

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10504 SENATE COMMUNITY & REGIONAL AFFAIRS

349

The Honorable Deborah Sedwick, Commissioner
Department of Community & Economic Development
Re: Authority of LBC to truncate terms

December 12, 2001

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regulations before exercising his authority under the constitutional provisions providing the power to adopt a reapportionment plan. In contrast, the LBC is an administrative agency that has been delegated authority to adopt regulations by the legislature and is actually mandated to do so in certain instances. See *U.S. Smelting*, 489 P.2d at 141-2. Notwithstanding the LBC's constitutional origin, it has been determined by the Alaska Supreme Court that the LBC's exercise of discretion in boundary changes must be based on developed standards as a precondition to exercising its discretion. *Id.* We believe a court would so hold here -- that development of standards for determining when truncation of terms of a city council is a condition for approving an annexation petition is prerequisite to exercising such discretion by the LBC.

2. At Large Representation: Power of City to Pass Ordinance to Truncate Terms

The City of Homer, like most first class cities, elects its six council members on an at-large basis. AS 29.20.130.⁴ Assuming the annexation petition is approved, persons residing in the annexed territory will be represented by all members of the existing Homer city council. Then, in October 2002, based on the current staggered terms, the mayor and two council member seats will be up for election.¹ At that election, the people in the annexed territory will have the opportunity to run for office as well as vote for at least three city officials within the first seven months after annexation is effective.⁵ While voters in the annexed territory may be considered to be temporarily disenfranchised since they did not have the opportunity to vote for any of the current members of the council, the disenfranchisement is temporary (i.e., 7 months). Further, considering that all current council members are elected at-large, they will assume the constituency living in the annexed territory on the effective date of the annexation.

In the event truncation remains an issue beyond the LBC proceedings, the city of Homer has the authority to provide, by ordinance, for election of members other than on an at-large basis for all members. AS 29.20.130. And, the city council may pass an ordinance to truncate terms of its current council members.⁶ With the ability of the

⁴ AS 29.20.130 reads: Each first class city has a council of six members elected by the voters at large. Each second class city has a council of seven members elected by the voters at large. The council of a first or second class city may by ordinance provide for election of members other than on an at-large basis for all members.

⁵ If the annexation petition is approved by the LBC and not disapproved by the Alaska Legislature, it will become effective in March 2002. AS 29.06.040(b).

⁶ See AS 29.20.150 (term of office); AS 29.35.250 (powers of cities within boroughs); AS 29.35.100 (a liberal construction shall be given to all powers and functions of a municipality conferred in this title).

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city to address truncation of terms at the local level, the LBC may want to recommend that the city consider adopting such an ordinance, particularly if the approved annexation results in a substantial increase in population.

Lastly, we are mindful that the Homer city annexation petition has the potential of increasing the population of the city by an estimated 56% (if approved with the amount of territory sought in the original petition) or by an estimated 22 % (if approved with the amount of territory recommended by DCED staff in its preliminary and final reports). And, while truncation may well be an appropriate tool to apply in conjunction with substantial population increases resulting from a boundary change, there are simply no provisions of law or regulation to guide the LBC in making such a determination. This differs greatly from the municipal charters and state statutes setting out when reapportionment of assemblies is to occur (AS 29.20.080 - 29.20.120). Yet, even under an established reapportionment process, the Alaska Supreme Court has determined that when a governing body is composed of members elected in staggered terms, the temporary disenfranchisement of transferred voters is an inevitable consequence of the reapportionment and this does not constitute invidious discrimination in violation of the constitutional guarantee to equal representation. *See Kentopp v. Anchorage*, 652 P.2d 453, 461 (Alaska 1982) (although a substantial number of Anchorage voters were transferred into new districts, the resultant temporary disenfranchisement is, at worst, no greater than that generally imposed on residents who move into an Assembly district or who become of voting age shortly after an election has taken place). Further, it has been held that continuity and stability associated with a staggered schedule of elections, which would be lost if the terms of all members were truncated, supports a decision to reject truncation. *Id.* at 462.

3. Conclusion

In conclusion, it is our opinion that the LBC does not, absent regulations, have discretionary authority to require truncation of terms of the city council of Homer as a condition to approving the petition for annexation presently being considered. In the event the LBC determines that truncation of terms is appropriate, it may recommend to the city council that it pass an ordinance addressing the matter. Finally, it is our opinion that the LBC has the authority to promulgate regulations to establish standards and procedures dealing with truncation of terms to be applied in future boundary change petition reviews.

If you have questions regarding this advice, please do not hesitate to call.

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Re: Authority of LBC to truncate terms

December 12, 2001

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cc: The Honorable Drew Scalzi
Alaska House of Representatives

Dan Bockhorst, Staff (LBC)



ALASKA STATE LEGISLATURE


SENATOR JOHN TORGERSON

- ♦ CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
- ♦ CHAIR, SENATE RESOURCES COMMITTEE
- ♦ CHAIR, JOINT COMMITTEE ON NATURAL GAS PIPELINES

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MEMORANDUM

DATE: January 2, 2002
TO: Tam Cook, Legal Services
FROM: Senator John Torgerson 
RE: Legal Opinion – Annexation Issues

The Local Boundary Commission (LBC) has issued a decision on the City of Homer's 2000 annexation petition of some 25 square miles – they reduced it to some 4.5 square miles.

At this point, I have four specific issues which I need clarified.

1. Does the newly adopted language in HB 13 (passed in 2001) apply to this "detachment"?¹
2. When will the City be required to hold elections to provide representation for the newly annexed population? ²
3. Is the LBC able to make a determination that will result in a City's receiving more tax funds than it will expend for services in the new area?³
4. Who is responsible for ensuring that the City of Homer complies with the service expansions and funding they have proposed to the LBC?

¹ As background, note that there are three service areas in the 4.58 detached area. One is a hospital service area, formed some 30 years ago, that affects all city and non-city residents in the lower peninsula. One is a road service area, formed some 20 years ago. The last is a fire service area, formed in 2000 as a direct reaction to the City's annexation petition.

² The population of the annexed area will increase the size of the municipal population by some 20%. Assuming the Legislative Review process is adopted according to the LBC determination, I believe the effective date is immediate. Discussion of issues like zoning, planning, road standards, and service provisions will presumably be undertaken by the City shortly after the effective date and without an election for city council, the newly annexed area will not have had the opportunity to determine representation.

³ For example, assume that the new area is expected to generate \$1.5 million in taxes but the only municipal service that can be provided, roads, is expected to cost only \$0.5 million, generating a net of \$1.0 million in profit to the municipality.

REPRESENTING THE KENAI PENINSULA

Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Frazz Creek Happy Valley Halibut Cove Homer Hope Kachemak Bay Kachemak Bay
Kasilof Lowell Point Minto Pass Nunavak Nabalutak Nuvikuk Port Graham Rozhnova Seward Selliana Soldotna Staruk Sterling Vucetseka

MEMORANDUM (-continued)

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TO: Tam Cook
FROM: Senator Torgerson
RE: Legal Opinion – Annexation Issues

As background information, I am providing these documents:

1. 11/7/01 Memorandum from Commissioner Sedwick (hand written as Legal Request #1) RE: Truncate Terms (5 pages)
2. 12/12/01 Memorandum from AG Marjorie Vandor as response to above, 5 pages total. (handwritten as Response to ... #1)
3. 11/7/01 Memorandum from Commissioner Sedwick (hand written as Legal Request #2) RE: AS 29.35.450(c) (7 pages)
4. 12/12/01 Memorandum from AG Marjorie Vandor as response to above, 1 page total. (handwritten as Response to ...#2)
5. 12/21/01 Letter from Erwin & Erwin RE: AB opinion above, 2 pages total.
6. LBC Statement of Decision – 12/26/01 (43 pages)

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MEMORANDUM

January 9, 2002

SUBJECT: City of Homer annexation (Work Order No. 22-LS1270)

TO: Senator John Torgerson, Chair
Senate Community and Regional Affairs Committee

FROM: Tamara Brandt Cook
Director *TBC*

Along with other materials relating to the proposal, you have supplied me with a Statement of Decision by the Local Boundary Commission (LBC) in which the LBC has determined that it will submit a recommendation for the annexation of 4.58 square miles to the City of Homer to the legislature under Article X, sec. 12 of the state constitution. You also indicate that the area or portions of the area proposed for annexation are currently within three service areas: a hospital service area, a road service area, and a fire service area. The annexed area will increase the size of the city population by about 22 percent. You ask several questions about the proposed annexation.

(1) Does the newly adopted language in HB 13 (passed in 2001) apply to this "detachment"?

The LBC Statement of Decision notes on pages 41 and 42:

The Commission stipulates that, to the extent the 4.58 square miles approved for annexation to the City of Homer lies within the Kenai Peninsula Borough Road Service Area and the Kenai Peninsula Borough Kachemak Emergency Service Area, the annexed territory shall, under Article X, sec. 12 of the Constitution of the State of Alaska and other principles of law, be detached from those borough service areas as a result of annexation of the territory to the City of Homer.

The hospital service area already includes the City of Homer and will, apparently, continue to function as constituted so does not present an issue.

AS 29.35.450(c) was added by HB 13 (ch. 31, SLA 2001). That subsection prohibits the alteration of a service area that provides road or fire protection services unless the change is approved by the voters. However, AS 29.35.450(a) permits a borough to include a city in a service area only if the city agrees by ordinance. Furthermore, the LBC has a constitutional right to present any proposed local boundary change to the legislature and,

Senator John Torgerson
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therefore, cannot be prevented from proposing the annexation of property that is within a borough service area to a city. Therefore, I agree with the LBC that, under AS 29.35.450(a), the Homer annexation will have the affect of removing the annexed areas from the borough service areas. While the matter has not been considered by a court, I think that it is more likely that a court would find that AS 29.45.450(c) has no application when a change to a service area results from an annexation that is recommended by the LBC under its constitutional authority, Art. X, sec. 12. This result serves the purpose articulated under Art. X, sec. 1 of the state constitution of providing for "maximum local self-government with a minimum local government units..." and appears to be supported by the reasoning in Fairview Pub. Util. Dist. No. 1 v. City of Anchorage, 368 P.2d 540 (Alaska 1962), appeal dismissed and cert. denied, 371 U.S. 5 (1962).

You suggest that the fire service area was formed in 2000 "as a direct reaction to the City's annexation petition." If so, that service area was probably invalidly established. Art. X, sec. 5 states in part: "A new service area shall not be established if, consistent with the purposes of this article, the new service can be provided by an existing service area, by incorporation as a city, or by annexation to a city."

(2) When will the City be required to hold elections to provide representation for the newly annexed population?

There is nothing in state law that requires special elections as a result of annexation or that prevents the City from holding elections at the normal dates when the terms of members of the council expire. AS 29.20.080 sets out a system for reapportioning an assembly, but it has no application to a city council. It does not even apply to an assembly if the members are elected at large rather than by district. It is possible that a court would hold that the state or federal guarantee of equal protection requires that a special election be held, at least for those council seats with terms that will not expire reasonably quickly after the annexation, but this seems unlikely. Note that in the redistricting context, the Alaska Supreme Court has acknowledged that equal protection considerations can be sufficient to justify a decision to truncate terms (Groh v. Egan, 526 P.2d 863 (Alaska 1974) at 881), but the court has also acknowledged that stability and continuity may justify a decision not to truncate terms. (Kentopp v. Anchorage, 652 P.2d 453 (Alaska 1982) at 462.)

The federal Voting Rights Act of 1965 (42 U.S.C. 1973 et seq) applies to states and subdivisions of states, so it could come into play in some situations involving a municipal election. However, it appears that even under the Voting Rights Act, truncation of an existing term of office is not required following redistricting. (Gaona v. Anderson, 989 F.2d 299 (9th Cir. 1993).) If redistricting does not trigger an absolute duty to truncate the terms of individuals in office under the old districting plan, then it is unlikely that a court would hold that a municipality is required to truncate terms of council members and hold special elections because of the addition of population through annexation.

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January 9, 2002
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(3) Is the LBC able to make a determination that will result in a city receiving more tax funds than it will expend for the services in the new area?

There is nothing that prevents such a determination. Under AS 29.45.010 a borough may levy an areawide tax for areawide functions, a nonareawide tax for functions limited to the area outside cities, and a tax in a service area for functions limited to the service area. However, a city normally taxes and provides services on a city-wide basis unless it chooses to use differential tax zones to provide for services not generally provided in the city. (AS 29.45.580.)

(4) Who is responsible for ensuring that the City of Homer complies with the service expansions and funding it has proposed to the LBC?

It is not clear that Homer will have a legally binding duty to provide any particular level of services to the area annexed. The LBC Statement of Decision notes at page 21:

The intent of 3 AAC 110.900(a) is to require each petitioner to demonstrate that it has given forethought to the manner in which it will extend services to the territory proposed for annexation. It must also demonstrate the petitioner's good faith to extend services... While the nine-page transition plan presented by the City of Homer in its Petition lacks minutiae regarding the manner in which services are proposed to be extended, the law does not require a petitioner to provide a detailed comprehensive plan for the extension of services. Again, each petitioner need only provide evidence that it has given forethought to what it must do to deliver municipal services to the area proposed for annexation.

