,012	122,562	-	4,041,574
Infrastructure	<u>25,183,234</u>	<u>-</u>	<u>-</u>	<u>25,183,234</u>
Total assets being depreciated	<u>40,122,213</u>	<u>132,557</u>	<u>1,036,075</u>	<u>39,218,695</u>
Less accumulated depreciation for:				
Buildings	2,602,031	229,580	-	2,831,611
Improvements other than buildings	365,076	31,672	12,951	383,797
Machinery and equipment	1,677,486	262,696	-	1,940,182
Infrastructure	<u>8,220,365</u>	<u>523,208</u>	<u>-</u>	<u>8,743,573</u>
Total accumulated depreciation	<u>12,864,958</u>	<u>1,047,156</u>	<u>12,951</u>	<u>13,899,163</u>
Total capital assets being depreciated, net	<u>27,257,255</u>	<u>(914,599)</u>	<u>1,023,124</u>	<u>25,319,532</u>
Governmental activity capital assets, net	\$ <u>36,494,200</u>	<u>963,147</u>	<u>1,056,009</u>	<u>36,401,338</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,626,307	-	-	15,626,307
Construction in progress	<u>5,818,278</u>	<u>2,195,785</u>	<u>4,239,564</u>	<u>3,774,499</u>
Total assets not being depreciated	<u>21,444,585</u>	<u>2,195,785</u>	<u>4,239,564</u>	<u>19,400,806</u>
<i>Capital assets being depreciated:</i>				
Buildings	34,077,220	13,700	-	34,090,920
Improvements other than buildings	56,245,234	2,650,492	-	58,895,726
Machinery and equipment	3,768,777	1,633,655	-	5,402,432
Infrastructure	<u>523,019</u>	<u>11,793</u>	<u>-</u>	<u>534,812</u>
Total assets being depreciated	<u>94,614,250</u>	<u>4,309,640</u>	<u>-</u>	<u>98,923,890</u>
Less accumulated depreciation for:				
Buildings	19,637,751	1,323,748	-	20,961,499
Improvements other than buildings	19,408,727	1,446,454	-	20,855,181
Machinery and equipment	3,156,301	98,860	-	3,255,161
Infrastructure	<u>364,244</u>	<u>16,636</u>	<u>-</u>	<u>380,880</u>
Total accumulated depreciation	<u>42,567,023</u>	<u>2,885,698</u>	<u>-</u>	<u>45,452,721</u>
Total capital assets being depreciated, net	<u>52,047,227</u>	<u>1,423,942</u>	<u>-</u>	<u>53,471,169</u>
Business-type activity capital assets, net	\$ <u>73,491,812</u>	<u>3,619,727</u>	<u>4,239,564</u>	<u>72,871,975</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 159,642
Public safety	186,234
Public works	650,605
Library	21,469
Airport	1,088
Parks and recreation	<u>28,118</u>
Total depreciation expense – governmental activities	<u>1,047,156</u>

Business-type activities

Port and harbor	1,274,507
Water and sewer utility	<u>1,611,191</u>
Total depreciation expense – business-type activities	<u>2,885,698</u>

Total depreciation expense \$ 3,932,854

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

Original cost assigned to building	\$ 630,000
Revenue recognized	<u>(198,000)</u>
	<u>\$ 432,000</u>
Current deferred revenue	\$ 18,000
Noncurrent deferred revenue	<u>414,000</u>
	<u>\$ 432,000</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(6) **Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2004:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2004</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
General obligation bonds:					
\$3,095,000 1998 street and sidewalk general obligation refunding bonds, due in future annual installments of \$420,000 to \$475,000 plus interest at 4% to 4.375% through January 1, 2008	\$ 1,730,000	-	390,000	1,340,000	420,000
Special assessment bonds:					
\$105,567 1987 street special assessment bonds, due in future annual installments of \$5,280 plus interest at 6.375% through 2006, with the balance of \$5,247 due in 2007	21,087	-	5,280	15,807	5,280
Capital lease obligation payable in various monthly amounts including interest at 4.57%	154,016	-	26,575	127,441	27,811
Capital lease obligation payable in quarterly installments of \$16,814, including interest at 4.45% through 2006	231,300	-	58,124	173,176	60,549
Accrued leave	374,903	405,706	388,120	392,489	63,260
Net pension obligation	<u>-</u>	<u>226,120</u>	<u>-</u>	<u>226,120</u>	<u>-</u>
Total governmental activities long-term liabilities	\$ <u>2,511,306</u>	<u>631,826</u>	<u>868,099</u>	<u>2,275,033</u>	<u>576,900</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2004</u>	Due Within <u>One Year</u>
<u>Business-type activities</u>					
Revenue bonds:					
\$1,595,000 1998 port revenue refunding bonds, due in future annual installments of \$155,000 to \$185,000 plus interest at 4% to 4.5% through October 1, 2009	\$ 1,005,000	-	150,000	855,000	155,000
\$705,000 1998 sewer revenue refunding bonds, due in future annual installments of \$80,000 to \$85,000 plus interest at 4% to 4.3% through October 1, 2007	330,000	-	80,000	250,000	80,000
Notes payable:					
\$5,064,500 1989 Sewer Utility Alaska Clean Water loan, due in future annual installments of \$353,433 including interest at 2.5% through September 30, 2011	2,534,159	-	290,079	2,244,080	297,331
\$3,431,113 (maximum) 2002 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 2.5%	1,401,624	34,759	-	1,436,383	-
\$3,416,603 (maximum) 2002 Water Utility Alaska Drinking Water loan, terms not yet established; interest at 2.5%	1,308,453	48,843	-	1,357,296	-
\$150,000 (maximum) 2003 Sewer Utility Alaska Clean Water loan, terms not yet established; interest at 2.5%	35,278	65,227	-	100,505	-
Accrued leave	245,237	158,965	153,627	250,575	27,021
Net pension obligation	<u>-</u>	<u>102,595</u>	<u>-</u>	<u>102,595</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 6,859,751</u>	<u>410,389</u>	<u>673,706</u>	6,596,434	<u>559,352</u>
Less deferred loss on refunding				<u>(38,344)</u>	
				<u>\$ 6,558,090</u>	

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

In November of 2002, the City entered into agreements with the Alaska Department of Environmental Conservation (ADEC) for a Clean Water Loan and a Drinking Water Loan in the maximum amounts of \$3,431,113 and \$3,416,603, respectively. In August of 2003, the City entered into another agreement with ADEC for a Clean Water Loan of \$150,000. These loans are a combination of federal and state monies and bear interest at 2.5%. Loan repayments begin one year following completion of the plans and specifications or initiation of operation of the facilities.

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

Governmental activities

Year Ending December 31,	<u>General Obligation Bonds</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	420,000	57,766	477,766	5,280	1,008	6,288
2006	445,000	39,916	484,916	5,280	671	5,951
2007	<u>475,000</u>	<u>20,781</u>	<u>495,781</u>	<u>5,247</u>	<u>334</u>	<u>5,581</u>
	<u>\$ 1,340,000</u>	<u>118,463</u>	<u>1,458,463</u>	<u>15,807</u>	<u>2,013</u>	<u>17,820</u>

Business-type activities

Year Ending December 31,	<u>Revenue Bonds</u>			<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	235,000	47,484	282,484	297,331	56,102	353,433
2006	250,000	37,790	287,790	304,764	48,669	353,433
2007	255,000	27,165	282,165	312,383	41,050	353,433
2008	180,000	16,200	196,200	320,192	33,240	353,432
2009	185,000	8,325	193,325	328,197	25,235	353,432
2010-2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>681,213</u>	<u>25,650</u>	<u>706,863</u>
	<u>\$ 1,105,000</u>	<u>136,964</u>	<u>1,241,964</u>	<u>2,244,080</u>	<u>229,946</u>	<u>2,474,026</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(7) **Revenue Bond Requirements**

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

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

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

	<u>Port of Homer</u>	<u>Water and Sewer Utility</u>
Operating income excluding depreciation expense	\$ 464,053	262,187
Add sales tax revenue dedicated for debt service	<u>-</u>	<u>1,019,645</u>
Available for debt requirement	464,053	1,281,832
Requirement	<u>(241,656)</u>	<u>(115,334)</u>
 Excess of revenue over requirement	 \$ <u>222,397</u>	 <u>1,166,498</u>

