

City of Homer, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended December 31, 2017

City of Homer, Alaska

**Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended December 31, 2017**

City of Homer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		6-15
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	18
Statement of Activities	A-2	19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	20
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	21
Statement of Revenues, Expenditures, and		
Changes in Fund Balances (Deficit)	B-3	22
Reconciliation of the Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	23
Proprietary Funds:		
Statement of Net Position	C-1	24
Statement of Revenues, Expenses, and Changes		
in Net Position	C-2	25
Statement of Cash Flows	C-3	26-27
Notes to Basic Financial Statements		28-57
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance - Budget and Actual:		
General Fund	D-1	60
Utility Special Revenue Fund	D-2	61
Public Employees Retirement System:		
Schedule of the City's Information on the Net Pension Liability	E-1	62
Schedule of City Contributions	E-2	63
Notes to Required Supplementary Information		64

City of Homer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	68
General Fund:		
Balance Sheet	G-1	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	G-2	71-76
Utility Special Revenue Fund:		
Combining Balance Sheet	H-1	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	H-2	79
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficits)	H-3	80
Port of Homer Enterprise Fund:		
Statement of Net Position	I-1	82
Statement of Revenues, Expenses, and Changes in Net Position	I-2	83
Statement of Cash Flows	I-3	84-85
Internal Service Funds:		
Combining Statement of Net Position	J-1	88
Combining Statement of Revenues, Expenses, and Changes in Net Position	J-2	89
Combining Statement of Cash Flows	J-3	90
Health Insurance Internal Service Fund:		
Statement of Net Position	J-4	91
Statement of Revenues, Expenses, and Changes in Net Position	J-5	92
Statement of Cash Flows	J-6	93

City of Homer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Leave Cash-out Internal Service Fund:		
Statement of Net Position	J-7	94
Statement of Revenues, Expenses, and Changes in Net Position (Deficit)	J-8	95
Statement of Cash Flows	J-9	96
Schedule of Expenditures of Federal Awards	K-1	98
Notes to Schedules of Expenditures of Federal Awards		99
Single Audit Reports		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		102-103
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		104-105
Schedule of Findings and Questioned Costs		106
City of Homer Single Audit Responses		
Summary Schedule of Prior Audit Findings		107

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Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2017

The City of Homer management offers readers financial statements, narrative overview, and analysis of the financial activities of the City of Homer for the fiscal year ending December 31, 2017. Readers are encouraged to read this narrative in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this *section*.

Financial Highlights

- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on December 31, 2017, by \$136,487,334 (Net Position). Of this amount, unrestricted net position of \$6,523,929 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$1,043,474 from current year activity. For the fiscal year, governmental type activities increased by \$2,583,172 and business type activities decreased by \$1,539,698.

As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$20,857,384, an increase of \$179,525 from the prior year. A combination of factors contributed to the increase, but primarily due to a decrease in the debt service payments for the Gas-Line Capital Project and proceeds from the issuance of long term debt. The Capital Projects, Gas-Line and HART-Road, resulted in an increase of \$869,250 and a decrease of \$23,986, respectively to the fund balance; the Utility (Water & Sewer) Special Revenue fund increased by \$322,309; the General Fund increased by \$594,261; all other Non-Major Funds have a net decrease of \$1,582,309.

- At the end of the current year, the fund balance for the General Fund was \$7,207,029. Of this amount, \$6,549,010 was unassigned and available for spending.
- At year-end, the City of Homer's outstanding governmental debt totaled \$24,908,509. Business-type debt outstanding was \$5,685,554. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension liability.
- The Permanent Fund was dissolved this fiscal year, with proceeds of \$2,403,869 being disbursed in the following manner: (1) Library loan payoff totaling \$1,226,903 and (2) Funds "committed" for construction of the Police Station totaling \$1,176,966.

Overview of the Financial Statements

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

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

City of Homer, Alaska

Management’s Discussion and Analysis

The financial statements also include *notes*, which elaborate on some of the information in the basic financial statements that provide more detailed data. The notes to the basic financial statements are followed by a section of required supplementary information that includes budgetary comparison schedules and net pension schedules. In addition to these required elements, we have included other supplementary information such as the individual and combining fund financial statements and schedules and the City's single audit information.