Consequently, it will probably be up to the political process in the city itself to ensure that services are provided to the area annexed. Of course, nothing prevents the LBC from proposing at a later date that the annexed area be detached from Homer if it becomes convinced that the city acted in bad faith in requesting the annexation and that the area is not receiving appropriate services.

TBC:pjc
02-009.pjc

City of Homer



Comprehensive Annual Financial Report

YEAR ENDED DECEMBER 31, 2000

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF HOMER, ALASKA

December 31, 2000

Jack Cushing
Mayor

Ron Drathman
City Manager

Prepared By
Finance Department

Dean Baugh
Finance Director

CITY OF HOMER, ALASKA

Comprehensive Annual Financial Report

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City of Homer

Homer, Alaska

May 21, 2001

To the Honorable Mayor Jack Cushing,
Members of the City Council,
The Citizens of the City of Homer:

The Comprehensive Annual Financial Report of the City of Homer, Alaska for the fiscal year ended December 31, 2000, is hereby submitted. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

Responsibility for both the accuracy of the data presented, the completeness and fairness of the presentation, including all disclosures, rest with the City of Homer.

This report covers all funds and financial transactions of the City of Homer. The information is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section contains this letter of transmittal, organizational data of the City and the Table of Contents.

The Financial Section contains the independent auditors' report, the general purpose financial statements (which present aggregate data by fund types and account groups) together with notes to the financial statements, the combining and individual funds, account group statements and schedules.

The Statistical Section contains tables that present economic and social data, financial trends and the fiscal capacity of the City. The statistical data is based on calendar years beginning with 1991. The City is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Acts. Information related to the single audit, including the auditors' reports on the internal controls and compliance with applicable laws and regulations are included in the Single Audit Section of this report.

THE REPORTING ENTITY AND ITS SERVICES

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

The City includes all funds and account groups in this report. A wide range of services are provided by the City for the citizens of Homer and surrounding areas. Some of the services are planning and zoning, docks and small boat harbor, airport facility, water and wastewater services, library, parks and recreation, police protection, jail facilities, fire and emergency medical services and general administrative services. In addition to general governmental activities, the City provides financial support to certain community service organizations that promote education, health, recreation and economic stability for the citizens of the community.

ECONOMIC CONDITION AND OUTLOOK

Tourism

Homer, "*Where the Land Ends and the Sea Begins*", overlooks majestic Kachemak Bay and has a lot to offer in the way of tourism. Many of our visitors continue to come from the Anchorage and Mat-Su areas of Alaska, Alaskans wanting to get away from the City and visit the real Alaska. Many others come from locations worldwide.

Tourism in the Homer area has diversified over the past few years, from fishing charters to offering many environmentally sensitive tour options. These include ecotours, hiking, kayaking, natural history and environmental tours around Kachemak Bay, which is one of the richest ecosystems in the world. We've seen an increase in the number of lodges and bed and breakfasts in Homer and the

Kachemak Bay area, and have started to attract a more diverse type of clientele to our community.

Many marine science organizations are located in Homer. These include, Kachemak Bay National Estuaries Research and Reserve (KBNERRS), Alaska Maritime National Wildlife Refuge Headquarters and over the next couple of years we will see the construction of the U.S. Fish and Wildlife Marine Science Center.

This past year the Chamber of Commerce constructed the new Kachemak Bay Visitor and Business Resource Center to assist visitors to the Homer area and provide business counseling and resources to local small businesses.

Each year the City of Homer hosts the Kachemak Bay Shorebird Festival to celebrate the annual migration of birds through Homer. This is one of the largest wildlife festivals held in the State of Alaska. During the first two weeks in May of each year, approximately 100,000 shorebirds pass through Mud Bay; one of the largest migration points on Alaska's road system. In addition, bald eagles can be seen year round with a winter concentration sometimes of more than 100 eagles on the Homer Spit.

Homer is home to many fine artists whose works are on display and for sale at the many art galleries around town and at the world-renowned Pratt Museum. We're growing as a destination for in-depth art workshops and instructional programs for performing and visual arts.

Fishing

The Kenai Peninsula supports about 40 percent of the recreational fishing in Alaska, and much of that activity is centered in the Homer area. The sport fishing industry around Homer continues to grow each year. The number of charter operators has stabilized over the last few years but they have diversified and offer different charter options, from halibut to salmon, from half day to full day or even two day charters. Through this diversification they continue to bring more and more people to Homer.

Homer is referred to by many as the "*Halibut Capital of the World.*" Sports fishing really kicks off when the halibut start biting in May of each year. The first fresh halibut of the year always seems the best. Memorial Day weekend marks the opening of the summer king salmon fishing and brings out the anglers. For the last few years we have had a special Winter King Salmon Tournament in March.

Salmon has declined as the main fish sold in the commercial fishing industry in Homer since the Icicle Seafood fire in 1998. In this same time period the City has seen an increase of approximately 30% in the landings of Black and Pacific Cod. The end result is a net increase in the total tonnage of fish over the Homer dock. 2000 was the sixth year of the IFQ fishery for halibut. Although down slightly from 1999, Homer was again the number one port in Alaska for commercial halibut landings with approximately 10.5 million pounds landed.

Deep Water and Pioneer Docks

Presently the City of Homer has a deep-water dock and a main dock. The main dock is home to the Alaska Marine Highway System and the U.S. Coast Guard. A new dock will soon surround the old 'main' dock. Designed to replace the aging timber main/ferry dock, the new facility was bid in the fall of 2000 and the contract was awarded in spring 2001. Construction is targeted for completion no later than June 2002. This facility will provide preferential berthing for a new, larger Coast Guard buoy tender and the Alaska Marine Highway System's ocean class ferries (Tustumena and Kennicott), as well as general cargo capability.

The main export over the deep-water dock has been wood chips and logs. Over the last year there has been a drastic drop in the price of these exports and now that Russia has entered this market, there is even less demand for wood products. Because of this, activity at the deep-water dock was down in 2000 compared to 1999. Wood chips loading decreased in 2000 from 89,524 bone dry units [9 ships] to 20,507 bone dry units [3 ships], and log loadouts decreased by 34%, from 19 vessels [26.8 million board feet] to 13 vessels [17.7 million board feet].

In the fall of 1999 the wood chip company closed due to financial difficulties. The facilities and operations have been purchased by another local company and reopened in the spring of 2000 under the new management.

Harbor Project

As a result of an agreement with the State of Alaska, the City of Homer has assumed complete responsibility for the operation of the Harbor. The State made limited funding available to the City to partially deal with years of deferred State harbor maintenance which, with City funding, should permit a major overhaul of the harbor. The scope of the project includes replacing E, F, G, H & I floats,

rebuilding the wooden grid, adding berthing for approximately 130 - 24'to 40' vessels, an additional 500 feet of transient space and an additional 500 feet of large vessel berthing. This project has been designed, bid and the contract calls for construction to start in the late summer/early fall of 2001.

Environmental

The spruce bark beetle is changing the landscape in Homer and the surrounding areas. Spruce trees are being destroyed at an alarming rate by the beetle. The infested/dead trees are either cut down and harvested or burned. This infestation reached epidemic proportions about eleven years ago and is becoming visible in Homer because of the change in the local scenery. The fire danger is extremely high with the numerous dead or dying trees in the area. The Kenai Peninsula Borough received a \$7 million dollar grant for a spruce bark beetle project of which a portion of the funds will be spent in the Homer area.

Parks

The past year has brought additions to parks and recreational opportunities in the Homer area. New playground equipment was installed in the Bayview Park as part of the continued effort to upgrade the City's parks facilities. And in the downtown area the City's trail system was extended with the addition of Poopdeck Trail. The Fishing Lagoon Park and RV parking were expanded on the Homer Spit.

During the next couple of years, the existing 3.5 mile bike path on the Homer Spit will be expanded from Pier 1 Theater, along the west edge of the harbor to the end of the Spit at End of the Road Park. Construction has started on the adult softball complex at Jack Gist Park and should be completed during the summer/fall of next year. The City of Homer is working with the Skateboard Association and Hockey Association in hopes of assisting in the creation of adequate facilities for those activities.

MAJOR INITIATIVES

For the Year

Rate models were developed for the Port and Harbor and the Water and Sewer funds. This will allow the rates to be adjusted annually, during the budget

process. Annual adjustments will permit the City to recover the cost of the services and allow planned growth.

The new budget format developed in the fall of 1999 and implemented on January 1, 2000 has been a success. The budget is now easier to read and understand. This permits more comprehensive planning by the Council.

The Council adopted a new method of providing funding to area non-profits by establishing and funding accounts with the Homer Foundation. While these grants are designed for operation expense, a portion of the funding must be used as an endowment.

The City is aggressively moving forward with a new management team, due to retirements under the State of Alaska retirement incentive program. In the past two years the City has hired a City Manager, Port & Harbor Director, Fire Chief, Police Chief, and Library Director. The Finance Director has been on board since 1998.

The voters approved the indefinite extension of a 3/4% sales tax and expanded its use from sewer debt payments to be used in the Homer Accelerated Water Sewer Project (HASWP) Program. This program is designed to accelerate the completion of water/sewer projects currently on the books and any future water/sewer expansion projects. A new HASWP funding formula has been adopted by the Council which will permit the actual completion of water and sewer projects that have been approved, but unfunded, for several years.

After years of work by the Planning department and many public meetings, the City completed a major update to its comprehensive plan.

Every computer in the City is now networked providing file sharing, internet access and e-mail services. Our network system is recognized as a model for other cities our size.

Permitting, inspections and code enforcement is now being done by the Public Works Department. Through a joint effort of Planning, Public Works and the System Manager's Office, a GIS system should be operation in 2001. The GIS system will be a welcomed addition to the City's long range planning ability and should permit more projects to be completed 'in house' and at a lower cost.

Road projects in the area abound, largely because of initiatives by the City of Homer. These projects do not just happen, but are the result of a tremendous amount of follow up work and project monitoring. These projects include the repaving of East and West Hill Roads, the extension of pavement on West Hill Road through Skyline Drive to East Hill Road, Kachemak Drive, East End Road to Kachemak Drive, rebuilding and repaving of Bartlett and Hohe Streets, and the paving of Ohlson Lane and Bunnell Street. Freight Dock Road will also be rebuilt this spring.

FINANCIAL INFORMATION

Internal Controls

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of 'reasonable assurance' recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgements by management.

Single Audit

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

Formal budgetary integration is employed as a management control device during the year for the General Fund. Capital projects are budgeted on a project

length basis. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Homer City Council. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level. The City Council may pass subsequent supplemental appropriations. Activities of the General Fund and Enterprise Funds are included in the annual appropriating budget. Appropriations lapse at the end of the year.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Open encumbrances are reported as reservations of the fund balances and are charged to subsequent year appropriations.

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

Cash Management

All idle funds are invested according to the investment guidelines established by the City Council. The City Council is given a monthly report concerning the current investments of the City.

General Governmental Functions

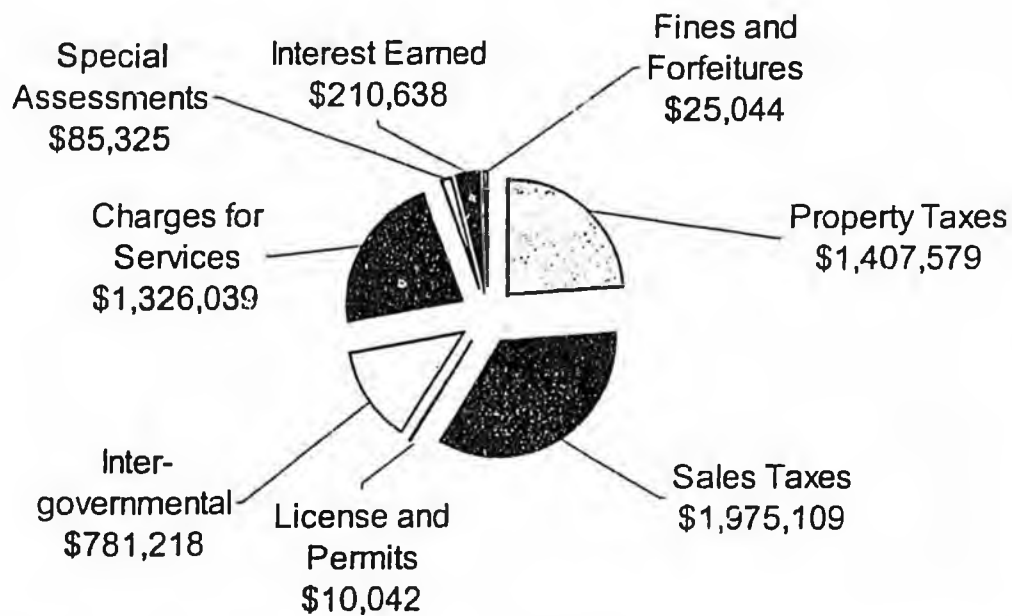
The following schedule presents a summary of General Fund and Debt Service Fund revenues for the fiscal year ended December 31, 2000 compared to the fiscal year ended December 31, 1999, and the amount of percentage of increases and decreases in relation to the prior year.