(8) **Capital Leases**

The City leases capital equipment (ambulance, rescue truck, grader, and public works truck) with a historical cost of \$695,655 under capital lease arrangements. Future minimum lease payments at December 31, 2004 are as follows:

<u>Year Ending December 31,</u>	
2005	\$ 100,416
2006	100,416
2007	83,602
2008	33,162
2009	<u>8,290</u>
Total minimum lease payments	325,886
Less amount representing interest	<u>25,269</u>
 Present value of minimum lease payments	 \$ <u>300,617</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

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

The City provides health insurance on a self-insured basis up to \$35,000 each occurrence or \$642,497 in aggregate for all medical claims during the year. Coverage in excess of these amounts is insured by a private carrier up to lifetime claims of \$1,000,000 per each individual. The City contracts with a third-party administrator for health claims servicing. The City charges each department a premium based on the employees and their selected coverage. This premium is based on actual claims paid by the City. An equal amount is recorded as revenue by the Risk Management Internal Service Fund which is then responsible for paying all claims. The City accrues a liability for claims incurred but not reported at year-end. A schedule of the changes in the claims liability for the years ended December 31, 2004 and 2003 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2003 health insurance	\$ <u>144,890</u>	<u>657,897</u>	<u>737,484</u>	<u>65,303</u>
2004 health insurance	\$ <u>65,303</u>	<u>722,872</u>	<u>709,855</u>	<u>78,320</u>

(10) **Risk Management**

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

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

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2004.

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Risk Management, continued

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The Finance Director coordinates risk management activities with the other City Directors and City Manager. The General Fund fund balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles.

(11) Defined Benefit Pension Plan

Description of Plan

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

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

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

Funding Policy

For PERS, employees are required to contribute 6.75% (7.5% for peace officers and firefighters) of their annual covered salary. Under the plan, the funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due, subject to an annual increase limitation of five percentage points.

Beginning July 1, 2004, the increase limitation rule is in effect, creating a significant difference between the required or actuarially determined contribution rate and the adjusted or actual contribution rate. For 2004, the City's adjusted actual contribution rate and the actuarially required rates for PERS were as follows:

	Actuarially Required and Adjusted Rate January to <u>June</u>	Actuarially Required Rate July to <u>December</u>	Adjusted Actual Rate July to <u>December</u>
Pension	1.81%	13.88%	4.92%
Postemployment healthcare	<u>1.11%</u>	<u>8.47%</u>	<u>3.00%</u>
Total contribution rate	<u>2.92%</u>	<u>22.35%</u>	<u>7.92%</u>

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

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

The actuarially required contribution rates were determined as part of the June 30, 2001 and 2002 actuarial valuations. The significant actuarial assumptions used in the June 30, 2002 valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years of employment (6.0% for the first five years for peace officers and fire fighters) and 4% per year thereafter (4.5% per year for peace officers and fire fighters);
3. Health cost inflation of 12.0% in 2003 through 2005; trending downward 0.5% per year through 2015; 6% in 2016; and 5% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually; and
5. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

Annual Pension Cost

For the year ended December 31, 2004, the City's annual pension cost was \$509,133, consisting solely of the actuarially required contribution (no beginning net pension obligation, and no interest component).

Three-year trend information for PERS follows:

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
December 31, 2002	\$ 99,235	100%	-
2003	117,947	100%	-
2004	509,133	35%	328,715

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Assets in Excess of) Liability	Funded Ratio	Covered Payroll	Unfunded (Assets in Excess of) Liability as Percentage of Covered Payroll
June 30, 2001:						
Pension	\$ 15,234,000	\$ 14,110,000	\$ (1,124,000)	108%	\$ 3,361,000	(33%)
Postemployment healthcare	6,451,000	5,975,000	(476,000)	108%	3,361,000	(14%)
June 30, 2002:						
Pension	12,646,000	16,618,000	3,972,000	76%	4,347,000	91%
Postemployment healthcare	7,683,000	10,097,000	2,414,000	76%	4,347,000	56%
June 30, 2003:						
Pension	13,040,000	16,772,000	3,732,000	78%	4,190,000	89%
Postemployment healthcare	8,715,000	11,210,000	2,495,000	78%	4,190,000	60%

(12) **Deferred Compensation Plan**

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

CITY OF HOMER, ALASKA

Notes to Basic Financial Statements, continued

(13) **Contingencies**

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

Grants

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

(14) **Designated Sales Tax**

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

Water, sewer, and related debt service	.75 %
Road projects	.75 %
General Fund – undesignated	2.00 %
Kenai Peninsula Borough	<u>2.00 %</u>
Total sales tax percentage	<u>5.50 %</u>

(15) **Subsequent Events**

On March 22, 2005, the voters of the City of Homer approved increasing the City's portion of the sales tax rate by one percent to 4.5%.

In February 2005, the City accepted three grants to assist with the library project: \$1.2 million from the Rasmuson Foundation; \$880,792 from the U.S. Department of Agriculture; and \$1,115,000 from the U.S. Department of Commerce Economic Development Administration. In addition, the City accepted a \$1.7 million loan from the U.S. Department of Agriculture to assist in this project.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2004

Exhibit E-1

	Special Revenue Funds		Debt Service Funds				Capital Project Funds		
	Library Donations	Fire Department Donations	1987 Special Assessment Bonds	1990 Special Assessment Bonds	Total	Land Reserve	Fleet Reserve Allocation	Total	Total Nonmajor Governmental Funds
Assets									
Cash and investments	\$ 471,148	8,135	11,956	256,272	268,228	67,375	353,691	421,066	1,168,577
Receivables, net:	-	-	2,262	2,831	5,093	-	-	-	-
Assessments	-	3,660	-	-	-	-	-	-	5,093
Other	-	-	-	-	-	-	-	-	3,660
Total assets	\$ 471,148	11,795	14,218	259,103	273,321	67,375	353,691	421,066	1,177,330
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	-	98	-	-	-	-	-	-	98
Deferred assessments	-	-	2,262	2,458	4,720	-	-	-	4,720
Total liabilities	-	98	2,262	2,458	4,720	-	-	-	4,818
Fund balances:									
Reserved for debt service	-	-	11,956	256,645	268,601	-	-	-	268,601
Unreserved - designated:									
Library	471,148	-	-	-	-	-	-	-	471,148
Fire department	-	11,697	-	-	-	-	-	-	11,697
Land	-	-	-	-	-	67,375	-	67,375	67,375
Capital outlay	-	-	-	-	-	-	353,691	353,691	353,691
Total fund balances	471,148	11,697	11,956	256,645	268,601	67,375	353,691	421,066	1,172,512
Total liabilities and fund balances	\$ 471,148	11,795	14,218	259,103	273,321	67,375	353,691	421,066	1,177,330

CITY OF HOMER, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2004

	Special Revenue Funds			Debt Service Funds			Capital Project Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Library Donations	Fire Department Donations	Total	1987 Rangeview Special Assessment Bonds	1990 Special Assessment Bonds	Total	Land Reserve	Fleet Reserve Allocation	Total		
Revenues:											
Special assessments	\$ -	-	-	1,379	1,413	2,792	-	-	-	-	2,792
Investment income	4,268	75	4,343	218	4,147	4,365	718	3,352	4,070	-	12,778
Donations	166,314	4,550	170,864	-	-	-	-	-	-	-	170,864
Other	-	-	-	-	-	-	-	16,217	16,217	-	16,217
Total revenues	170,582	4,625	175,207	1,597	5,560	7,157	718	19,569	20,287	-	202,651
Expenditures:											
Public safety	-	98	98	-	-	-	-	-	-	-	98
Public works	-	-	-	-	-	-	-	13,190	13,190	-	13,190
Community services	257	-	257	-	-	-	-	-	-	12,300	12,557
Debt service:											
Principal	-	-	-	5,280	390,000	395,280	-	-	-	-	395,280
Interest	-	-	-	1,344	73,854	75,198	-	-	-	-	75,198
Capital outlay	-	-	-	-	-	-	27	45,120	45,147	-	45,147
Total expenditures	257	98	355	6,624	463,854	470,478	27	58,310	58,337	12,300	541,470
Excess of revenues over (under) expenditures	170,325	4,527	174,852	(5,027)	(458,294)	(463,321)	691	(38,741)	(38,050)	(12,300)	(338,819)
Other financing sources (uses):											
Transfers in	-	-	-	-	463,854	463,854	-	180,935	180,935	-	644,789
Transfers out	(8,875)	-	(8,875)	-	-	-	-	-	-	-	(8,875)
Net other financing sources (uses)	(8,875)	-	(8,875)	-	463,854	463,854	-	180,935	180,935	-	635,914
Net change in fund balances	161,450	4,527	165,977	(5,027)	5,560	533	691	142,194	142,885	(12,300)	297,095
Beginning fund balances	309,698	7,170	316,868	16,983	251,085	268,068	66,684	211,497	278,181	12,300	875,417
Ending fund balances	\$ 471,148	11,697	482,845	11,956	256,645	268,601	67,375	353,691	421,066	-	1,172,512