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

Illustration A-1 summarizes the major features of the City's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

City of Homer, Alaska

Management's Discussion and Analysis

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

City of Homer, Alaska

Management's Discussion and Analysis

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

The City adopts an annual appropriated budget for its General Fund and Utility Special Revenue Fund. Budgetary comparison statements are provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds - Services for which the City charges customers a fee are generally reported in the proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The City of Homer maintains two different types of proprietary funds.

- Enterprise funds - Are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its port & harbor system.
- Internal service funds - Are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health benefits and accrued leave cash-outs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents of this report. Please note, the following financial analysis is reported in thousands.

Government-wide Financial Analysis

At the close of the 2017 fiscal year, the City's net position (assets exceeding liabilities) totaled \$136,487 (see Table A-1). Of this amount \$121,505, or 89%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$8,458 in the governmental activities is for capital projects, of this \$1,177 is committed for the police station. The total unrestricted amount totals \$6,524 and is available to meet the City's ongoing obligations to citizens and creditors.

City of Homer, Alaska

Management's Discussion and Analysis

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

**Table A-1
City of Homer's Net Position
(Amounts reported in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 33,673	\$ 33,756	\$ 1,953	\$ 1,742	\$ 35,626	\$ 35,498
Capital assets	82,700	82,850	53,074	55,011	135,774	137,861
Total Assets	116,373	116,606	55,027	56,753	171,400	173,359
Deferred outflows	678	2,123	141	415	819	2,538
Total Assets and Deferred Outflow	117,051	118,729	55,168	57,168	172,219	175,897
Liabilities						
Noncurrent liabilities	22,903	30,192	1,562	5,593	24,465	35,785
Other liabilities	4,436	2,263	5,638	2,247	10,074	4,510
Total Liabilities	27,339	32,455	7,200	7,840	34,539	40,295
Deferred inflows	988	133	205	25	1,193	158
Total Liabilities and Deferred Inflows	28,327	32,588	7,405	7,865	35,732	40,453
Net Position						
Net investment in capital assets	71,708	69,835	49,797	51,570	121,505	121,405
Restricted	8,458	9,497	-	-	8,458	9,497
Unrestricted	8,558	6,809	(2,034)	(2,267)	6,524	4,542
Total Net Position	\$ 88,724	\$ 86,141	\$ 47,763	\$ 49,303	\$ 136,487	\$ 135,444

**Table A-2
City of Homer's Changes in Net Position
(Amounts reported in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for services	\$ 6,582	\$ 5,379	\$ 4,308	\$ 4,381	\$ 10,890	\$ 9,760
Operating grants and contributions	855	1,050	45	55	900	1,105
Capital grants and contributions	710	1,837	252	2,373	962	4,210
General Revenues						
Property taxes	3,509	3,237	-	-	3,509	3,237
Sales taxes	7,948	7,659	-	-	7,948	7,659
Other	622	606	49	110	671	716
Total Revenues	20,226	19,768	4,654	6,919	24,880	26,687

City of Homer, Alaska

Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses						
General government	\$ 3,051	\$ 3,435	\$ -	\$ -	\$ 3,051	\$ 3,435
Public safety	4,111	5,186	-	-	4,111	5,186
Public works	3,279	3,132	-	-	3,279	3,132
Library	1,026	1,133	-	-	1,026	1,133
Airport	248	254	-	-	248	254
Parks and recreation	766	887	-	-	766	887
Community services	253	431	-	-	253	431
Water and sewer	4,196	4,493	-	-	4,196	4,493
Unallocated interest	392	498	-	-	392	498
Port and harbor	-	-	6,512	7,286	6,512	7,286
Total Expenses	17,322	19,449	6,512	7,286	23,834	26,735
Increase (decrease) in net position before transfers and special item	2,904	319	(1,858)	(367)	1,406	(48)
Transfers	(318)	36	318	(36)	-	-
Special item	(2)	(2)	-	-	(2)	(2)
Increase (Decrease) In Net Position	2,584	353	(1,540)	(403)	1,044	(50)
Net Position, beginning	86,141	85,788	49,303	49,706	135,444	135,494
Net Position, ending	\$ 88,725	\$ 86,141	\$ 47,763	\$ 49,303	\$ 136,488	\$ 135,444