Table 1

	1999	2000	Percent of total	Increase (decrease) from 1999	% Increase (decrease)
Property Taxes	\$ 1,347,712	\$ 1,407,579	24.19%	\$ 59,867	4.44%
Sales Taxes	1,983,089	1,975,109	33.94	(7,980)	-0.40
Licenses and Permits	6,887	10,042	0.17	3,155	45.81
Inter-governmental	838,007	781,218	13.42	(56,789)	-6.78
Charges for Services	1,161,524	1,326,039	22.78	164,515	14.16
Special Assessments	99,873	85,325	1.46	(14,548)	-14.56
Interest Earned	224,492	210,638	3.61	(13,854)	-6.17
Fines and Forfeitures	<u>17,108</u>	<u>25,044</u>	<u>0.43</u>	<u>7,936</u>	46.39
	\$ <u>5,678,692</u>	\$ <u>5,820,994</u>	<u>100.00%</u>	\$ <u>142,302</u>	<u>2.50%</u>

Governmental Revenues

General and Debt Service Funds



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. With increased enforcement and the Borough's upward adjustment of property appraisals in the fall of 1998, 1999 and 2000, an increase in property tax revenue was realized.

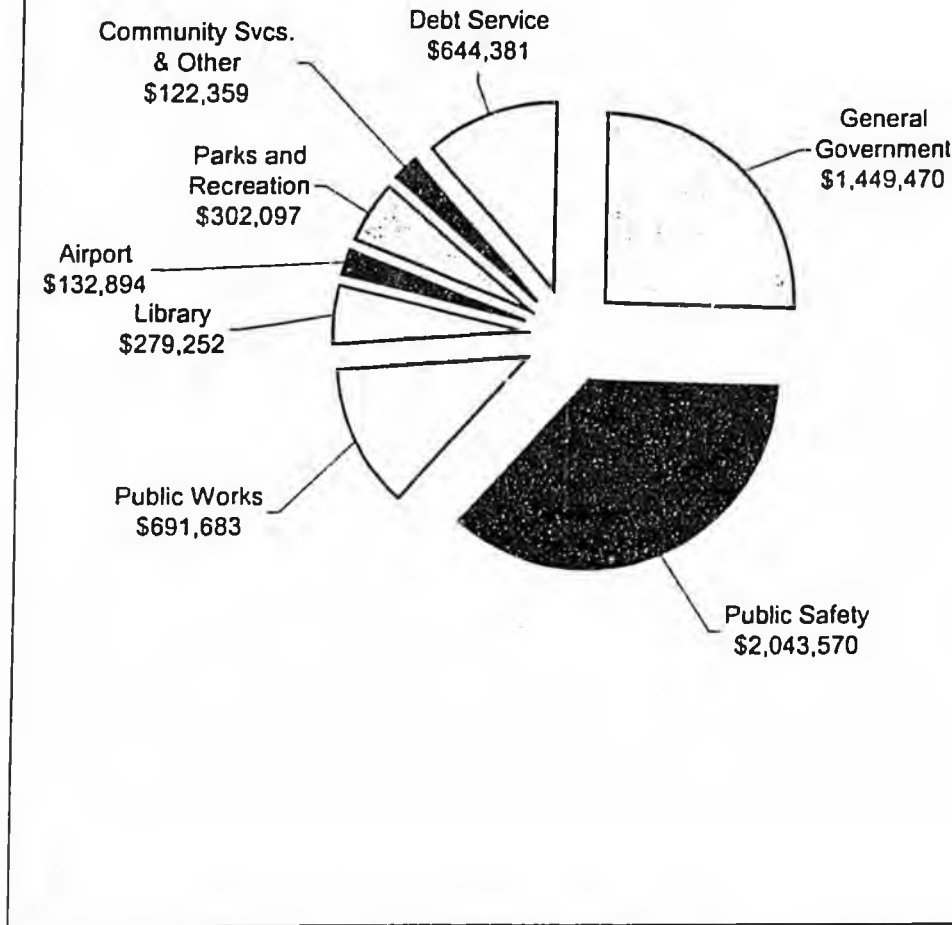
Each year the City of Homer receives less from the State of Alaska in the form of revenue sharing. As the State dealt with its budget shortfalls, some legislators voted to reduce revenue sharing with municipalities to balance their budget. The impact has hit the local property owner hardest. However, for the first time in many years the level of funding for the coming year has not been reduced.

Expenditures for governmental purposes totaled \$5,665,706 for the year ended December 31, 2000. The level of expenditures for the year ended December 31, 2000, for major functions of the City of Homer is shown in the following table and graphs, compared to the year ended December 31, 1999.

	1999	2000	Percent of total	Increase (decrease) from 1999	% Increase (decrease)
General Government	\$ 1,421,672	\$ 1,449,470	25.58%	\$ 27,798	1.96%
Public Safety	2,608,205	2,043,570	36.07	(564,635)	-21.65
Public Works	773,563	691,683	12.21	(81,880)	-10.58
Library	284,742	279,252	4.93	(5,490)	-1.93
Airport	134,262	132,894	2.35	(1,368)	-1.02
Parks and Recreation	217,261	302,097	5.33	84,836	39.05
Community Services - Other	161,884	122,359	2.16	(39,525)	-24.42
Debt Service	<u>619,284</u>	<u>644,381</u>	<u>11.37</u>	<u>25,097</u>	4.05
	<u>\$ 6,220,873</u>	<u>\$ 5,665,706</u>	<u>100.00%</u>	<u>(\$ 555,167)</u>	<u>-8.92%</u>

Governmental Expenditures

General And Debt Service Funds



Like most cities, the City of Homer is involved in extensive and expensive litigation over several issues.

There was a substantial change in public safety expenses due to the following; a one time charge in 1999 of approximately \$265,000 for the purchase of a new rescue vehicle, a reduction in police salaries of \$37,423 due to the COPS grant being discontinued, a one time charge of approximately \$93,000 in capital expense in the jail, a savings of approximately \$99,000 due to retirement under the State's RIP (retirement incentive program) and realignment of the fire department

salaries, and another savings in salaries in the Jail of \$25,977 due to the State's RIP.

Contributions to service organizations is comprised of two parts. The first is a contribution from the City's General Fund to the Homer Foundation for distribution to various non-profit organizations of \$100,920 and the second is pass through funds from the State of Alaska of \$8,939 and other donations of \$12,500. Debt service increased due to the payment schedule of some bond payments.

Risk Management

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

Debt Administration

New debt requires the approval of the City Council. No new bonded debt was requested. At the end of 2000 indebtedness for all City funds was \$8,810,608 as follows: General Obligation Bonds \$2,760,000; Revenue Bonds \$2,150,000; Special Assessment Bonds \$36,927; Capital Lease Obligations \$432,063; and Notes Payable \$3,431,618.

Proprietary Funds

The City of Homer operates enterprise funds to provide services to the community. These funds are as follows: water, wastewater and port/harbor.

Internal Service Fund

The self-insurance of health benefits has proved to be beneficial to both the employees and the City. In 1996 the insurance premiums were lowered 20% and remained so through 1999. 1998 saw a large increase in medical claims. In 1999 the council returned \$126,400 to the insurance reserve fund that was removed from it in 1995. This allowed the City to hold off a rate increase until FY2000 at which

time the premiums were increased between 2-3%. In January 2000, a new 2-year contract with our stop loss carrier and claims administrator went into effect. This new contract included approximately a 15% increase.

General Fixed Assets

The general fixed assets of the City include all public buildings, real property and the personal property inventory. It should be noted that governmental accounting for fixed assets is different than that in the private sector. In the General Fund, depreciation of general fixed assets is not recognized in the City's accounting system. The fixed assets are updated and reviewed on a regular basis. This will change in the future.

OTHER INFORMATION

Independent Audit

State Statutes require an annual audit by independent public accountants. The accounting firm of Mikunda, Cottrell & Co was selected. The auditor's report on the general purpose financial statements, combining and individual fund statements, and schedules are included in the Financial Section of this report.

Certification of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Homer for its comprehensive annual financial report for the fiscal year ended December 31, 1999.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

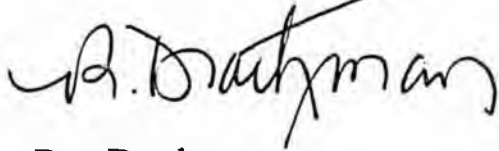
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the City of Homer. We would like to particularly express our appreciation to Jean Mack, Laurel Moore, Michele McCandlish, Joanne Perret, Jo Earls and Lori Sorrows of the Finance Department. We appreciate the contributions of John Bost, Audit Partner and the staff of Mikunda, Cottrell & Co. and their professional manner, patience and communication skills in dealing with our audit.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Ron Drathman
City Manager



Dean W. Baugh
Finance Director

CITY OF HOMER

Principal City Officials

Mayor
Jack Cushing

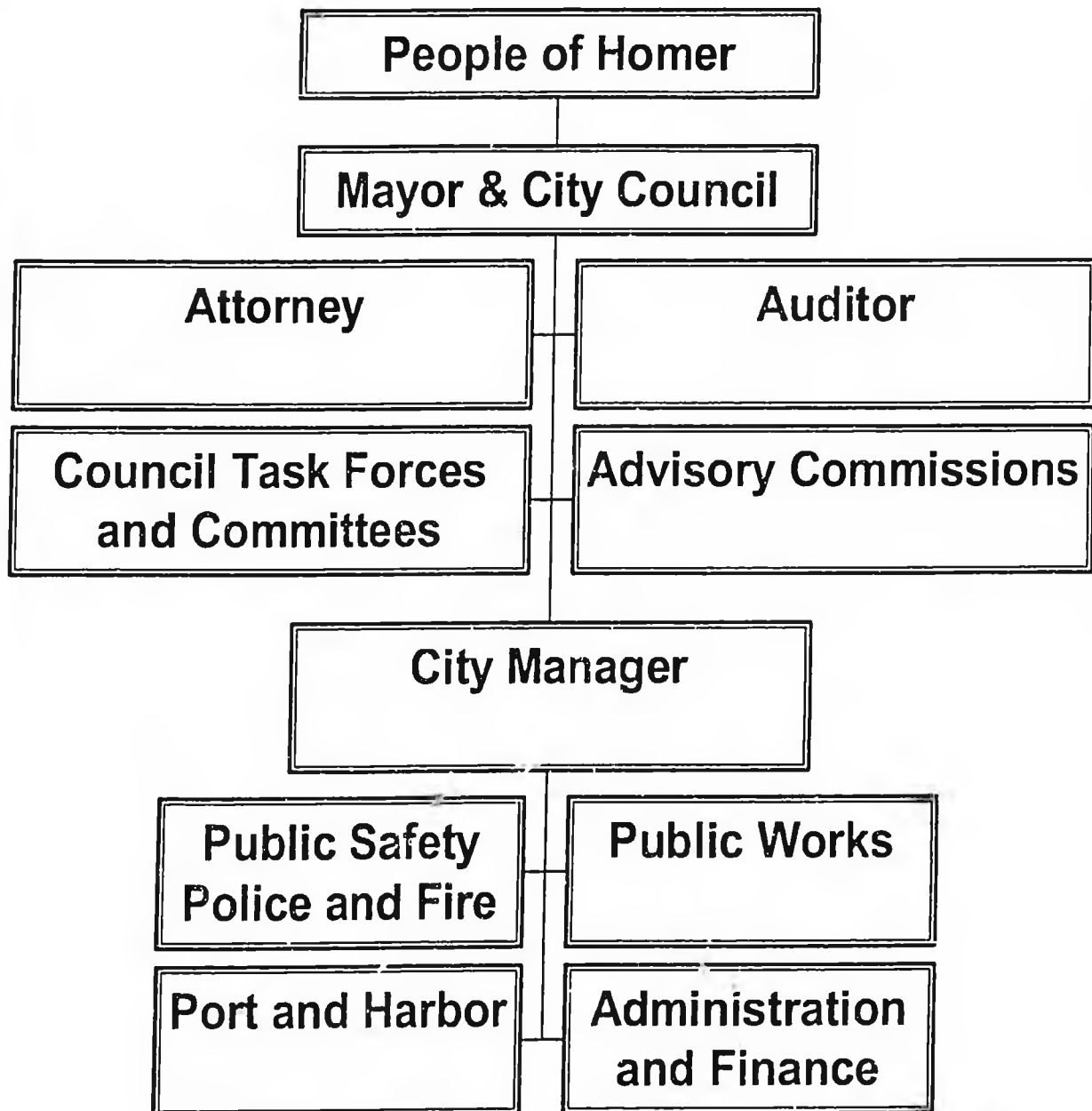
City Council

Pat Cue	Rick Ladd
John Fenske	Kurt Marquardt
Ray Kranich	Michael Yourkowski

City Administration

City Manager	Ronald Wm. Drathman
City Attorney.....	Gordon Tans
City Clerk	Mary Calhoun
Finance Director	Dean W. Baugh
Fire Chief	Robert Painter
Library Director	Marlene Helm
Planning Director	Eileen Bechtol
Police Chief	Mark Robl
Harbormaster	William Abbott
Public Works Director ...	Carey Meyer

City of Homer Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Homer,
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinsey
President

Jeffrey L. Esser
Executive Director

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

(907) 278-8878, Fax (907) 278-5779

www.micc-cpa.com

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of City of Homer, Alaska, as of and for the year ended December 31, 2000 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Homer, Alaska, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2001, 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 made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance, and the combining, individual fund, and account group 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 general purpose financial statements of City of Homer, Alaska. 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 general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose 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 10, 2001



GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF HOMER, ALASKA
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2000
(With Comparative Totals for 1999)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		
	General	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
<u>Assets and Other Debits</u>										
Equity in central treasury	\$ 1,688,398	211,496	3,203,198	1,063,028	78,859	100,430	-	-	6,345,409	4,391,664
Receivables, net:										
Taxes	450,207	-	130,827	130,827	-	-	-	-	711,861	742,470
Accounts	-	-	-	269,224	-	-	-	-	269,224	376,525
Assessments	103,361	72,900	-	283,704	-	-	-	-	459,965	564,978
Accrued interest	15,981	-	17,123	96,581	-	-	-	-	129,685	97,497
Other governments	972	-	99,737	273,582	-	-	-	-	374,291	101,517
Other	82,007	-	-	-	-	-	-	-	82,007	65,336
Due from other funds	368,169	-	-	-	-	-	-	-	368,169	445,910
Inventory	46,044	-	-	123,725	-	-	-	-	169,769	157,363
Prepaid items	103,988	-	-	45,089	-	-	-	-	149,077	137,093
Other assets	16,414	-	-	75,250	-	-	-	-	91,664	91,664
Restricted assets - equity in central treasury	-	-	-	5,818,603	-	-	-	-	5,818,603	7,075,503
Bond issuance costs, net	-	-	-	74,567	-	-	-	-	74,567	84,996
Note receivable	-	-	-	77,859	-	-	-	-	77,859	116,788
Litigation receivable, net	-	-	-	680,170	-	-	-	-	680,170	736,009
General fixed assets	-	-	-	-	-	-	16,247,897	-	16,247,897	13,031,201
Property, plant and equipment, net	-	-	-	58,785,065	-	-	-	-	58,785,065	60,146,934
Amount available in Debt Service Funds	-	-	-	-	-	-	-	209,678	209,678	568,170
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	3,335,181	3,335,181	3,483,273
Total assets and other debits	\$ 2,875,541	284,396	3,450,885	67,797,274	78,859	100,430	16,247,897	3,544,859	94,380,141	92,414,891

CITY OF HOMER, ALASKA
 Combined Balance Sheet - All Fund Types and Account Groups, continued

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals		
	General	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General	General	(Memorandum Only)	
							Fixed Assets	Long-Term Debt	2000	1999
<u>Liabilities, Fund Equity, and Other Credits</u>										
Liabilities:										
Accounts payable	\$ 79,361	1,818	180	237,537	56,213	-	-	-	375,109	266,368
Accrued liabilities	172,753	-	93	224,399	-	-	-	223,880	621,125	653,646
Deferred revenues, prepaid rentals and deposits	315,219	72,900	69,311	4,260,780	-	-	-	-	4,718,210	5,059,106
Due to local agencies	-	-	-	-	-	25,049	-	-	25,049	19,476
Due to other funds	-	-	-	368,169	-	-	-	-	368,169	445,910
General obligation bonds	-	-	-	-	-	-	-	2,760,000	2,760,000	3,060,000
Revenue bonds, net	-	-	-	2,070,815	-	-	-	-	2,070,815	2,315,106
Special assessment bonds	-	-	-	-	-	-	-	36,927	36,927	58,457
Capital lease obligations	-	-	-	-	-	-	-	432,063	432,063	591,927
Retirement incentive program	-	-	-	31,270	-	-	-	91,989	123,259	206,990
Notes payable	-	-	-	3,431,618	-	-	-	-	3,431,618	3,698,167
Total liabilities	<u>567,333</u>	<u>74,718</u>	<u>69,584</u>	<u>10,624,588</u>	<u>56,213</u>	<u>25,049</u>	<u>-</u>	<u>3,544,859</u>	<u>14,962,344</u>	<u>16,375,153</u>
Fund equity and other credits:										
Contributed capital, net	-	-	-	50,356,241	-	-	-	-	50,356,241	51,702,140
Investment in general fixed assets	-	-	-	-	-	-	16,247,897	-	16,247,897	13,031,201
Retained earnings:										
Reserved:										
Bond redemption	-	-	-	367,450	-	-	-	-	367,450	367,450
Debt service and water/sewer construction	-	-	-	-	-	-	-	-	-	1,504,637
Unreserved	-	-	-	6,448,995	22,646	-	-	-	6,471,641	5,281,821
Fund balances:										
Reserved:										
Endowments	-	-	-	-	-	70,995	-	-	70,995	69,916
Debt service	-	209,678	-	-	-	-	-	-	209,678	568,170
Inventory, prepaid items and other assets	166,446	-	-	-	-	4,386	-	-	170,832	146,356
Unreserved:										
Designated for capital projects	-	-	3,381,301	-	-	-	-	-	3,381,301	1,631,493
Undesignated	2,141,762	-	-	-	-	-	-	-	2,141,762	1,736,554
Total fund equity and other credits	<u>2,308,208</u>	<u>209,678</u>	<u>3,381,301</u>	<u>57,172,686</u>	<u>22,646</u>	<u>75,381</u>	<u>16,247,897</u>	<u>-</u>	<u>79,417,797</u>	<u>76,039,738</u>
Total liabilities, fund equity, and other credits	<u>\$ 2,875,541</u>	<u>284,396</u>	<u>3,450,885</u>	<u>67,797,274</u>	<u>78,859</u>	<u>100,430</u>	<u>16,247,897</u>	<u>3,544,859</u>	<u>94,380,141</u>	<u>92,414,891</u>

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Governmental Fund Types			Fiduciary	Totals	
	General	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)	
					2000	1999
Revenues:						
Taxes	\$ 3,382,688	-	741,102	-	4,123,790	4,073,334
Licenses and permits	10,042	-	-	-	10,042	6,887
Intergovernmental	781,218	-	337,959	-	1,119,177	968,815
Charges for services	1,326,039	-	-	-	1,326,039	1,161,524
Special assessments	49,289	36,036	-	-	85,325	99,873
Investment income	174,395	36,243	243,225	-	453,863	318,366
Fines and forfeitures	25,044	-	-	-	25,044	17,108
Other	-	-	29,116	3,604	32,720	4,654
Total revenues	<u>5,748,715</u>	<u>72,279</u>	<u>1,351,402</u>	<u>3,604</u>	<u>7,176,000</u>	<u>6,650,561</u>
Expenditures:						
Current:						
General government	1,449,470	-	-	-	1,449,470	1,421,672
Public safety	2,043,570	-	-	-	2,043,570	2,609,205
Public works	691,683	-	-	-	691,683	773,563
Library	279,252	-	-	-	279,252	284,742
Airport	132,894	-	-	-	132,894	134,262
Parks and recreation	302,097	-	-	-	302,097	217,261
Community service contributions	122,359	-	-	-	122,359	161,884
Debt service:						
Principal retirement	159,864	321,530	-	-	481,394	434,081
Interest	32,746	130,241	-	-	162,987	185,203
Capital projects	-	-	1,050,805	-	1,050,805	401,237
Total expenditures	<u>5,213,935</u>	<u>451,771</u>	<u>1,050,805</u>	<u>-</u>	<u>6,716,511</u>	<u>6,623,110</u>
Excess of revenues over (under) expenditures	534,780	(379,492)	300,597	3,604	459,489	27,451
Other financing sources (uses):						
Proceeds from capital lease	-	-	-	-	-	264,945
Operating transfers from other funds	-	21,000	102,125	-	123,125	219,347
Operating transfers to other funds	(108,700)	-	(64,425)	-	(173,125)	(395,747)
Net other financing sources (uses)	<u>(108,700)</u>	<u>21,000</u>	<u>37,700</u>	<u>-</u>	<u>(50,000)</u>	<u>88,545</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	426,080	(358,492)	338,297	3,604	409,489	115,996
Beginning fund balances	1,882,128	568,170	1,631,493	782	4,082,573	3,966,577
Residual equity transfer from other fund	-	-	1,411,511	-	1,411,511	-
Ending fund balances	<u>\$ 2,308,208</u>	<u>209,678</u>	<u>3,381,301</u>	<u>4,386</u>	<u>5,903,573</u>	<u>4,082,573</u>

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual - General Fund
 Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Taxes	\$ 3,314,491	3,382,688	68,197
Licenses and permits	5,700	10,042	4,342
Intergovernmental	772,080	781,218	9,138
Charges for services	1,459,007	1,326,039	(132,968)
Special assessments	-	49,289	49,289
Investment income	80,000	174,395	94,395
Fines and forfeitures	25,600	25,044	(556)
Total revenues	<u>5,656,878</u>	<u>5,748,715</u>	<u>91,837</u>
Expenditures:			
Current:			
General government	1,499,072	1,449,470	49,602
Public safety	2,103,890	2,043,570	60,320
Public works	706,822	691,683	15,139
Library	278,785	279,252	(467)
Airport	130,030	132,894	(2,864)
Parks and recreation	314,136	302,097	12,039
Community service contributions	119,805	122,359	(2,554)
Debt service:			
Principal retirement	158,780	159,864	(1,084)
Interest	30,000	32,746	(2,746)
Total expenditures	<u>5,341,320</u>	<u>5,213,935</u>	<u>127,385</u>
Excess of revenues over expenditures	315,558	534,780	219,222
Other uses - operating transfers to other funds	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>
Excess of revenues over expenditures and other uses	\$ <u>175,558</u>	426,080	<u>250,522</u>
Fund balance at beginning of year		<u>1,882,128</u>	
Fund balance at end of year		\$ <u>2,308,208</u>	

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Combined Statement of Revenues, Expenses and Changes in
 Retained Earnings/Fund Balance -All Proprietary Fund Types
 and Nonexpendable Trust Fund
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Type	Totals	
	Enterprise	Internal Service	Nonexpen- dable Trust	(Memorandum Only)	
				2000	1999
Operating revenues:					
Charges for services	\$ 4,231,366	390,609	-	4,621,975	4,621,178
Investment income and other	-	-	1,079	1,079	37,088
Total operating revenues	<u>4,231,366</u>	<u>390,609</u>	<u>1,079</u>	<u>4,623,054</u>	<u>4,658,266</u>
Operating expenses:					
Operations	2,157,739	525,574	-	2,683,313	2,767,450
Administration	1,279,968	36,259	-	1,316,227	1,448,863
Depreciation	<u>2,612,133</u>	-	-	<u>2,612,133</u>	<u>2,499,374</u>
Total operating expenses	<u>6,049,840</u>	<u>561,833</u>	<u>-</u>	<u>6,611,673</u>	<u>6,715,687</u>
Operating income (loss)	(1,818,474)	(171,224)	1,079	(1,988,619)	(2,057,421)
Nonoperating revenues (expenses):					
Investment income	394,670	7,000	-	401,670	371,502
Penalties and interest	31,646	-	-	31,646	40,979
Loss on disposal of property and equipment	-	-	-	-	(4,168)
Interest expense	(380,603)	-	-	(380,603)	(502,093)
Sales tax	741,101	-	-	741,101	742,534
Miscellaneous	<u>103,558</u>	-	-	<u>103,558</u>	<u>48,005</u>
Net nonoperating revenues (expenses)	<u>890,372</u>	<u>7,000</u>	<u>-</u>	<u>897,372</u>	<u>696,759</u>
Income (loss) before operating transfers	(928,102)	(164,224)	1,079	(1,091,247)	(1,360,662)
Operating transfers from other funds	50,000	-	-	50,000	186,400
Operating transfers to other funds	-	-	-	-	(10,000)
Net operating transfers	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>176,400</u>
Net income (loss)	(878,102)	(164,224)	1,079	(1,041,247)	(1,184,262)
Credit arising from transfer of depreciation to contributed capital	<u>2,139,020</u>	<u>-</u>	<u>-</u>	<u>2,139,020</u>	<u>2,017,182</u>
Income (loss) transferred to retained earnings/fund balance	1,260,918	(164,224)	1,079	1,097,773	832,920
Retained earnings/fund balance at beginning of year	6,967,038	186,870	69,916	7,223,824	6,390,904
Residual equity transfer to other fund	<u>(1,411,511)</u>	<u>-</u>	<u>-</u>	<u>(1,411,511)</u>	<u>-</u>
Retained earnings/fund balance at end of year	\$ <u>6,816,445</u>	<u>22,646</u>	<u>70,995</u>	<u>6,910,086</u>	<u>7,223,824</u>