GENERAL FUND

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

CITY OF HOMER, ALASKA
 General Fund
 Balance Sheet
 December 31, 2004
 (With Comparative Amounts for 2003)

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Cash and investments	\$ 458,928	872,677
Receivables:		
Property taxes - delinquent	134,266	110,922
Less allowance for doubtful accounts	<u>(62,145)</u>	<u>(71,145)</u>
Net property taxes receivable	72,121	39,777
Sales taxes	449,961	446,216
Assessments	857,533	39,483
State and federal grants	-	1,019
Other	<u>189,150</u>	<u>97,927</u>
Total receivables	<u>1,568,765</u>	<u>624,422</u>
Due from other funds	974,895	1,228,307
Inventory	84,252	53,259
Prepaid items	<u>229,707</u>	<u>215,020</u>
Total assets	\$ <u>3,316,547</u>	<u>2,993,685</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	226,614	191,846
Accrued payroll and related liabilities	131,550	156,975
Deferred revenue	78,371	81,645
Deferred assessments	852,224	35,414
Deposits	<u>15,777</u>	<u>8,267</u>
Total liabilities	<u>1,304,536</u>	<u>474,147</u>
Fund balance:		
Reserved for inventory and prepaid items	313,959	268,279
Unreserved:		
Designated for subsequent year's expenditures	-	256,682
Designated for interfund loan for animal shelter	450,000	-
Undesignated	<u>1,248,052</u>	<u>1,994,577</u>
Total fund balance	<u>2,012,011</u>	<u>2,519,538</u>
Total liabilities and fund balance	\$ <u>3,316,547</u>	<u>2,993,685</u>

CITY OF HOMER, ALASKA
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 1,903,727	1,885,333	(18,394)	1,806,425
Sales taxes	2,604,499	2,718,299	113,800	2,549,817
Penalties and interest	7,000	3,428	(3,572)	4,777
Total taxes	<u>4,515,226</u>	<u>4,607,060</u>	<u>91,834</u>	<u>4,361,019</u>
Licenses and permits	<u>158,927</u>	<u>88,411</u>	<u>(70,516)</u>	<u>18,930</u>
Intergovernmental:				
Shared revenue	-	-	-	84,470
Utility cooperative	24,000	26,548	2,548	24,280
Alcohol beverage license	20,000	23,850	3,850	20,050
Public safety	456,500	446,378	(10,122)	464,503
Library grants	6,400	6,300	(100)	14,391
Public works	34,000	34,000	-	34,000
Reimbursements	24,000	210	(23,790)	36,636
Other grants	8,200	9,828	1,628	2,000
Total intergovernmental	<u>573,100</u>	<u>547,114</u>	<u>(25,986)</u>	<u>680,330</u>
Charges for services:				
Administrative services	1,043,766	1,043,766	-	986,187
Ambulance services	100,000	122,395	22,395	103,277
Fire contracts	199,072	213,247	14,175	307,348
Camping fees	133,000	149,762	16,762	137,203
Rents and leases	240,031	223,440	(16,591)	219,670
Donations	8,000	4,952	(3,048)	3,475
Airport services	110,140	131,072	20,932	95,918
Miscellaneous services	122,956	139,547	16,591	138,417
Total charges for services	<u>1,956,965</u>	<u>2,028,181</u>	<u>71,216</u>	<u>1,991,495</u>
Special assessments	<u>-</u>	<u>13,725</u>	<u>13,725</u>	<u>25,335</u>
Investment income	<u>25,200</u>	<u>9,002</u>	<u>(16,198)</u>	<u>13,571</u>
Fines and forfeitures	<u>40,600</u>	<u>24,444</u>	<u>(16,156)</u>	<u>36,321</u>
Total revenues	<u>7,270,018</u>	<u>7,317,937</u>	<u>47,919</u>	<u>7,127,001</u>

CITY OF HOMER, ALASKA

General Fund

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

	2004		Variance Positive (Negative)	2003
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	\$ 4,749	4,793	(44)	4,673
Supplies	6,700	4,974	1,726	4,684
Other services and charges	<u>212,170</u>	<u>613,201</u>	<u>(401,031)</u>	<u>251,299</u>
Total city council/mayor	<u>223,619</u>	<u>622,968</u>	<u>(399,349)</u>	<u>260,656</u>
City clerk:				
Salaries and benefits	205,538	214,517	(8,979)	174,527
Supplies	2,900	3,772	(872)	1,964
Other services and charges	<u>26,352</u>	<u>40,250</u>	<u>(13,898)</u>	<u>25,054</u>
Total city clerk	<u>234,790</u>	<u>258,539</u>	<u>(23,749)</u>	<u>201,545</u>
City manager:				
Salaries and benefits	221,519	212,355	9,164	201,547
Supplies	2,700	1,511	1,189	2,749
Other services and charges	<u>17,364</u>	<u>17,888</u>	<u>(524)</u>	<u>22,271</u>
Total city manager	<u>241,583</u>	<u>231,754</u>	<u>9,829</u>	<u>226,567</u>
Financial services:				
Salaries and benefits	718,192	702,931	15,261	563,737
Supplies	9,550	10,047	(497)	8,945
Other services and charges	<u>118,519</u>	<u>109,212</u>	<u>9,307</u>	<u>85,100</u>
Total financial services	<u>846,261</u>	<u>822,190</u>	<u>24,071</u>	<u>657,782</u>
Planning and zoning/property management:				
Salaries and benefits	269,072	230,635	38,437	179,635
Supplies	27,700	49,812	(22,112)	29,400
Other services and charges	<u>68,592</u>	<u>54,156</u>	<u>14,436</u>	<u>64,476</u>
Total planning and zoning/ property management	<u>365,364</u>	<u>334,603</u>	<u>30,761</u>	<u>273,511</u>
City hall complex:				
Salaries and benefits	-	677	(677)	13,511
Supplies	13,100	11,809	1,291	7,734
Other services and charges	<u>106,103</u>	<u>105,504</u>	<u>599</u>	<u>105,754</u>
Total city hall complex	<u>119,203</u>	<u>117,990</u>	<u>1,213</u>	<u>126,999</u>
Total general government	<u>2,030,820</u>	<u>2,388,044</u>	<u>(357,224)</u>	<u>1,747,060</u>