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA
 Combined Statement of Cash Flows - All Proprietary Fund Types
 and Nonexpendable Trust Fund
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Internal Service	Non- expendable Trust	2000	1999
Cash flows from operating activities:					
Operating income (loss)	\$ (1,818,474)	(171,224)	1,079	(1,988,619)	(2,057,421)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	2,612,133	-	-	2,612,133	2,499,374
Increase (decrease) in allowance for doubtful accounts	9,536	-	-	9,536	(9,581)
Amortization of deferred lease revenue	(18,000)	-	-	(18,000)	(18,000)
Investment income	-	-	-	-	(1,812)
Litigation settlement	44,161	-	-	44,161	48,406
Miscellaneous nonoperating revenue	90,471	-	-	90,471	26,149
Miscellaneous nonoperating expenses	(11,755)	-	-	(11,755)	(1,288)
(Increase) decrease in assets:					
Receivables	(139,118)	-	-	(139,118)	171,332
Inventory	(10,780)	-	-	(10,780)	(7,830)
Prepaid items	7,262	-	-	7,262	(2,446)
Litigation settlement receivable	55,839	-	-	55,839	52,679
Increase (decrease) in liabilities:					
Accounts payable	122,409	26,043	-	148,452	24,363
Accrued liabilities	4,385	-	-	4,385	(35,562)
Prepaid rentals and deposits	13,899	-	-	13,899	39,451
Retirement incentive program	(22,508)	-	-	(22,508)	53,779
Net cash flows from operating activities	<u>939,460</u>	<u>(145,181)</u>	<u>1,079</u>	<u>795,358</u>	<u>781,593</u>
Cash flows from noncapital financing activities:					
Operating transfers from other funds	50,000	-	-	50,000	186,400
Operating transfers to other funds	-	-	-	-	(10,000)
Residual equity transfers to other funds	(1,411,511)	-	-	(1,411,511)	-
Net cash flows from noncapital financing activities	<u>(1,361,511)</u>	<u>-</u>	<u>-</u>	<u>(1,361,511)</u>	<u>176,400</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(521,550)	-	-	(521,550)	(562,373)
Interest payments on long-term debt and interfund borrowing	(383,229)	-	-	(383,229)	(482,072)
Acquisition of property, plant and equipment	(1,250,264)	-	-	(1,250,264)	(316,584)
Decrease in due to other funds	(77,741)	-	-	(77,741)	(217,703)
Increase (decrease) in deferred revenue	(261,737)	-	-	(261,737)	3,596,001
Increase in contributed capital	793,121	-	-	793,121	176,203
Principal collections on special assessments	43,497	-	-	43,497	70,273
Penalties and interest on special assessments	22,756	-	-	22,756	25,871
Sales tax revenue received	747,448	-	-	747,448	724,962
Net cash flows from capital and related financing activities	<u>(887,699)</u>	<u>-</u>	<u>-</u>	<u>(887,699)</u>	<u>3,014,578</u>
Cash flows from investing activities:					
Investment income received	388,542	7,000	-	395,542	292,881
Payments received on note	38,929	-	-	38,929	38,929
Net cash flows from investing activities	<u>427,471</u>	<u>7,000</u>	<u>-</u>	<u>434,471</u>	<u>331,810</u>
Net increase (decrease) in cash and cash equivalents	(882,279)	(138,181)	1,079	(1,019,381)	4,304,381
Cash and cash equivalents at beginning of year	<u>7,763,910</u>	<u>217,040</u>	<u>69,916</u>	<u>8,050,866</u>	<u>3,746,485</u>
Cash and cash equivalents at end of year	\$ <u>6,881,631</u>	<u>78,859</u>	<u>70,995</u>	<u>7,031,485</u>	<u>8,050,866</u>
Cash and cash equivalents at end of year:					
Equity in central treasury	1,063,028	78,859	100,430	1,242,317	995,621
Less that which relates to Agency Funds and Expendable Trust Funds	-	-	(29,435)	(29,435)	(20,258)
Equity in central treasury restricted for debt service and capital projects	<u>5,818,603</u>	<u>-</u>	<u>-</u>	<u>5,818,603</u>	<u>7,075,503</u>
	\$ <u>6,881,631</u>	<u>78,859</u>	<u>70,995</u>	<u>7,031,485</u>	<u>8,050,866</u>

See accompanying notes to general purpose financial statements.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements

December 31, 2000

(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 generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The City has reviewed the standards established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and determined that the City has no component units as defined in that statement.

The Combined Financial Statements included in this report provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds.

Total columns in the general purpose financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting

The accounts of the City are maintained in accordance with the balanced-fund principle of accounting, whereby all related assets, liabilities, reserves and equities are segregated into self-balancing groups for the purpose of accounting for specific activities or attaining certain objectives in accordance with special resolutions or restrictions.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Proprietary Funds and Fiduciary Fund Type

Proprietary fund types and the Nonexpendable Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Fiduciary fund types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a Nonexpendable Trust Fund or an Expendable Trust Fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent.

The general purpose financial statements of the governmental fund types, Expendable Trust Fund, and Agency Funds have been presented on the modified-accrual basis of accounting. Under this method, expenditures or liabilities, other than interest on general obligation bonds and certain other expenditures are recorded when made or a fund liability is incurred. Interest on general obligation bonds is recognized when due. Revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to pay current liabilities. Most major revenue sources are considered susceptible to accrual.

The general purpose financial statements of the proprietary fund types and Nonexpendable Trust Fund are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Fund Accounting

Various funds and account groups are grouped in the general purpose financial statements in this report as follows:

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Accounting, continued

Governmental Fund Types, continued

Capital Project Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Fund Types).

Proprietary Fund Types

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund – The Internal Service Fund accounts for operations that provide services to other departments of the City or to other governments on a cost-reimbursement basis.

Fiduciary Fund Types – Trust and Agency Funds

The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for private organizations and other governments. The Nonexpendable Trust Fund is accounted for in essentially the same manner as Proprietary Fund Types since capital maintenance is critical. The Expendable Trust Fund is accounted for on the modified accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

Account Groups are used to establish accounting control over the City's general fixed assets and general long-term debt. The City uses the following account groups:

General Fixed Assets Account Group

This accounts for all fixed assets of the City other than those accounted for in the Proprietary Fund Types.

General Long-Term Debt Account Group

This accounts for all long-term debt of the City other than that accounted for in the Proprietary Fund Types.

CITY OF HOMER, ALASKA

Notes to General Purpose 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.

During 2000, the Council approved budget revisions which increased the General Fund total appropriation level from \$5,263,838 to \$5,481,320.

Proprietary Fund Type Accounting

Statement Number 20 of the GASB, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, requires following GASB guidance but also allows Proprietary Fund Types to elect either to follow or not to follow Financial Accounting Standards Board (FASB) statements which are not in conflict with GASB statements and have been issued subsequent to November 30, 1989. The City has elected to follow only GASB guidance subsequent to November 30, 1989.

Cash and Investments

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

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

Investments are recorded at fair value.

CITY OF HOMER, ALASKA

Notes to General Purpose 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 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 revenues 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.

Property, Plant, and Equipment – Proprietary Fund Types

Property, plant, and equipment are carried at cost. The cost of current repairs and maintenance is charged to expense, while the cost of betterments is capitalized.

Depreciation is computed on the straight-line method over the estimated economic life of the assets ranging from three to fifty years.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fixed Assets

Fixed assets acquired for governmental purposes are accounted for in the General Fixed Asset Account Group. Public domain "infrastructure" general fixed assets consisting of certain improvements other than buildings, including roads, are not reflected in the City's General Fixed Asset Account Group. Assets contributed or received as gifts are recorded at their fair market value at the date of receipt. All other general fixed assets are carried at historical cost. No depreciation is taken on general fixed assets.

Long-Term Debt

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental fund types. Long-term liabilities, including special assessment bonds used to finance utility extensions expected to be financed from proprietary fund type operations, are accounted for in the Proprietary Funds.

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, 2000.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Summary of Significant Accounting Policies, 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 Balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles.

Accounting for Health Self-Insurance

The City provides health insurance on a self-insured basis up to \$15,000 each occurrence or \$335,470 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 \$985,000 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, 1999 and 2000 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
1999 health insurance	\$ <u>27,546</u>	<u>287,660</u>	<u>285,036</u>	<u>30,170</u>
2000 health insurance	\$ <u>30,170</u>	<u>425,292</u>	<u>399,249</u>	<u>56,213</u>

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements since their inclusion would make the statements unduly complex and difficult to understand.

Reclassifications

Certain reclassifications have been made to the 1999 financial statements to make them comparable with the 2000 presentation.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(2) **Stewardship, Compliance and Accountability**

A schedule of operating transfers for the year ended December 31, 2000, follows:

	<u>From Other Funds</u>	<u>To Other Funds</u>
Operating transfers:		
General Fund:		
Debt Service Fund	\$ -	21,000
Reserve Allocation Capital Project Fund	<u>-</u>	<u>87,700</u>
Total	<u>-</u>	<u>108,700</u>
Debt Service Funds from		
General Fund	<u>21,000</u>	<u>-</u>
City Facilities Capital Project Fund:		
Sewer Utility Enterprise Fund	-	50,000
Reserve Allocation Capital Project Fund	<u>14,425</u>	<u>-</u>
Total	<u>14,425</u>	<u>50,000</u>
Reserve Allocation Capital Project Fund:		
General Fund	87,700	-
City Facilities Capital Project Fund	<u>-</u>	<u>14,425</u>
Total	<u>87,700</u>	<u>14,425</u>
Sewer Utility Enterprise Fund from		
City Facilities Capital Project Fund	<u>50,000</u>	<u>-</u>
	<u>\$ 173,125</u>	<u>173,125</u>

(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 "Equity in central treasury" 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.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Cash and Investments, continued

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, 2000, the City's deposits are categorized as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Petty cash	\$ -	-	-	-	2,000
Checking accounts	31,760	-	-	31,760	(39,746)
Certificates of deposit	168,240	15,412	-	183,652	183,652
Money market account	<u>72,485</u>	<u>56,270</u>	<u>-</u>	<u>128,755</u>	<u>128,755</u>
Totals	<u>\$ 272,485</u>	<u>71,682</u>	<u>-</u>	<u>344,167</u>	<u>274,661</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.

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, 2000, 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.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Cash and Investments, continued

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, 2000, the City's investments are categorized as follows:

	Category			<u>Fair Value</u>
	1	2	3	
Fixed income	\$ 5,127,989	-	-	5,127,989
Commercial paper	355,879	-	-	355,879
Government securities	3,715,221	-	-	3,715,221
Overnight repurchase agreement	-	156,118	-	156,118
Totals	\$ <u>9,199,089</u>	<u>156,118</u>	<u>-</u>	9,355,207
Alaska Municipal League Investment Pool				<u>2,534,144</u>
Total investments				<u>\$ 11,889,351</u>

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, 2000 totaled \$5,818,603 and is included in the central treasury.

A reconciliation of cash and investments as shown on the combined balance sheet follows:

Equity in central treasury	\$ 6,345,409
Restricted assets – equity in central treasury	<u>5,818,603</u>
	<u>\$ 12,164,012</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

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

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2000, the City's allowance for doubtful accounts by fund type were as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Receivable account:		
Taxes	\$ 478,356	-
Accounts	-	300,421
Allowance for doubtful accounts	<u>(28,149)</u>	<u>(31,197)</u>
Net receivables	<u>\$ 450,207</u>	<u>269,224</u>

(5) **Fixed Assets**

A summary of changes in general fixed assets follows:

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2000</u>
Land and buildings	\$ 7,277,072	3,228,324	-	10,505,396
Improvements other than buildings	1,799,960	22,709	-	1,822,669
Machinery and equipment	<u>3,948,419</u>	<u>114,478</u>	<u>148,815</u>	<u>3,914,082</u>
Fixed assets in service	13,025,451	3,365,511	148,815	16,242,147
Construction work in progress	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>5,750</u>
	<u>\$ 13,031,201</u>	<u>3,365,511</u>	<u>148,815</u>	<u>16,247,897</u>

A summary of Enterprise Fund property, plant and equipment as of December 31, 2000 follows:

Land and land improvements	\$ 15,361,280
Equipment and vehicles	4,070,279
Unclassified plant	<u>72,325,544</u>
Total plant in service	91,757,103
Less accumulated depreciation	<u>(34,510,430)</u>
Net plant in service	57,246,673
Construction work in progress	<u>1,538,392</u>
Total property, plant and equipment	<u>\$ 58,785,065</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Fixed Assets, continued

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 is as follows:

Original cost assigned to building	\$ 630,000
Revenue recognized	<u>(126,000)</u>
	<u>\$ 504,000</u>
Current deferred revenue	\$ 18,000
Noncurrent deferred revenue	<u>486,000</u>
	<u>\$ 504,000</u>

Depreciation of Enterprise Fund property, plant and equipment is calculated over the estimated service lives of the assets which range as follows:

	<u>Service Life In Years</u>
Water and sewer utility system	40-50
Homer airport terminal building	40
Dock and harbor structures	20-50
Equipment	3-33

No interest was capitalized to construction in 2000.

(6) **Changes in Contributed Capital**

A summary of changes in contributed capital of the Enterprise Funds for the year ended December 31, 2000 follows:

	<u>Balance at January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2000</u>
Port of Homer	\$ 37,246,134	478,104	-	37,724,238
Water Utility	12,479,509	1,093	-	12,480,602
Sewer Utility	<u>24,461,545</u>	<u>313,924</u>	<u>-</u>	<u>24,775,469</u>
Total contributed capital	\$ <u>74,187,188</u>	<u>793,121</u>	<u>-</u>	<u>74,980,309</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Changes in Contributed Capital, continued

A summary of changes in accumulated amortization of contributed capital follows:

	Balance at January 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2000</u>
Port of Homer	\$ 8,114,825	812,428	-	8,927,253
Water Utility	3,231,052	189,884	-	3,420,936
Sewer Utility	<u>11,139,171</u>	<u>1,136,708</u>	<u>-</u>	<u>12,275,879</u>
Total accumulated amortization	\$ <u>22,485,048</u>	<u>2,139,020</u>	<u>-</u>	<u>24,624,068</u>

(7) **Long-Term Obligations**

The following is a summary of long-term obligation transactions of the City for the year ended December 31, 2000:

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
General obligation bonds:				
\$3,095,000 1998 street and sidewalk general obligation refunding bonds, due in annual installments of \$320,000 to \$475,000 plus interest at 4% to 4.375% through January 1, 2008	\$ <u>3,060,000</u>	<u>-</u>	<u>300,000</u>	<u>2,760,000</u>
Revenue bonds:				
\$1,595,000 1998 port revenue refunding bonds, due in annual installments of \$135,000 to \$185,000 plus interest at 4% to 4.5% through October 1, 2009	\$ 1,555,000	-	130,000	1,425,000

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
Revenue bonds, continued:				
\$225,000 1998 water revenue refunding bonds, due in annual installments of \$55,000 to \$60,000 plus interest at 4% through October 1, 2003	\$ 225,000	-	55,000	170,000
\$705,000 1998 sewer revenue refunding bonds, due in annual installments of \$70,000 to \$85,000 plus interest at 4% to 4.3% through October 1, 2007	<u>625,000</u>	<u>-</u>	<u>70,000</u>	<u>555,000</u>
Total revenue bonds	\$ <u>2,405,000</u>	<u>-</u>	<u>255,000</u>	<u>2,150,000</u>
Special assessment bonds:				
\$105,567 1987 street special assessment bonds, due in annual installments of \$5,280 plus interest at 6.375% through 2006, with the balance of \$5,247 due in 2007	\$ 42,207	-	5,280	36,927
\$325,000 1990 street and sidewalk special assessment bonds, due in semiannual installments of \$16,250 plus interest at 7.8% through 2000	<u>16,250</u>	<u>-</u>	<u>16,250</u>	<u>-</u>
Total special assessment bonds	\$ <u>58,457</u>	<u>-</u>	<u>21,530</u>	<u>36,927</u>
Capital lease obligations:				
Capital lease obligation payable in various monthly amounts through 2002, including interest at 5.82%	\$ 264,462	-	112,765	151,697
Capital lease obligation payable in various monthly amounts including interest at 6.21%	<u>327,465</u>	<u>-</u>	<u>47,099</u>	<u>280,366</u>
Total capital lease obligations	\$ <u>591,927</u>	<u>-</u>	<u>159,864</u>	<u>432,063</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

	Balance January 1, <u>2000</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2000</u>
Notes payable:				
\$5,064,500 1989 Sewer Alaska Clean Water loan, due in annual installments of \$353,433 including interest at 2.5% through September 30, 2011	\$ 3,581,379	-	227,620	3,353,759
 \$117,015 note payable from Water Enterprise Fund to Sewer Enterprise Fund, due in annual installments of \$23,403 plus interest at 5.5% through January 1, 2002	 70,209	 -	 23,403	 46,806
 \$77,631 note payable from Water Enterprise Fund to Sewer Enterprise Fund, due in annual installments of \$15,526 plus interest at 5.5% through January 1, 2002	 <u>46,579</u>	 <u>-</u>	 <u>15,526</u>	 <u>31,053</u>
 Total notes payable	 <u>\$ 3,698,167</u>	 <u>-</u>	 <u>266,549</u>	 <u>3,431,618</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligations, continued

The debt service requirements on all of the above obligations follow:

Year Ending December 31,	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Lease Obligations	Notes Payable	Total
2001	\$ 435,054	349,284	7,634	189,536	406,340	1,387,848
2002	447,254	348,884	7,297	94,420	394,503	1,292,358
2003	453,454	353,084	6,961	33,162	353,433	1,200,094
2004	463,854	286,684	6,624	33,162	353,433	1,143,757
2005	477,866	282,484	6,288	33,162	353,433	1,153,233
2006-2011	<u>980,698</u>	<u>954,481</u>	<u>11,532</u>	<u>107,776</u>	<u>2,120,598</u>	<u>4,180,085</u>
	3,258,180	2,579,901	46,336	491,218	3,981,740	10,357,375
Less amount representing interest	<u>498.180</u>	<u>429.901</u>	<u>9.409</u>	<u>59.155</u>	<u>550.122</u>	<u>1,546.767</u>
	\$ <u>2,760,000</u>	<u>2,150,000</u>	<u>36,927</u>	<u>432,063</u>	<u>3,431,618</u>	<u>8,810,608</u>

A summary of changes in the General Long-Term Debt Account Group follows:

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Accrued leave	\$ 187,848	36,032	-	223,880
Capital lease obligations	591,927	-	159,864	432,063
General obligation bonds	3,060,000	-	300,000	2,760,000
Special assessment bonds	58,457	-	21,530	36,927
Retirement incentive program	<u>153,211</u>	<u>-</u>	<u>61,222</u>	<u>91,989</u>
	\$ <u>4,051,443</u>	<u>36,032</u>	<u>542,616</u>	<u>3,544,859</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Long-Term Obligation, continued

The following reconciles total Enterprise Fund debt:

	<u>Port of Homer</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
Revenue bonds:				
1998 sewer revenue refunding bonds	\$ -	-	555,000	555,000
1998 water revenue refunding bonds	-	170,000	-	170,000
1998 port revenue refunding bonds	<u>1,425,000</u>	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Total revenue bonds	1,425,000	170,000	555,000	2,150,000
Less unamortized portion of deferred loss				
Net revenue bonds	<u>(54,964)</u>	<u>(5,999)</u>	<u>(18,222)</u>	<u>(79,185)</u>
	<u>1,370,036</u>	<u>164,001</u>	<u>536,778</u>	<u>2,070,815</u>
Notes payable:				
Alaska Clean Water loan	-	-	3,353,759	3,353,759
Notes payable to Sewer Enterprise Fund	<u>-</u>	<u>77,859</u>	<u>-</u>	<u>77,859</u>
Total notes payable	<u>-</u>	<u>77,859</u>	<u>3,353,759</u>	<u>3,431,618</u>
Retirement incentive program	<u>31,270</u>	<u>-</u>	<u>-</u>	<u>31,270</u>
Total Enterprise Fund debt	<u>\$ 1,401,306</u>	<u>241,860</u>	<u>3,890,537</u>	<u>5,533,703</u>

(8) **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 as restricted cash in the financial statements.

The Water Utility and Port of Homer revenue bonds 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.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Revenue Bond Requirements, continued

The Sewer Utility revenue bonds require 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 Utility</u>	<u>Sewer Utility</u>
Operating income before depreciation	\$ 299,790	420,342	73,527
Add sales tax revenue dedicated for debt service	-	-	<u>741,101</u>
Available for debt requirement	299,790	420,342	814,628
Requirement	<u>(243,645)</u>	<u>(80,000)</u>	<u>(129,016)</u>
Excess of revenue over requirement	\$ <u>56,145</u>	<u>340,342</u>	<u>685,612</u>

(9) **Segment Information**

The City maintains three Enterprise Funds which provide port and harbor, water, and sewer services. Selected segment information for the year ended December 31, 2000, follows:

	<u>Port of Homer</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating revenues	\$ 2,173,072	1,160,476	897,818
Operating expenses before depreciation	1,873,282	740,134	824,291
Depreciation	990,039	349,819	1,272,275
Operating income (loss)	(690,249)	70,523	(1,198,748)
Net income (loss)	(481,572)	58,098	(454,628)
Current capital contributions	478,104	1,093	313,924
Property, plant and equipment additions	525,809	179,804	544,651
Working capital (deficiency)	(4,099,385)	581,013	585,126
Total assets	39,144,729	10,123,165	18,529,380
Long-term debt	1,425,000	247,859	3,908,759
Total equity	32,875,175	9,740,645	14,556,866

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(10) 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. The City's contribution rate for PERS for 2000 follows:

	<u>January 1 to June 30</u>	<u>July 1 to December 31</u>
Pension	1.46%	3.35%
Postemployment healthcare	<u>.57%</u>	<u>1.31%</u>
Total contribution rate	<u>2.03%</u>	<u>4.66%</u>

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 five years.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension Cost

For the year ended December 31, 2000, the City's annual pension cost of \$121,762 for PERS was equal to its required and actual contributions.

The required contribution was determined as part of the June 30, 1997 actuarial valuation. The significant actuarial assumptions used in the 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 five years of employment and 4.5% per year thereafter;
3. Health cost inflation of 6.5% in 1998, decreasing to 5.5% in 1999 and thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 4% annually; and
5. Asset valuation - assets are valued at fair value; the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years.

Three-year trend information for PERS follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 1998	\$ 114,084	100%	\$ -
1999	66,163	100%	-
2000	121,762	100%	-

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

Defined Benefit Pension Plan, continued

A schedule of funding progress for PERS follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Assets in Excess of) Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded (Assets in Excess of) Liability as Percentage of Covered Payroll</u>
June 30, 1997:						
Pension	\$ 11,257,000	\$ 9,210,000	\$ (2,047,000)	122%	\$ 3,085,000	(66%)
Postemployment healthcare	4,195,000	3,433,000	(762,000)	122%	3,085,000	(25%)
June 30, 1998:						
Pension	11,981,000	10,337,000	(1,644,000)	116%	3,339,000	(49%)
Postemployment healthcare	4,449,000	3,839,000	(610,000)	116%	3,339,000	(18%)
June 30, 1999:						
Pension	13,256,000	11,433,000	(1,823,000)	116%	3,225,000	(57%)
Postemployment healthcare	5,374,000	4,636,000	(738,000)	116%	3,225,000	(23%)

(11) **Accrued Leave**

Accrued leave is recorded in the year earned in the Enterprise Funds. Accrued leave estimated to be paid with current available resources is recorded in the General Fund. The portion to be paid from future resources of the General Fund is recorded in the General Long-Term Debt Account Group. The City's policy is to make no distinction between vacation and sick leave as accrued leave includes both types of leave.

A summary of the change in long-term accrued annual leave follows:

Balance at January 1, 2000	\$ 187,848
Increase	<u>36,032</u>
Balance at December 31, 2000	\$ <u>223,880</u>

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(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.

The City has amended its deferred compensation plan in accordance with changes in the Internal Revenue Code. These new provisions require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

(13) **Retirement Incentive Program**

The City has elected to participate in the Public Employees' Retirement System retirement incentive program. The total payable to the State of Alaska at December 31, 2000 is \$123,259 and is payable over the next two years.

(14) **Contingencies**

Litigation

On January 14, 2000, a stevedoring company sued the City of Homer, the City Manger, and the City Harbormaster. The complaint seeks declaratory relief concerning rights under a port terminal use permit issued by the City of Homer, and further seeks damages and a refund of certain payments made to the City pursuant to that permit. The plaintiff's complaint alleges damages in excess of \$100,000. The City of Homer counterclaimed for breach of contract and breach of the covenant of good faith and fair dealing, alleging damages in excess of \$200,000. Subsequently, in discovery, the stevedoring company increased its claim for alleged damages against the City to \$1,000,000 or more. Regardless, the City's management intends to vigorously contest the matter. The suit is set for trial in Anchorage on November 19, 2001.

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.

CITY OF HOMER, ALASKA

Notes to General Purpose Financial Statements, continued

(15) **Litigation Settlement**

On January 25, 1988, the City agreed on a settlement of the Tippetts-Abbott-McCarthy-Stratton (TAMS) litigation with the following terms:

1. The City paid TAMS \$300,000 for engineering services provided to the City. The final payment was made for their services in 1999.
2. TAMS paid the City \$500,000 upon execution of the settlement and is paying \$100,000 per year for twenty-one years.

(16) **Port of Homer Enterprise Fund**

During 1999, the State of Alaska transferred all of its remaining interest in harbor assets to the City of Homer. The estimated fair value of these assets at the time of the transfer was \$1,606,450 and has been included in the Port of Homer Enterprise Fund property, plant and equipment and contributed capital.

In addition, the City received a grant of \$3,587,373 from the State to perform repairs and renovations to the facilities. At December 31, 2000, \$3,334,264 of the amount remained unexpended and is included in deferred revenue in the Enterprise Fund.

(17) **Commitments**

On March 12, 2001, the City accepted a \$10,880,000 bid from a construction company for the Kachemak Bay Multipurpose Ocean Dock project. Work is scheduled to start in the summer of 2001.