CITY OF HOMER, ALASKA

General Fund

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

	2004		Variance Positive (Negative)	2003
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Supplies	\$ 1,287,159	1,324,888	(37,729)	1,292,143
Salaries and benefits	50,900	59,161	(8,261)	44,596
Other services and charges	<u>191,617</u>	<u>187,093</u>	<u>4,524</u>	<u>173,944</u>
Total police department	<u>1,529,676</u>	<u>1,571,142</u>	<u>(41,466)</u>	<u>1,510,683</u>
Jail:				
Salaries and benefits	456,980	446,831	10,149	337,614
Supplies	23,140	20,631	2,509	30,107
Other services and charges	<u>38,554</u>	<u>39,387</u>	<u>(833)</u>	<u>33,991</u>
Total jail	<u>518,674</u>	<u>506,849</u>	<u>11,825</u>	<u>401,712</u>
Animal control:				
Supplies	6,250	4,580	1,670	2,690
Other services and charges	<u>49,800</u>	<u>47,520</u>	<u>2,280</u>	<u>44,323</u>
Total animal control	<u>56,050</u>	<u>52,100</u>	<u>3,950</u>	<u>47,013</u>
Emergency services:				
Salaries and benefits	512,509	502,632	9,877	487,721
Supplies	36,750	23,782	12,968	29,030
Other services and charges	<u>218,382</u>	<u>195,871</u>	<u>22,511</u>	<u>187,102</u>
Total emergency services	<u>767,641</u>	<u>722,285</u>	<u>45,356</u>	<u>703,853</u>
Total public safety	<u>2,872,041</u>	<u>2,852,376</u>	<u>19,665</u>	<u>2,663,261</u>
Public works:				
Administration:				
Salaries and benefits	151,167	121,656	29,511	132,798
Supplies	5,000	4,987	13	4,999
Other services and charges	<u>78,644</u>	<u>68,984</u>	<u>9,660</u>	<u>69,635</u>
Total administration	<u>234,811</u>	<u>195,627</u>	<u>39,184</u>	<u>207,432</u>
Maintenance:				
Salaries and benefits	119,448	110,696	8,752	114,037
Supplies	10,800	13,511	(2,711)	18,682
Other services and charges	74,400	64,874	9,526	58,704
Capital outlay	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total maintenance	<u>209,648</u>	<u>189,081</u>	<u>20,567</u>	<u>191,423</u>

CITY OF HOMER, ALASKA

General Fund

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

	2004		Variance Positive (Negative)	2003
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries and benefits	\$ 199,562	198,147	1,415	199,715
Supplies	163,300	112,336	50,964	125,364
Other services and charges	41,400	31,572	9,828	24,632
Total streets	<u>404,262</u>	<u>342,055</u>	<u>62,207</u>	<u>349,711</u>
Motor pool:				
Salaries and benefits	139,259	138,132	1,127	180,253
Supplies	37,500	50,677	(13,177)	34,629
Other services and charges	107,900	160,802	(52,902)	129,627
Capital outlay	5,000	5,000	-	-
Total motor pool	<u>289,659</u>	<u>354,611</u>	<u>(64,952)</u>	<u>344,509</u>
Engineer/inspector:				
Salaries and benefits	109,387	125,133	(15,746)	93,146
Supplies	1,900	2,540	(640)	1,528
Other services and charges	16,700	8,142	8,558	9,920
Total engineer/inspector	<u>127,987</u>	<u>135,815</u>	<u>(7,828)</u>	<u>104,594</u>
Total public works	<u>1,266,367</u>	<u>1,217,189</u>	<u>49,178</u>	<u>1,197,669</u>
Library:				
Salaries and benefits	281,298	269,450	11,848	270,383
Supplies	6,967	5,961	1,006	5,741
Other services and charges	72,707	65,876	6,831	58,005
Capital outlay	-	-	-	18,251
Total library	<u>360,972</u>	<u>341,287</u>	<u>19,685</u>	<u>352,380</u>
Airport:				
Salaries and benefits	35,447	41,055	(5,608)	57,286
Supplies	15,500	16,059	(559)	14,813
Other services and charges	80,445	71,164	9,281	73,882
Total airport	<u>131,392</u>	<u>128,278</u>	<u>3,114</u>	<u>145,981</u>

CITY OF HOMER, ALASKA

General Fund

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

	2004		Variance Positive (Negative)	2003
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Parks and recreation:				
Salaries and benefits	\$ 206,338	201,289	5,049	196,735
Supplies	13,500	17,948	(4,448)	18,335
Other services and charges	98,080	81,044	17,036	103,048
Total parks and recreation	<u>317,918</u>	<u>300,281</u>	<u>17,637</u>	<u>318,118</u>
Community service contributions:				
Community schools	27,000	26,546	454	-
Museum	80,000	80,000	-	80,000
Homer Foundation Non-Profit	40,000	40,000	-	40,000
Total community service contributions	<u>147,000</u>	<u>146,546</u>	<u>454</u>	<u>120,000</u>
Debt service on capital leases:				
Principal	101,900	84,699	17,201	39,481
Interest	-	15,717	(15,717)	10,495
Total debt service	<u>101,900</u>	<u>100,416</u>	<u>1,484</u>	<u>49,976</u>
Total expenditures	<u>7,228,410</u>	<u>7,474,417</u>	<u>(246,007)</u>	<u>6,594,445</u>
Excess of revenues over (under) expenditures	41,608	(156,480)	(198,088)	532,556
Other uses - transfers out	<u>(275,547)</u>	<u>(351,047)</u>	<u>(75,500)</u>	<u>(619,700)</u>
Net change in fund balance	\$ <u>(233,939)</u>	<u>(507,527)</u>	<u>(273,588)</u>	<u>(87,144)</u>
Beginning fund balance		<u>2,519,538</u>		<u>2,606,682</u>
Ending fund balance	\$	<u>2,012,011</u>		<u>2,519,538</u>

SPECIAL REVENUE FUNDS

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

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

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

CITY OF HOMER, ALASKA
 Special Revenue Funds
 Combining Balance Sheet
 December 31, 2004
 (With Comparative Totals for 2003)

<u>Assets</u>	<u>Library</u> <u>Donations</u>	Fire <u>Department</u> <u>Donations</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Cash and investments	\$ 471,148	8,135	479,283	312,914
Accounts receivable - donations	<u>-</u>	<u>3,660</u>	<u>3,660</u>	<u>3,954</u>
 Total assets	 \$ <u>471,148</u>	 <u>11,795</u>	 <u>482,943</u>	 <u>316,868</u>
<u>Liabilities and Fund Balances</u>				
Liabilities - accounts payable	-	98	98	-
Fund balances - unreserved	<u>471,148</u>	<u>11,697</u>	<u>482,845</u>	<u>316,868</u>
 Total liabilities and fund balances	 \$ <u>471,148</u>	 <u>11,795</u>	 <u>482,943</u>	 <u>316,868</u>

CITY OF HOMER, ALASKA
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2004
(With Comparative Totals for 2003)

	Library	Fire Department	<u>Totals</u>	
	<u>Donations</u>	<u>Donations</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Investment income	4,268	75	4,343	1,771
Donations	\$ <u>166,314</u>	<u>4,550</u>	<u>170,864</u>	<u>140,794</u>
Total revenues	170,582	4,625	175,207	142,565
Expenditures - supplies	<u>257</u>	<u>98</u>	<u>355</u>	<u>23,489</u>
Excess of revenues over expenditures	170,325	4,527	174,852	119,076
Other uses - transfers out	<u>(8,875)</u>	<u>-</u>	<u>(8,875)</u>	<u>-</u>
Net change in fund balances	161,450	4,527	165,977	119,076
Beginning fund balances	<u>309,698</u>	<u>7,170</u>	<u>316,868</u>	<u>197,792</u>
Ending fund balances	\$ <u><u>471,148</u></u>	<u><u>11,697</u></u>	<u><u>482,845</u></u>	<u><u>316,868</u></u>

DEBT SERVICE FUNDS

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

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

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

1990 Special Assessment Bonds

1998 General Obligation Refunding Bonds

CITY OF HOMER, ALASKA
 Debt Service Funds
 Combining Balance Sheet
 December 31, 2004
 (With Comparative Totals for 2003)

<u>Assets</u>	1987 Rangeview Special Assessment <u>Bonds</u>	General Obligation Bonds and 1990 Special Assessment <u>Bonds</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Cash and investments	\$ 11,956	256,272	268,228	268,068
Assessments receivable:				
Current	1,131	2,831	3,962	6,326
Deferred	<u>1,131</u>	<u>-</u>	<u>1,131</u>	<u>600</u>
 Total assets	 \$ <u>14,218</u>	 <u>259,103</u>	 <u>273,321</u>	 <u>274,994</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities - deferred assessments	2,262	2,458	4,720	6,926
Fund balances - reserved for debt service	<u>11,956</u>	<u>256,645</u>	<u>268,601</u>	<u>268,068</u>
 Total liabilities and fund balances	 \$ <u>14,218</u>	 <u>259,103</u>	 <u>273,321</u>	 <u>274,994</u>

CITY OF HOMER, ALASKA
 Debt Service Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2004
 (With Comparative Totals for 2003)

	1987 Rangeview Special Assessment <u>Bonds</u>	General Obligation Bonds and 1990 Special Assessment <u>Bonds</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Revenues:				
Special assessments	\$ 1,379	1,413	2,792	14,236
Investment income	218	4,147	4,365	2,045
Total revenues	<u>1,597</u>	<u>5,560</u>	<u>7,157</u>	<u>16,281</u>
Expenditures:				
Debt service:				
Principal	5,280	390,000	395,280	370,280
Interest	<u>1,344</u>	<u>73,854</u>	<u>75,198</u>	<u>90,415</u>
Total expenditures	<u>6,624</u>	<u>463,854</u>	<u>470,478</u>	<u>460,695</u>
Excess of revenues over (under) expenditures	(5,027)	(458,294)	(463,321)	(444,414)
Other financing sources - transfers in	<u>-</u>	<u>463,854</u>	<u>463,854</u>	<u>453,454</u>
Net change in fund balances	(5,027)	5,560	533	9,040
Beginning fund balances	<u>16,983</u>	<u>251,085</u>	<u>268,068</u>	<u>259,028</u>
Ending fund balances	\$ <u>11,956</u>	<u>256,645</u>	<u>268,601</u>	<u>268,068</u>

CAPITAL PROJECT FUNDS

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

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

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

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

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

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

CITY OF HOMER, ALASKA
 Capital Project Funds
 Combining Balance Sheet
 December 31, 2004
 (With Comparative Totals for 2003)

<u>Assets</u>	City <u>Facilities</u>	Streets and <u>Sidewalks</u>	Land <u>Reserve</u>	Fleet Reserve <u>Allocation</u>	<u>Totals</u>	
					<u>2004</u>	<u>2003</u>
Cash and investments	\$ -	2,799,743	67,375	353,691	3,220,809	2,902,929
Receivables:						
Sales taxes	-	169,031	-	-	169,031	167,624
State and federal grants	826,510	-	-	-	826,510	653,503
Other	<u>7,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,637</u>	<u>-</u>
 Total assets	 \$ <u>834,147</u>	 <u>2,968,774</u>	 <u>67,375</u>	 <u>353,691</u>	 <u>4,223,987</u>	 <u>3,724,056</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	120,310	-	-	-	120,310	489,158
Accrued payroll and related liabilities	1,032	14	-	-	1,046	1,695
Deferred revenue	95,160	-	-	-	95,160	17,197
Due to other funds	<u>687,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>687,450</u>	<u>101,282</u>
Total liabilities	<u>903,952</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>903,966</u>	<u>609,332</u>
 Fund balances:						
Reserved for capital projects	-	2,968,760	-	-	2,968,760	2,463,503
Unreserved - designated for capital outlay and land	-	-	67,375	353,691	421,066	651,221
Deficit	<u>(69,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,805)</u>	<u>-</u>
Total fund balances (deficit)	<u>(69,805)</u>	<u>2,968,760</u>	<u>67,375</u>	<u>353,691</u>	<u>3,320,021</u>	<u>3,114,724</u>
 Total liabilities and fund balances	 \$ <u>834,147</u>	 <u>2,968,774</u>	 <u>67,375</u>	 <u>353,691</u>	 <u>4,223,987</u>	 <u>3,724,056</u>

CITY OF HOMER, ALASKA

Capital Project Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2004
(With Comparative Totals for 2003)

	City Facilities	Streets and Sidewalks	Land Reserve	Fleet Reserve Allocation	Totals	
					2004	2003
Revenues:						
Sales taxes	\$ -	1,019,645	-	-	1,019,645	956,353
Intergovernmental	1,419,451	-	-	-	1,419,451	673,733
Investment income	452	25,561	718	3,352	30,083	49,262
Other	153,231	-	-	16,217	169,448	68,973
Total revenues	<u>1,573,134</u>	<u>1,045,206</u>	<u>718</u>	<u>19,569</u>	<u>2,638,627</u>	<u>1,748,321</u>
Expenditures:						
General government	166,034	-	-	-	166,034	12,528
Public safety	42,147	-	-	-	42,147	150,912
Public works	23,856	96,345	-	13,190	133,391	395,939
Airport	-	-	-	-	-	23,230
Parks and recreation	40,190	-	-	-	40,190	35,430
Community services	21,861	-	-	-	21,861	27,891
Capital outlay	1,931,313	-	27	45,120	1,976,460	1,161,677
Total expenditures	<u>2,225,401</u>	<u>96,345</u>	<u>27</u>	<u>58,310</u>	<u>2,380,083</u>	<u>1,807,607</u>
Excess of revenues over (under) expenditures	(652,267)	948,861	691	(38,741)	258,544	(59,286)
Other financing sources (uses):						
Transfers in	234,422	-	-	180,935	415,357	1,131,668
Transfers out	(25,000)	(443,604)	-	-	(468,604)	(1,454,864)
Net other financing sources (uses)	<u>209,422</u>	<u>(443,604)</u>	<u>-</u>	<u>180,935</u>	<u>(53,247)</u>	<u>(323,196)</u>
Net change in fund balances	(442,845)	505,257	691	142,194	205,297	(382,482)
Beginning fund balances	<u>373,040</u>	<u>2,463,503</u>	<u>66,684</u>	<u>211,497</u>	<u>3,114,724</u>	<u>3,497,206</u>
Ending fund balances (deficit)	\$ <u>(69,805)</u>	<u>2,968,760</u>	<u>67,375</u>	<u>353,691</u>	<u>3,320,021</u>	<u>3,114,724</u>

PERMANENT FUND

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

CITY OF HOMER, ALASKA
Library Endowment Permanent Fund
Balance Sheet
December 31, 2004
(With Comparative Amounts for 2003)

	<u>Assets</u>	<u>2004</u>	<u>2003</u>
Cash and investments		\$ <u>-</u>	<u>12,300</u>
	<u>Fund Balance</u>		
Fund balance - reserved for endowments		\$ <u>-</u>	<u>12,300</u>

CITY OF HOMER, ALASKA
 Library Endowment Permanent Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Revenues	\$ -	-
Expenditures - Homer Foundation	<u>(12,300)</u>	<u>-</u>
Net change in fund balance	(12,300)	-
Beginning fund balance	<u>12,300</u>	<u>12,300</u>
Ending fund balance	\$ <u>-</u>	<u>12,300</u>

ENTERPRISE FUNDS

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

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

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

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Net Assets
December 31, 2004
(With Comparative Amounts for 2003)