COMBINING, INDIVIDUAL FUND
AND ACCOUNT GROUP FINANCIAL STATEMENTS
AND SCHEDULES

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 tax, 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, 2000
 (With Comparative Amounts for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 1,688,398	1,272,271
Receivables:		
Property taxes - delinquent	126,401	129,177
Less allowance for doubtful accounts	<u>(28,149)</u>	<u>(32,553)</u>
Net property taxes receivable	98,252	96,624
Sales tax	351,955	371,498
Assessments	103,361	127,262
Accrued interest	15,981	7,044
State of Alaska	972	53,277
Other	<u>82,007</u>	<u>65,336</u>
Total receivables	<u>652,528</u>	<u>721,041</u>
Due from other funds	368,169	445,910
Inventory	46,044	44,418
Prepaid items	103,988	84,742
Other asset	<u>16,414</u>	<u>16,414</u>
Total assets	\$ <u>2,875,541</u>	<u>2,584,796</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	79,361	115,861
Accrued payroll and employee benefits	147,356	161,109
Accrued leave	25,397	69,249
Deferred revenue	309,646	349,830
Deposits	<u>5,573</u>	<u>6,619</u>
Total liabilities	<u>567,333</u>	<u>702,668</u>
Fund balance:		
Reserved for inventory, prepaid items and other asset	166,446	145,574
Unreserved and undesignated	<u>2,141,762</u>	<u>1,736,554</u>
Total fund balance	<u>2,308,208</u>	<u>1,882,128</u>
Total liabilities and fund balance	\$ <u>2,875,541</u>	<u>2,584,796</u>

CITY OF HOMER, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2000

(With Comparative Amounts for 1999)

	<u>2000</u>	<u>1999</u>
Revenues:		
Taxes	\$ 3,382,688	3,330,801
Licenses and permits	10,042	6,887
Intergovernmental	781,218	838,007
Charges for services	1,326,039	1,161,524
Special assessments	49,289	29,889
Investment income	174,395	160,919
Fines and forfeitures	25,044	17,108
Total revenues	<u>5,748,715</u>	<u>5,545,135</u>
Expenditures:		
Current:		
General government	1,449,470	1,421,672
Public safety	2,043,570	2,608,205
Public works	691,683	773,563
Library	279,252	284,742
Airport	132,894	134,262
Parks and recreation	302,097	217,261
Community service contributions	122,359	161,884
Debt service on capital leases:		
Principal retirement	159,844	131,301
Interest	32,746	26,528
Total expenditures	<u>5,213,935</u>	<u>5,759,418</u>
Excess of revenues over (under) expenditures	<u>534,780</u>	<u>(214,283)</u>
Other financing sources (uses):		
Proceeds from capital lease	-	264,945
Operating transfers from other funds	-	10,000
Operating transfers to other funds	(108,700)	(373,022)
Net other financing sources (uses)	<u>(108,700)</u>	<u>(98,077)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	426,080	(312,360)
Fund balance at beginning of year	<u>1,882,128</u>	<u>2,194,488</u>
Fund balance at end of year	\$ <u>2,308,208</u>	<u>1,882,128</u>

CITY OF HOMER, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2000
(With Comparative Amounts for 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property tax	\$ 1,403,739	1,399,921	(3,818)	1,339,835
Sales tax	1,900,752	1,975,109	74,357	1,983,089
Penalties and interest	10,000	7,658	(2,342)	7,877
Total taxes	<u>3,314,491</u>	<u>3,382,688</u>	<u>68,197</u>	<u>3,330,801</u>
Licenses and permits	<u>5,700</u>	<u>10,042</u>	<u>4,342</u>	<u>6,887</u>
Intergovernmental:				
Shared revenue	57,039	57,039	-	62,447
Safe communities	113,381	113,381	-	170,289
Utility cooperative	23,000	23,011	11	22,487
Alcohol beverage license	30,000	20,550	(9,450)	13,100
Public safety	456,500	456,503	3	456,503
Library grant	14,416	18,316	3,900	3,209
Public works	34,000	34,000	-	34,000
Reimbursements	6,130	40,250	34,120	26,182
Other grants	37,614	18,168	(19,446)	49,790
Total intergovernmental	<u>772,080</u>	<u>781,218</u>	<u>9,138</u>	<u>838,007</u>
Charges for services:				
Administrative services	689,309	689,309	-	807,165
Ambulance services	55,000	67,973	12,973	86,177
Fire contract	24,500	38,941	14,441	29,691
Camping fees	135,000	123,878	(11,122)	77,744
Rents and leases	430,124	267,530	(162,594)	8,679
Donations	12,500	12,500	-	-
Airport services	74,274	73,309	(965)	77,438
Miscellaneous services	38,300	52,599	14,299	74,630
Total charges for services	<u>1,459,007</u>	<u>1,326,039</u>	<u>(132,968)</u>	<u>1,161,524</u>
Special assessments	<u>-</u>	<u>49,289</u>	<u>49,289</u>	<u>29,889</u>
Investment income	<u>80,000</u>	<u>174,395</u>	<u>94,395</u>	<u>160,919</u>
Fines and forfeitures	<u>25,600</u>	<u>25,044</u>	<u>(556)</u>	<u>17,108</u>
Total revenues	<u>5,656,878</u>	<u>5,748,715</u>	<u>91,837</u>	<u>5,545,135</u>

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

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Expenditures:				
General government:				
City council/mayor:				
Salaries and benefits	\$ 4,600	4,719	(119)	4,186
Supplies	5,500	4,156	1,344	9,048
Other services and charges	197,100	209,736	(12,636)	189,576
Capital outlay	-	-	-	693
Total City council/mayor	207,200	218,611	(11,411)	203,503
City clerk:				
Salaries and benefits	117,950	122,884	(4,934)	112,762
Supplies	1,900	1,843	57	3,227
Other services and charges	17,146	14,461	2,685	25,591
Capital outlay	-	-	-	4,684
Total City clerk	136,996	139,188	(2,192)	146,264
City manager:				
Salaries and benefits	224,964	198,345	26,619	235,056
Supplies	4,500	4,563	(63)	3,043
Other services and charges	20,044	15,783	4,261	20,118
Capital outlay	8,300	4,514	3,786	10,808
Total City manager	257,808	223,205	34,603	269,025
Financial services:				
Salaries and benefits	501,820	486,838	14,982	397,546
Supplies	15,267	14,263	1,004	22,520
Other services and charges	74,628	63,931	10,697	41,660
Capital outlay	-	-	-	7,609
Total financial services	591,715	565,032	26,683	469,335
Planning and zoning/property management:				
Salaries and benefits	135,578	111,955	23,623	136,668
Supplies	3,000	2,434	566	1,711
Other services and charges	14,600	12,999	1,601	14,228
Total planning and zoning/ property management	153,178	127,388	25,790	152,607

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

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
City hall complex:				
Supplies	\$ 13,000	8,094	4,906	19,262
Other services and charges	139,175	167,952	(28,777)	156,884
Capital outlay	-	-	-	4,792
Total City hall complex	<u>152,175</u>	<u>176,046</u>	<u>(23,871)</u>	<u>180,938</u>
Total general government	<u>1,499,072</u>	<u>1,449,470</u>	<u>49,602</u>	<u>1,421,672</u>
Public safety:				
Police department:				
Salaries and benefits	1,037,636	1,013,605	24,031	1,018,595
Supplies	28,800	25,443	3,357	36,651
Other services and charges	145,570	148,441	(2,871)	176,311
Capital outlay	-	223	(223)	93,013
Total police department	<u>1,212,006</u>	<u>1,187,712</u>	<u>24,294</u>	<u>1,324,570</u>
DWI enforcement grant:				
Salaries and benefits	26,053	20,564	5,489	12,400
Capital outlay	3,389	2,737	652	344
Total DWI enforcement grant	<u>29,442</u>	<u>23,301</u>	<u>6,141</u>	<u>12,744</u>
COPS grant - salaries and benefits	-	-	-	37,423
Law enforcement block grant - salaries and benefits	-	-	-	1,634
Jail:				
Salaries and benefits	261,002	275,643	(14,641)	302,400
Supplies	21,440	14,822	6,618	18,588
Other services and charges	23,850	26,105	(2,255)	21,559
Total jail	<u>306,292</u>	<u>316,570</u>	<u>(10,278)</u>	<u>342,547</u>

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

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Supplies	\$ 5,000	4,401	599	6,942
Other services and charges	42,642	43,911	(1,269)	48,332
Total animal control	<u>47,642</u>	<u>48,312</u>	<u>(670)</u>	<u>55,274</u>
Emergency services:				
Salaries and benefits	307,548	250,652	56,896	349,717
Supplies	35,795	34,827	968	37,006
Other services and charges	161,665	178,704	(17,039)	170,823
Capital outlay	3,500	3,492	8	276,467
Total emergency services	<u>508,508</u>	<u>467,675</u>	<u>40,833</u>	<u>834,013</u>
Total public safety	<u>2,103,890</u>	<u>2,043,570</u>	<u>60,320</u>	<u>2,608,205</u>
Public works:				
Administration:				
Salaries and benefits	124,367	95,711	28,656	94,339
Supplies	4,500	4,572	(72)	3,871
Other services and charges	38,920	41,901	(2,981)	42,253
Capital outlay	2,500	2,642	(142)	2,773
Less amounts allocated to other departments	(29,000)	-	(29,000)	-
Total administration	<u>141,287</u>	<u>144,826</u>	<u>(3,539)</u>	<u>143,236</u>
Maintenance:				
Salaries and benefits	106,878	98,135	8,743	158,036
Supplies	11,800	12,372	(572)	19,884
Other services and charges	69,550	52,034	17,516	59,880
Capital outlay	13,000	12,962	38	5,020
Less amounts allocated to other departments	(81,000)	(56,136)	(24,864)	(62,926)
Total maintenance	<u>120,228</u>	<u>119,367</u>	<u>861</u>	<u>179,894</u>

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

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Streets:				
Salaries and benefits	\$ 145,949	146,481	(532)	133,161
Supplies	68,500	58,699	9,801	77,800
Other services and charges	30,700	27,183	3,517	41,678
Capital outlay	7,500	5,933	1,567	4,921
Total streets	<u>252,649</u>	<u>238,296</u>	<u>14,353</u>	<u>257,560</u>
Motor pool:				
Salaries and benefits	95,515	111,728	(16,213)	84,916
Supplies	25,500	31,993	(6,493)	27,757
Other services and charges	58,200	60,008	(1,808)	79,246
Capital outlay	-	-	-	1,550
Less amounts allocated to other departments	(34,000)	(52,390)	18,390	(32,534)
Total motor pool	<u>145,215</u>	<u>151,339</u>	<u>(6,124)</u>	<u>160,935</u>
Engineer/inspector:				
Salaries and benefits	40,893	33,127	7,766	23,906
Supplies	1,650	4,180	(2,530)	2,971
Other services and charges	4,900	548	4,352	5,061
Total engineer/inspector	<u>47,443</u>	<u>37,855</u>	<u>9,588</u>	<u>31,938</u>
Total public works	<u>706,822</u>	<u>691,683</u>	<u>15,139</u>	<u>773,563</u>
Library:				
Salaries and benefits	222,379	220,014	2,365	205,563
Supplies	13,200	13,586	(386)	12,556
Other services and charges	40,706	43,814	(3,108)	45,867
Capital outlay	2,500	1,838	662	20,756
Total library	<u>278,785</u>	<u>279,252</u>	<u>(467)</u>	<u>284,742</u>
Airport:				
Supplies	8,500	13,266	(4,766)	260
Other services and charges	121,530	119,628	1,902	134,002
Total airport	<u>130,030</u>	<u>132,894</u>	<u>(2,864)</u>	<u>134,262</u>

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

	2000		Variance Favorable (Unfavorable)	1999
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Parks and recreation:				
Salaries and benefits	\$ 141,206	145,933	(4,727)	113,508
Supplies	22,900	16,024	6,876	4,127
Other services and charges	146,530	139,260	7,270	65,641
Capital outlay	3,500	880	2,620	33,985
Total parks and recreation	<u>314,136</u>	<u>302,097</u>	<u>12,039</u>	<u>217,261</u>
Community service contributions:				
Hospice of Homer	-	1,277	(1,277)	1,436
Council on Alcoholism	1,277	1,277	-	1,436
Mental health program	-	1,277	(1,277)	1,436
South Peninsula Women's Services	1,277	1,277	-	1,436
Kachemak Bay Family Planning	1,277	1,277	-	1,436
Museum	5,000	5,000	-	108,300
Homer Senior Citizens	1,277	1,277	-	1,436
Homer Friendship Center	1,277	1,277	-	-
South Peninsula Hospital	2,500	2,500	-	-
Homer Foundation Non-Profit	100,920	100,920	-	-
Homer Head Start	5,000	5,000	-	5,000
Chamber of Commerce	-	-	-	25,000
Friendship Center	-	-	-	1,436
Art Council	-	-	-	4,500
Kachemak Ski Club	-	-	-	1,532
Bunnell Street Gallery	-	-	-	1,500
Homer Food Pantry	-	-	-	2,000
Snowmads Snowmachine Club	-	-	-	1,500
Nordic Ski Club	-	-	-	2,500
Total community service contributions	<u>119,805</u>	<u>122,359</u>	<u>(2,554)</u>	<u>161,884</u>
Debt service on capital leases:				
Principal	158,780	159,864	(1,084)	131,301
Interest	30,000	32,746	(2,746)	26,528
Total debt service	<u>188,780</u>	<u>192,610</u>	<u>(3,830)</u>	<u>157,829</u>
 Total expenditures	 <u>5,341,320</u>	 <u>5,213,935</u>	 <u>127,385</u>	 <u>5,759,418</u>
 Excess of revenues over (under) expenditures	 315,558	 534,780	 219,222	 (214,283)

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

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
Other financing sources (uses):				
Proceeds from capital lease	\$ -	-	-	264,945
Operating transfers from other funds	-	-	-	10,000
Operating transfers to other funds	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>	<u>(373,022)</u>
Net other financing sources (uses)	<u>(140,000)</u>	<u>(108,700)</u>	<u>31,300</u>	<u>(98,077)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ <u>175,558</u>	426,080	<u>250,522</u>	(312,360)
Fund balance at beginning of year		<u>1,882,128</u>		<u>2,194,488</u>
Fund balance at end of year		\$ <u>2,308,208</u>		<u>1,882,128</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, 2000
 (With Comparative Totals for 1999)