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Receivables:		
Accounts, net of allowance for doubtful accounts of \$31,186 in 2004 and \$15,529 in 2003	\$ 182,586	253,613
State and federal grants	743,460	1,528,887
Litigation settlement - current	121,000	121,000
Net receivables	<u>1,047,046</u>	<u>1,903,500</u>
Inventory	12,115	11,285
Prepaid items	31,378	31,928
Total current assets	<u>1,090,539</u>	<u>1,946,713</u>
Restricted assets - cash and investments restricted for debt service	<u>168,420</u>	<u>168,420</u>
Bond issuance costs, net of accumulated amortization of \$31,985 in 2004 and \$26,654 in 2003	<u>26,655</u>	<u>31,986</u>
Long-term portion of litigation settlement receivable, net of 6% discount of \$78,763 in 2004 and \$108,267 in 2003	<u>342,237</u>	<u>433,733</u>
Property, plant and equipment:		
Property, plant and equipment in service	49,296,519	49,122,012
Land and land improvements	15,254,041	15,254,041
Construction work in progress	2,143,596	1,491,034
Less accumulated depreciation	<u>(18,219,878)</u>	<u>(16,945,372)</u>
Net property, plant and equipment	<u>48,474,278</u>	<u>48,921,715</u>
Total assets	<u>\$ 50,102,129</u>	<u>51,502,567</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	137,011	350,869
Accrued payroll and related liabilities	24,319	33,816
Accrued leave	14,106	13,615
Accrued interest	9,000	10,579
Current portion of bonds payable	155,000	150,000
Prepaid berth rentals and deposits	502,238	508,493
Due to other funds	132,727	1,036,221
Deferred lease revenue	18,000	18,000
Total current liabilities	<u>992,401</u>	<u>2,121,593</u>
Noncurrent liabilities, net of current portion:		
Deferred lease revenue	414,000	432,000
Accrued leave	108,231	113,694
Revenue bonds payable, net of deferred loss of \$30,535 in 2004 and \$36,643 in 2003	669,465	818,357
Net pension obligation	<u>53,213</u>	<u>-</u>
Total liabilities	<u>2,237,310</u>	<u>3,485,644</u>
Net assets:		
Invested in capital assets, net of related debt	47,649,813	47,953,358
Restricted for debt service	168,420	168,420
Unrestricted (deficit)	46,586	(104,855)
Total net assets	<u>47,864,819</u>	<u>48,016,923</u>
Total liabilities and net assets	<u>\$ 50,102,129</u>	<u>51,502,567</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Harbor	\$ 1,437,350	1,354,904
Main dock	171,875	162,190
Fish dock	784,885	720,472
Deep water dock	83,375	238,810
Rents, leases and storage	188,850	298,956
Fish grinder	13,496	14,032
Total operating revenues	<u>2,679,831</u>	<u>2,789,364</u>
Operating expenses:		
Harbor	860,055	845,362
Main dock	52,357	46,296
Fish dock	436,764	443,023
Deep water dock	54,858	52,075
Recreation facilities	16,333	21,576
Administration	795,411	761,829
Depreciation	1,274,506	1,363,167
Total operating expenses	<u>3,490,284</u>	<u>3,533,328</u>
Operating loss	<u>(810,453)</u>	<u>(743,964)</u>
Nonoperating revenues (expenses):		
Investment income	21,632	7,554
Interest expense	(47,444)	(53,297)
Litigation settlements	(133,480)	121,694
Amortization of bond issuance costs	(5,331)	(5,331)
Fisheries revitalization aid	-	80,914
Other income	113,155	87,180
Other expenses	(13,558)	(22,666)
Net nonoperating revenues (expenses)	<u>(65,026)</u>	<u>216,048</u>
Loss before contributions and transfers	<u>(875,479)</u>	<u>(527,916)</u>
Capital contributions	723,375	1,428,887
Transfers in	-	57,343
Transfers out	-	(52,000)
Change in net assets	(152,104)	906,314
Beginning net assets	<u>48,016,923</u>	<u>47,110,609</u>
Ending net assets	<u>\$ 47,864,819</u>	<u>48,016,923</u>

CITY OF HOMER, ALASKA
Port of Homer Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2004
(With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,839,758	2,726,097
Other miscellaneous receipts	-	80,914
Payments to suppliers	(1,184,790)	(825,131)
Payments to employees	(1,219,940)	(1,044,723)
Litigation settlements (net)	(41,984)	125,199
Net cash provided by operating activities	<u>393,044</u>	<u>1,062,356</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(150,000)	(145,000)
Interest payments on long-term debt	(42,915)	(48,716)
Acquisition of property, plant and equipment	(827,069)	(1,886,299)
Increase (decrease) in due to other funds	(903,494)	721,528
Capital contributions received	1,508,802	182,042
Transfers in	-	57,343
Transfers out	-	(52,000)
Net cash used by capital and related financing activities	<u>(414,676)</u>	<u>(1,171,102)</u>
Cash flows from investing activities - investment income received	<u>21,632</u>	<u>7,554</u>
Net decrease in cash and investments	-	(101,192)
Beginning cash and investments	<u>168,420</u>	<u>269,612</u>
Ending cash and investments	\$ <u>168,420</u>	<u>168,420</u>
Cash and investments at end of year -		
Cash and investments restricted for debt service	\$ <u>168,420</u>	<u>168,420</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (810,453)	(743,964)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	1,274,506	1,363,167
Increase (decrease) in allowance for doubtful accounts	15,657	(20,923)
Amortization of deferred lease revenue	(18,000)	(18,000)
Litigation settlement	(133,480)	121,694
Miscellaneous nonoperating revenues	113,155	168,094
Miscellaneous nonoperating expenses	(13,558)	(22,666)
(Increase) decrease in assets:		
Accounts receivable	55,370	(132,517)
Inventory	(830)	19,206
Prepaid items	550	1,864
Litigation settlement receivable	91,496	3,505
Increase (decrease) in liabilities:		
Accounts payable	(213,858)	287,763
Accrued payroll and related liabilities	(9,497)	712
Accrued leave	(4,972)	13,428
Prepaid berth rentals and deposits	(6,255)	20,993
Net pension obligation	53,213	-
Net cash flows from operating activities	<u>\$ 393,044</u>	<u>1,062,356</u>

CITY OF HOMER, ALASKA
 Port of Homer Enterprise Fund
 Combining Schedule of Port of Homer Capital Projects
 Year Ended December 31, 2004

	<u>USCG</u> <u>Berth</u> <u>Modification</u>	<u>Restrooms</u> <u>and Launch</u> <u>Ramp</u>	<u>TSA</u> <u>Port</u> <u>Security</u>	<u>Other</u> <u>Equipment</u>	<u>Totals</u>
Funding sources:					
State and federal grants	\$ 353,223	297,139	65,513	-	715,875
Port of Homer funds	<u>64,586</u>	<u>10,908</u>	<u>-</u>	<u>28,200</u>	<u>103,694</u>
 Total funding sources	 \$ <u>417,809</u>	 <u>308,047</u>	 <u>65,513</u>	 <u>28,200</u>	 <u>819,569</u>
Disbursements:					
Salaries and benefits	4,602	100,216	-	-	104,818
Supplies	549	-	461	-	1,010
Other services and charges	35,275	7,298	52,617	-	95,190
Capital outlay	<u>377,383</u>	<u>200,533</u>	<u>12,435</u>	<u>28,200</u>	<u>618,551</u>
 Total disbursements	 \$ <u>417,809</u>	 <u>308,047</u>	 <u>65,513</u>	 <u>28,200</u>	 <u>819,569</u>

CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Net Assets
December 31, 2004
(With Comparative Amounts for 2003)

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and investments	\$ 2,130,426	2,169,478
Receivables:		
Accounts, net of allowance for doubtful accounts of \$2,872 in 2004 and \$7,999 in 2003	204,406	179,117
Sales taxes	169,031	167,624
Assessments due within one year	98,073	72,515
State and federal grants and loans	220,256	440,267
Net receivables	<u>691,766</u>	<u>859,523</u>
Inventory	169,957	134,486
Prepaid items	41,424	43,280
Total current assets	<u>3,033,573</u>	<u>3,206,767</u>
Restricted assets - cash and investments restricted for debt service and construction	<u>2,549,077</u>	<u>1,978,513</u>
Assessments due after one year	<u>823,330</u>	<u>738,325</u>
Bond issuance costs, net of accumulated amortization of \$28,313 in 2004 and \$25,490 in 2003	<u>8,471</u>	<u>11,294</u>
Property, plant and equipment:		
Property, plant and equipment in service	49,627,371	45,492,238
Land	372,266	372,266
Construction work in progress	1,630,903	4,327,244
Less accumulated depreciation	<u>(27,232,843)</u>	<u>(25,621,651)</u>
Net property, plant and equipment	<u>24,397,697</u>	<u>24,570,097</u>
Total assets	<u>\$ 30,812,148</u>	<u>30,504,996</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	886,496	80,716
Accrued payroll and related liabilities	17,290	30,414
Accrued leave	12,915	13,180
Accrued interest	78,979	19,235
Current portion of notes payable	297,331	290,079
Current portion of bonds payable	80,000	80,000
Customer utility deposits	31,512	29,431
Total current liabilities	<u>1,404,523</u>	<u>543,055</u>
Noncurrent liabilities, net of current portion:		
Accrued leave	115,323	104,748
Notes payable	4,840,933	4,989,435
Net pension obligation	49,382	-
Revenue bonds payable, net of deferred loss of \$7,809 in 2004 and \$10,412 in 2003	<u>162,191</u>	<u>239,588</u>
Total liabilities	<u>6,572,352</u>	<u>5,876,826</u>
Net assets		
Invested in capital assets, net of related debt	19,017,242	18,970,995
Restricted for debt service and capital projects	2,147,608	2,146,137
Unrestricted	3,074,946	3,511,038
Total net assets	<u>24,239,796</u>	<u>24,628,170</u>
Total liabilities and net assets	<u>\$ 30,812,148</u>	<u>30,504,996</u>

CITY OF HOMER, ALASKA
 Water and Sewer Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Water charges and connection fees	\$ 1,209,357	1,172,606
Sewer charges and connection fees	1,360,137	1,109,008
Total operating revenues	<u>2,569,494</u>	<u>2,281,614</u>
Operating expenses:		
Water department:		
Treatment plant operations and testing	252,874	221,691
Pumping system	49,711	48,217
Distribution system and reservoir	199,530	175,308
Water meters	74,336	50,343
Water hydrants	67,465	56,507
Administration	505,663	496,771
Total water department	<u>1,149,579</u>	<u>1,048,837</u>
Sewer department:		
Treatment plant	387,393	353,301
Collection system	125,749	104,309
Lift station	95,835	76,257
Administration	548,751	529,166
Total sewer department	<u>1,157,728</u>	<u>1,063,033</u>
Depreciation	<u>1,611,192</u>	<u>1,605,942</u>
Total operating expenses	<u>3,918,499</u>	<u>3,717,812</u>
Operating loss	(1,349,005)	(1,436,198)

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

	<u>2004</u>	<u>2003</u>
Nonoperating revenues (expenses):		
Investment income	\$ 51,180	56,158
Interest expense	(139,468)	(91,208)
Sales taxes	1,019,645	956,353
Amortization of bond issuance costs	(2,824)	(5,098)
Infiltration study	-	(28,265)
Loss on disposal of asset	(90,167)	-
Water/sewer master plan	(76,589)	(37,942)
Other income	28,799	87,757
Other expenses	(7,068)	(31,979)
Net nonoperating revenues (expenses)	<u>783,508</u>	<u>905,776</u>
Loss before contributions and transfers	(565,497)	(530,422)
Capital contributions	227,808	1,842,866
Transfers in	-	265,027
Transfers out	<u>(50,685)</u>	<u>(70,928)</u>
Change in net assets	(388,374)	1,506,543
Beginning net assets	<u>24,628,170</u>	<u>23,121,627</u>
Ending net assets	\$ <u>24,239,796</u>	<u>24,628,170</u>

CITY OF HOMER, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2004
(With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,575,085	2,345,270
Payments to suppliers	(532,771)	(1,369,161)
Payments to employees	(1,039,460)	(868,297)
Net cash provided by operating activities	<u>1,002,854</u>	<u>107,812</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(370,079)	(423,004)
Interest payments on long-term debt	(77,121)	(89,797)
Proceeds from long-term borrowing	148,827	2,641,796
Acquisition of property, plant and equipment	(1,528,958)	(2,496,625)
Capital contributions received	239,183	714,626
Principal collections on special assessments	98,073	179,759
Sales tax revenue received	1,018,238	940,751
Transfers in	-	265,027
Transfers out	(50,685)	(70,928)
Net cash provided (used) by capital and related financing activities	<u>(522,522)</u>	<u>1,661,605</u>
Cash flows from investing activities - investment income received	<u>51,180</u>	<u>58,567</u>
Net increase in cash and investments	531,512	1,827,984
Beginning cash and investments	<u>4,147,991</u>	<u>2,320,007</u>
Ending cash and investments	\$ <u>4,679,503</u>	<u>4,147,991</u>
Cash and investments at end of year:		
Cash and investments	2,130,426	2,169,478
Cash and investments restricted for debt service and construction	<u>2,549,077</u>	<u>1,978,513</u>
	\$ <u>4,679,503</u>	<u>4,147,991</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (1,349,005)	(1,436,198)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,611,192	1,605,942
Increase (decrease) in allowance for doubtful accounts	(5,127)	753
Miscellaneous nonoperating revenues	28,799	87,757
Miscellaneous nonoperating expenses	(83,657)	(98,186)
(Increase) decrease in assets:		
Accounts receivable	(20,162)	(26,357)
Inventory	(35,471)	(845)
Prepaid items	1,856	1,497
Increase (decrease) in liabilities:		
Accounts payable	805,780	(54,987)
Accrued payroll and related liabilities	(13,124)	1,277
Accrued leave	10,310	25,656
Deposits	2,081	1,503
Net pension obligation	49,382	-
Net cash flows from operating activities	<u>\$ 1,002,854</u>	<u>107,812</u>

CITY OF HOMER, ALASKA
 Water and Sewer Utility Enterprise Fund
 Combining Schedule of Water and Sewer Utility Capital Projects
 Year Ended December 31, 2004

	Vehicles and Other Equipment	Water Storage	Hillside Acres LID	Kachemak Drive LID	Ocean Loop LID	East End Road LID	Totals
Funding sources:							
State and federal grants	\$ -	19,172	-	-	-	-	19,172
Water and Sewer Utility funds and capitalization loans	<u>49,737</u>	<u>26,790</u>	<u>82,300</u>	<u>14,463</u>	<u>36,333</u>	<u>1,288,372</u>	<u>1,497,995</u>
Total funding sources	<u>\$ 49,737</u>	<u>45,962</u>	<u>82,300</u>	<u>14,463</u>	<u>36,333</u>	<u>1,288,372</u>	<u>1,517,167</u>
Disbursements:							
Salaries and benefits	-	321	7,598	256	256	-	8,431
Other services and charges	-	45,641	69,073	14,207	36,077	-	164,998
Capital outlay	<u>49,737</u>	<u>-</u>	<u>5,629</u>	<u>-</u>	<u>-</u>	<u>1,288,372</u>	<u>1,343,738</u>
Total disbursements	<u>\$ 49,737</u>	<u>45,962</u>	<u>82,300</u>	<u>14,463</u>	<u>36,333</u>	<u>1,288,372</u>	<u>1,517,167</u>

INTERNAL SERVICE FUND

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

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

CITY OF HOMER, ALASKA
 Risk Management Internal Service Fund
 Statement of Net Assets
 December 31, 2004
 (With Comparative Amounts for 2003)

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Accounts receivable	\$ <u>3,852</u>	<u>43,555</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	78,320	65,303
Due to other funds	<u>154,718</u>	<u>90,804</u>
Total liabilities	233,038	156,107
Net assets (deficit)	<u>(229,186)</u>	<u>(112,552)</u>
Total liabilities and net assets	\$ <u>3,852</u>	<u>43,555</u>

CITY OF HOMER, ALASKA
 Risk Management Internal Service Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Operating revenues - interfund insurance charges	\$ <u>965,520</u>	<u>822,325</u>
Operating expenses:		
Claims	722,872	657,897
Insurance premiums	299,176	222,972
Administration	<u>60,106</u>	<u>60,840</u>
Total operating expenses	<u>1,082,154</u>	<u>941,709</u>
Operating loss	(116,634)	(119,384)
Transfers in	<u>-</u>	<u>290,000</u>
Change in net assets	(116,634)	170,616
Beginning net assets (deficit)	<u>(112,552)</u>	<u>(283,168)</u>
Ending net assets (deficit)	\$ <u>(229,186)</u>	<u>(112,552)</u>

CITY OF HOMER, ALASKA
 Risk Management Internal Service Fund
 Statement of Cash Flows
 Year Ended December 31, 2004
 (With Comparative Amounts for 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,005,223	796,021
Payments for insurance claims and administration	<u>(1,069,137)</u>	<u>(1,021,296)</u>
Net cash used by operating activities	<u>(63,914)</u>	<u>(225,275)</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other funds	63,914	(64,725)
Transfers in	<u>-</u>	<u>290,000</u>
Net cash provided by noncapital financing activities	<u>63,914</u>	<u>225,275</u>
Increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	\$ <u>-</u>	<u>-</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (116,634)	(119,384)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
(Increase) decrease in accounts receivable	39,703	(26,304)
Increase (decrease) in accounts payable	<u>13,017</u>	<u>(79,587)</u>
Net cash flows from operating activities	\$ <u>(63,914)</u>	<u>(225,275)</u>