<u>Assets</u>	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	<u>Totals</u>	
			<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 22,884	188,612	211,496	568,825
Assessments receivable:				
Current	3,394	20,820	24,214	28,904
Deferred	<u>12,865</u>	<u>35,821</u>	<u>48,686</u>	<u>81,611</u>
 Total assets	 \$ <u>39,143</u>	 <u>245,253</u>	 <u>284,396</u>	 <u>679,340</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	1,818	1,818	655
Deferred revenues	<u>16,259</u>	<u>56,641</u>	<u>72,900</u>	<u>110,515</u>
Total liabilities	16,259	58,459	74,718	111,170
 Fund balances - reserved for debt service	 <u>22,884</u>	 <u>186,794</u>	 <u>209,678</u>	 <u>568,170</u>
 Total liabilities and fund balances	 \$ <u>39,143</u>	 <u>245,253</u>	 <u>284,396</u>	 <u>679,340</u>

CITY OF HOMER, ALASKA
 Debt Service Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2000
 (With Comparative Totals for 1999)

	1987 Rangeview Special Assessment Bonds	General Obligation Bonds and 1990 Special Assessment Bonds	Totals	
			<u>2000</u>	<u>1999</u>
Revenues:				
Special assessments	\$ 1,318	34,718	36,036	69,984
Interest	<u>771</u>	<u>35,472</u>	<u>36,243</u>	<u>63,573</u>
Total revenues	<u>2,089</u>	<u>70,190</u>	<u>72,279</u>	<u>133,557</u>
Expenditures:				
Debt service:				
Principal retirement	5,280	316,250	321,530	302,780
Interest	<u>2,691</u>	<u>127,550</u>	<u>130,241</u>	<u>158,675</u>
Total expenditures	<u>7,971</u>	<u>443,800</u>	<u>451,771</u>	<u>461,455</u>
Excess of revenues over (under) expenditures	(5,882)	(373,610)	(379,492)	(327,898)
Other financing sources - operating transfers from other funds	<u>-</u>	<u>21,000</u>	<u>21,000</u>	<u>35,709</u>
Excess of revenues and other financing sources over (under) expenditures	(5,882)	(352,610)	(358,492)	(292,189)
Fund balances at beginning of year	<u>28,766</u>	<u>539,404</u>	<u>568,170</u>	<u>860,359</u>
Fund balances at end of year	\$ <u>22,884</u>	<u>186,794</u>	<u>209,678</u>	<u>568,170</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.

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

CITY OF HOMER, ALASKA
Capital Project Funds
Combining Balance Sheet
December 31, 2000
(With Comparative Totals for 1999)

<u>Assets</u>	<u>City Facilities</u>	<u>Streets and Sidewalks</u>	<u>Reserve Allocation</u>	<u>Totals</u>	
				<u>2000</u>	<u>1999</u>
Equity in central treasury	\$ 1,548,489	1,062,651	592,058	3,203,198	1,554,947
Sales tax receivable	-	130,827	-	130,827	137,174
Accounts receivable:					
Federal government	79,661	-	-	79,661	7,674
State of Alaska	20,076	-	-	20,076	3,867
Accrued interest	<u>12,557</u>	<u>-</u>	<u>4,566</u>	<u>17,123</u>	<u>-</u>
 Total assets	 \$ <u>1,660,783</u>	 <u>1,193,478</u>	 <u>596,624</u>	 <u>3,450,885</u>	 <u>1,703,662</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	104	76	180	4,554
Accrued liabilities	37	56	-	93	2,091
Deferred revenue	<u>69,311</u>	<u>-</u>	<u>-</u>	<u>69,311</u>	<u>65,524</u>
Total liabilities	69,348	160	76	69,584	72,169
 Fund balances - unreserved - designated for capital projects	 <u>1,591,435</u>	 <u>1,193,318</u>	 <u>596,548</u>	 <u>3,381,301</u>	 <u>1,631,493</u>
 Total liabilities and fund balances	 \$ <u>1,660,783</u>	 <u>1,193,478</u>	 <u>596,624</u>	 <u>3,450,885</u>	 <u>1,703,662</u>

CITY OF HOMER, ALASKA
Capital Project Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2000
(With Comparative Totals for 1999)

	City Facilities	Streets and Sidewalks	Reserve Allocation	Totals	
				2000	1999
Revenues:					
Sales tax	\$ -	741,102	-	741,102	742,533
Intergovernmental	337,959	-	-	337,959	130,808
Investment income	119,229	84,870	39,126	243,225	93,874
Other	29,116	-	-	29,116	3,011
Total revenues	486,304	825,972	39,126	1,351,402	970,226
Expenditures - capital projects	391,637	567,656	91,512	1,050,805	401,237
Excess of revenues over (under) expenditures	94,667	258,316	(52,386)	300,597	568,989
Other financing sources (uses):					
Operating transfers from other funds	14,425	-	87,700	102,125	173,638
Operating transfers to other funds	(50,000)	-	(14,425)	(64,425)	(22,725)
Net other financing sources (uses)	(35,575)	-	73,275	37,700	150,913
Excess of revenues and other financing sources over expenditures and other uses	59,092	258,316	20,889	338,297	719,902
Fund balances at beginning of year	120,832	935,002	575,659	1,631,493	911,591
Residual equity transfer from Sewer Utility Enterprise Fund	1,411,511	-	-	1,411,511	-
Fund balances at end of year	\$ 1,591,435	1,193,318	596,548	3,381,301	1,631,493

CITY OF HOMER, ALASKA
 Capital Project Funds
 Combining Schedule of Expenditures by Project
 Year Ended December 31, 2000

	<u>City</u> <u>Facilities</u>	<u>Streets</u> <u>and</u> <u>Sidewalks</u>	<u>Reserve</u> <u>Allocation</u>	<u>Totals</u>
Census 2000	\$ 2,810	-	968	3,778
Computer upgrades	33,220	-	-	33,220
Homer Comprehensive Plan	2,364	-	-	2,364
East Road utility upgrade	6,674	-	-	6,674
Tobacco enforcement program	10,380	-	-	10,380
Drug eradication	1,721	-	-	1,721
Mariner Park habitat	17,340	-	-	17,340
Jack Gist Park	688	-	-	688
Chamber of Commerce Visitor Center	270,243	-	-	270,243
Kachemak Ski Club	7,000	-	-	7,000
South Peninsula Women's Shelter	6,750	-	-	6,750
Fishing Lagoon Park	2,913	-	-	2,913
Poopdeck Trail	22,709	-	-	22,709
Commercial vehicle inspection	4,535	-	-	4,535
Homer library	2,290	-	-	2,290
Police vehicles	-	-	32,795	32,795
Public works vehicles	-	-	53,777	53,777
Parks and recreation improvements	-	-	3,972	3,972
Poopdeck/Hazel reconstruction and paving	-	498,016	-	498,016
Jenny Way	-	398	-	398
Allocated administrative services	-	69,242	-	69,242
	\$ <u>391,637</u>	<u>567,656</u>	<u>91,512</u>	<u>1,050,805</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 three Enterprise Funds.

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

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

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

CITY OF HOMER, ALASKA
Enterprise Funds
Combining Balance Sheet
December 31, 2000
(With Comparative Totals for 1999)

Assets	Port of Homer	Water Utility	Sewer Utility	Totals	
				2000	1999
Current assets:					
Equity in central treasury	\$ -	552,442	510,586	1,063,028	688,407
Receivables, net of allowance for doubtful accounts:					
Accounts	118,536	64,605	86,083	269,224	376,525
Sales tax	-	-	130,827	130,827	137,174
Assessments due within one year	-	12,755	24,581	37,336	38,682
Litigation settlement	100,000	-	-	100,000	100,000
Federal government	9,499	-	-	9,499	2,262
State of Alaska	102,750	763	154,570	264,083	34,437
Accrued interest	67,725	6,788	22,068	96,581	90,453
Inventory	13,368	92,405	17,952	123,725	112,945
Prepaid items	22,493	10,594	12,002	45,089	52,351
Current portion of note receivable	-	-	38,929	38,929	38,929
Deferred charges	-	75,250	-	75,250	75,250
Total current assets	440,371	815,602	997,598	2,253,571	1,747,415
Restricted assets- equity in central treasury restricted for debt service and capital projects					
	3,933,302	96,567	1,788,734	5,818,603	7,075,503
Assessments due after one year	-	73,030	173,338	246,368	288,519
Bond issuance costs, net of accumulated amortization	47,978	6,824	19,765	74,567	84,996
Note receivable, net of current portion	-	-	38,930	38,930	77,859
Property, plant and equipment, net of accumulated depreciation	34,142,908	9,131,142	15,511,015	58,785,065	60,146,934
Long-term portion of litigation receivable, net of 6% discount	580,170	-	-	580,170	636,009
Total assets	\$ 39,144,729	10,123,165	18,529,380	67,797,274	70,057,235
Liabilities and Fund Equity					
Liabilities:					
Current liabilities:					
Accounts payable	142,299	87,118	8,120	237,537	115,128
Accrued liabilities	38,811	14,503	15,805	69,119	65,318
Accrued leave	64,729	11,588	26,701	103,018	102,434
Accrued interest	14,929	5,982	31,351	52,262	65,597
Current portion of long-term debt	157,508	93,929	330,495	581,932	544,057
Prepaid rentals and deposits	401,047	21,469	-	422,516	408,617
Due to other funds	368,169	-	-	368,169	445,910
Deferred revenue	3,352,264	-	-	3,352,264	3,614,001
Total current liabilities	4,539,756	234,589	412,472	5,186,817	5,361,062
Noncurrent liabilities:					
Deferred lease revenue	486,000	-	-	486,000	504,000
Long-term debt, net of current portion:					
Notes payable	-	38,930	3,093,264	3,132,194	3,431,619
Retirement incentive program	8,762	-	-	8,762	31,270
Revenue bonds payable, net of deferred loss	1,235,036	109,001	466,778	1,810,815	2,060,106
Total liabilities	6,269,554	382,520	3,972,514	10,624,588	11,388,057
Fund equity:					
Contributed capital, net of accumulated amortization	28,796,985	9,059,666	12,499,590	50,356,241	51,702,140
Retained earnings:					
Reserved for bond redemption	191,500	72,950	103,000	367,450	367,450
Reserved for debt service and water/sewer construction	-	-	-	-	1,504,637
Unreserved	3,886,690	608,029	1,954,276	6,448,995	5,094,951
Total fund equity	32,875,175	9,740,645	14,556,866	57,172,686	58,669,178
Total liabilities and fund equity	\$ 39,144,729	10,123,165	18,529,380	67,797,274	70,057,235

CITY OF HOMER, ALASKA
Enterprise Funds
Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
Year Ended December 31, 2000
(With Comparative Totals for 1999)

	Port of Homer	Water Utility	Sewer Utility	Totals	
				2000	1999
Operating revenues - charges for services	\$ 2,173,072	1,160,476	897,818	4,231,366	4,257,839
Operating expenses:					
Operations	1,259,465	426,509	471,765	2,157,739	2,389,755
Administration	613,817	313,625	352,526	1,279,968	1,421,852
Depreciation	990,039	349,819	1,272,275	2,612,133	2,499,374
Total operating expenses	<u>2,863,321</u>	<u>1,089,953</u>	<u>2,096,566</u>	<u>6,049,840</u>	<u>6,310,981</u>
Operating income (loss)	(690,249)	70,523	(1,198,748)	(1,818,474)	(2,053,142)
Nonoperating revenues (expenses):					
Investment income	250,854	18,230	125,586	394,670	363,429
Penalties and interest	8,890	9,331	13,425	31,646	40,979
Loss on disposal of property and equipment	-	-	-	-	(4,168)
Interest expense	(159,723)	(37,711)	(183,169)	(380,603)	(502,093)
Sales tax	-	-	741,101	741,101	742,534
Miscellaneous	108,656	(2,275)	(2,823)	103,558	48,005
Net nonoperating revenues (expenses)	<u>208,677</u>	<u>(12,425)</u>	<u>694,120</u>	<u>890,372</u>	<u>688,686</u>
Income (loss) before operating transfers	(481,572)	58,098	(504,628)	(928,102)	(1,364,456)
Operating transfers from other funds	-	-	50,000	50,000	60,000
Operating transfers to other funds	-	-	-	-	(10,000)
Net operating transfers	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Net income (loss)	(481,572)	58,098	(454,628)	(878,102)	(1,314,456)
Credit arising from transfer of depreciation to contributed capital	<u>812,428</u>	<u>189,884</u>	<u>1,136,708</u>	<u>2,139,020</u>	<u>2,017,182</u>
Income transferred to retained earnings	330,856	247,982	682,080	1,260,918	702,726
Retained earnings at beginning of year	3,747,334	432,997	2,786,707	6,967,038	6,264,312
Residual equity transfer to City Facilities Capital Project Fund	-	-	(1,411,511)	(1,411,511)	-
Retained earnings at end of year	\$ <u>4,078,190</u>	<u>680,979</u>	<u>2,057,276</u>	<u>6,816,445</u>	<u>6,967,038</u>