SCHEDULES OF FEDERAL AND STATE EXPENDITURES

CITY OF HOMER, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2004 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2004 Receivable (Deferred)</u>
DEPARTMENT OF AGRICULTURE							
Homer Library Architectural Design and Engineering Passed through the State of Alaska Department of Community and Economic Development -	60.003-9200 30963	10.766	\$ 100,000	-	55,370	-	55,370
Homer Area Comprehensive Trails Plan Passed Through the State of Alaska Department of Natural Resources -	840820	10.664	29,986	1,033	28,953	29,986	-
Volunteer Fire Assistance	5112004	10.202	5,000	-	5,000	5,000	-
Total Department of Agriculture				<u>1,033</u>	<u>89,323</u>	<u>34,986</u>	<u>55,370</u>
DEPARTMENT OF INTERIOR							
Passed Through the State of Alaska Department of Natural Resources - Jack Gist Recreational Park Passed Through the State of Alaska Department of Fish and Game -	02-00369	15.916	169,792	2,373	-	2,373	-
Harbor Restrooms and Fish Cleaning Facility (75%)	CO-OP 04-047	15.605	243,750	-	222,854	85,455	137,399
Total Department of Interior				<u>2,373</u>	<u>222,854</u>	<u>87,828</u>	<u>137,399</u>
DEPARTMENT OF JUSTICE							
Passed through the State of Alaska Department of Military and Veteran Affairs - Homeland Security Equipment	SHSGP II 03-10	16.008	562,923	-	519,521	253,524	265,997
DEPARTMENT OF HOMELAND SECURITY							
Passed through the State of Alaska Department of Military and Veteran Affairs:							
Law Enforcement Terrorism Prevention Program	35549-04-16	97.004	165,146	-	8,450	-	8,450
Hazard Mitigation Grant	1445.0004	83.548	6,750	-	1,929	-	1,929
Kenai Peninsula Flooding and Winter Storm Disaster	DR-1445-AK	83.544	776,299	409,613	-	248,808	160,805
Total Department of Homeland Security				<u>409,613</u>	<u>10,379</u>	<u>248,808</u>	<u>171,184</u>
DEPARTMENT OF COMMERCE							
Passed through the State of Alaska Department of Community and Economic Development - Homer Beach Protection Policy Implementation	831426	11.419	75,000	19,087	28,029	29,424	17,692
ENVIRONMENTAL PROTECTION AGENCY							
Wetland Development Grant Passed through the State of Alaska Department of Environmental Conservation -	CD-97051401	66.461	127,302	19,541	54,133	52,465	21,209
Water Storage Reservoir Construction (75% Federal) Passed through the State of Alaska Department of Environmental Conservation:	40904	66.606	1,179,000	211,406	14,379	207,581	18,204
Clean Water Loan	409051	66.458	124,500	29,280	54,139	-	83,419
Clean Water Loan	409031	66.458	2,847,824	14,315	28,849	14,315	28,849
Drinking Water Loan	409041	66.468	2,801,614	41,848	40,052	41,848	40,052
Total Environmental Protection Agency				<u>316,390</u>	<u>191,552</u>	<u>316,209</u>	<u>191,733</u>

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

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>January 1, 2004 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>December 31, 2004 Receivable (Deferred)</u>
DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership	2012422	16.607	5,193	-	1,918	-	1,918
Internet Crimes Against Children Passed through the City of Soldotna - Bryne Memorial Drug Grant	2004	16.543	25,000	-	590	590	-
	None	16.580	6,722	(1,377)	-	-	(1,377)
Total Department of Justice				<u>(1,377)</u>	<u>2,508</u>	<u>590</u>	<u>541</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES							
Challenge Grant	CH-50085	45.130	400,000	-	-	80,000	(80,000)
DEPARTMENT OF LABOR							
Passed through the State of Alaska Department of Administration, Alaska Commission on Aging - Senior Employment Program	60704304	17.235	8,423	1,019	-	1,019	-
DEPARTMENT OF TRANSPORTATION							
Passed through the State of Alaska Department of Transportation and Public Facilities:							
Kachemak Bay Multi-Purpose Ocean Dock	MOA 75267	20.205	2,997,000	90,000	-	-	90,000
DRE Certification Training	-	20.600	625	625	-	625	-
2004 Seatbelt Enforcement Blitz	040303 OP	20.600	9,900	-	6,715	6,715	-
2004 - 2005 Impaired Driving Enforcement	050203 AL	20.600	5,000	-	4,286	-	4,286
Impaired Driving Enforcement Blitz & Media Campaign	040302 AL	20.600	10,000	1,377	9,923	11,300	-
National Motor Carrier Safety	03-PD-003	20.218	6,605	530	6,085	6,615	-
Scenic Byways (80% Federal)	75813	20.205	120,960	760	42,867	41,034	2,593
Port Security	DTSA20-03G-01150	20.420	167,000	13,647	65,513	56,342	22,818
Total Department of Transportation				<u>107,958</u>	<u>135,389</u>	<u>123,650</u>	<u>119,697</u>
Total Federal Financial Assistance			\$	<u>855,077</u>	<u>1,199,555</u>	<u>1,175,019</u>	<u>879,613</u>

CITY OF HOMER, ALASKA
 Schedule of State Financial Assistance
 Year Ended December 31, 2004

Name of Award	Grant Number	Total Grant Award	January 1, 2004 Receivable (Deferred)	State Share of Expen- ditures	State Receipts	December 31, 2004 Receivable (Deferred)
DEPARTMENT OF REVENUE						
*Raw Fish Tax	-	\$ 156,890	-	156,890	156,890	-
Electric and Telephone Sharing	-	26,548	-	26,548	26,548	-
Liquor License	-	23,850	-	23,850	23,850	-
Total Department of Revenue			-	207,288	207,288	-
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT						
Passed through the City of Kachemak:						
University of Alaska, Kachemak Bay Consortium Library	97/581-1-001	23,000	-	23,000	23,000	-
Homer Public Library	00/581-1-001	25,000	-	25,000	25,000	-
New Animal Shelter	02-MG-068	25,000	-	25,000	25,000	-
Direct:						
*New Animal Shelter	00/569-9-001	102,500	(12,037)	94,037	82,000	-
*Animal Shelter	01-MG-064	52,500	-	52,500	52,500	-
*Animal Shelter	05-DC-052	130,000	-	130,000	130,000	-
*Animal Shelter Construction	02-MG-058	101,367	-	101,367	101,367	-
Shared Fisheries Business Tax	-	3,389	-	3,389	3,389	-
Community Recreation Facility	99/569-9-001	101,862	1,420	21,861	23,281	-
Fish Resource Landing Tax	-	226	-	226	226	-
*Land Acquisition & Library Design & Construction	04-MGR-012	205,252	48,897	156,355	205,252	-
Fire Packs	03-DC-062	150,000	9,074	152	9,226	-
Broom Truck	03-DC-061	50,000	305	-	305	-
Total Department of Community and Economic Development			47,659	632,887	680,546	-
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT						
Public Library Assistance	PLA-04-738-34	6,300	(6,300)	6,300	-	-
Public Library Assistance	PLA-03-738-34	6,250	-	-	6,250	(6,250)
Total Department of Education and Early Development			(6,300)	6,300	6,250	(6,250)
DEPARTMENT OF ENVIRONMENTAL CONSERVATION						
Water Storage Reservoir Design	40902	72,000	7,200	-	-	7,200
Water Storage Reservoir Construction (25% State)	40904	393,000	70,468	4,793	69,193	6,068
Total Department of Environmental Conservation			77,668	4,793	69,193	13,268
DEPARTMENT OF FISH AND GAME						
*Harbor Restrooms & Fish Cleaning Facilities (25%)	CO-OP 04-047	81,250	-	74,284	28,485	45,799
DEPARTMENT OF MILITARY AND VETERAN AFFAIRS						
Hazard Mitigation Grant	1445.0004	2,250	-	643	-	643
Kenai Peninsula Flooding and Winter Storm Disaster	DR-1445	258,766	136,538	-	82,936	53,602
Total Department of Military and Veteran Affairs			136,538	643	82,936	54,245
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES						
Kachemak Bay Multi-Purpose Dock	75267	333,000	10,000	-	-	10,000
Scenic Byways (20% State)	75813	30,240	190	10,717	10,259	648
Total Department of Transportation and Public Facilities			10,190	10,717	10,259	10,648
DEPARTMENT OF PUBLIC SAFETY						
Training services	None	3,200	-	3,200	3,200	-
Training services	None	5,000	-	5,000	5,000	-
Total Department of Public Safety			-	8,200	8,200	-
Total State Financial Assistance		\$ 265,755	945,112	1,093,157	117,710	

* Major program