As reflected in Table A-2, the City's net position increased by \$1,044. Revenues exceeded expenses in the governmental activities by \$2,584 and in the business-type activities expenses exceeded revenues by \$1,540. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased by approximately \$458 in 2017 from 2016. This is mainly due to an increase of \$1,203, \$272, and \$289 in charges for services, property tax and sales tax, respectively.
- Expenses in the governmental activities decreased by \$2,127 in 2017 from 2016. All governmental functions, except public works, had reduced expenses in 2017, with the largest decreases of \$384, \$1,075, and \$297 in general government, public safety, and water and sewer, respectively.
- Capital grants and contributions decreased by \$1,127.
- Revenues in the business-type activities decreased by \$2,265 in 2017 from 2016. This is mainly due to a decrease in capital grants and contributions of \$2,121 as large capital projects funded by grants were completed in 2016.
- Expenses in the business-type activities also decreased by \$774 in 2017 from 2016. The decrease was mainly due to the lack of expense related various projects that were abandoned in 2016 of \$615.

City of Homer, Alaska

Management's Discussion and Analysis

- Sales Taxes reflect an increase from 2016. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2017 to 2016 are as follows:

Sales Taxes	2017	2016	Increase
Fund			
General	\$ 6,582	\$ 6,384	\$ 198
Utility(Water & Sewer - HAWSP)	1,366	1,275	91
Total	\$ 7,948	\$ 7,659	\$ 289

Financial Analysis of the Governmental Funds

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

As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$20,857, an increase of \$180 compared to balances a year earlier. Of the ending balance, \$4,655, or 22% is unassigned. Most of the remaining fund balance is restricted for Roads \$7,180, Special Service District \$101, committed for police station construction \$1,177, or assigned for future capital projects and other purposes \$6,958; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$786. The increase of total fund balance during the year is attributed to:

- Utility Special Revenue Fund's fund balance increased by \$322. This is mainly due to proceeds from issuance of long-term debt.
- A decrease in payments related to debt services in the Gas Line Capital Project fund.
- In the General Fund, expenditures and transfers-out to other funds totaled \$13,998 compared to revenues and transfers-in of \$14,592. This resulted a increase of \$594 in the General Fund balance.
-

Government Funds (General and Utility Special Revenue) Budgetary Highlights

- General Fund Revenue:
 - Final Budget and Original Budget excluded shared revenue from the State of Alaska and incoming grant funding.
 - Tax Revenue, ambulance fees, camping fees, airport revenue, and assessment revenue all experienced an increase over the Final Budget.
- General Fund Expenditures: Final Budget was in line with original and actual expenditures.
- Utility Fund Expenditures and Revenue: Final Operating Budget and original budget excluded intergovernmental and special assessments revenues and their corresponding expenditures.

City of Homer, Alaska

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets - As detailed in Table A-3 below, the City of Homer's investment in capital assets for its governmental and business-type activities as of December 31, 2017, totals \$135,774 (net of accumulated depreciation). This amount represents a \$2,088 decrease over the previous year.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,526	\$ 11,505	\$ 15,254	\$ 15,254	\$ 26,780	\$ 26,759
Buildings	51,715	50,957	16,381	16,361	68,096	67,318
Improvements other than buildings	53,518	51,132	53,041	51,836	106,559	102,968
Machinery and equipment	16,307	15,680	3,395	3,317	19,702	18,997
Infrastructure	35,602	33,962	-	-	35,602	33,962
Construction in progress	833	2,848	285	1,161	1,118	4,009
Accumulated depreciation	(86,801)	(83,234)	(35,282)	(32,917)	(122,083)	(116,151)
Total Capital Assets	\$ 82,700	\$ 82,850	\$ 53,074	\$ 55,012	\$ 135,774	\$ 137,862

Major Capital Asset Events During the 2017 Year Included

Capital projects Completed

Governmental Funds:

- Bunnell Street Storm Drainage
- Public Works Storage Shed
- Water Storage Distribution
- Old Cast Iron Water Main Replacement

Port & Harbor (Enterprise Fund):

- Deep Water Dock Expansion Feasibility Study

On-Going Projects

Governmental Funds:

- Sound View Pedestrian Safety Improvements
- Frisbee Court Paving
- Greatland Street Improvement

Port & Harbor (Enterprise Fund):

- Harbor Master Lights
- Barge Mooring Haul Out Repair Facility

Additional information on the City's capital assets can be found in note 5 to the basic financial statements.

City of Homer, Alaska

Management's Discussion and Analysis

**Table A-4
City of Homer's Debt**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable - library	\$ -	\$ 1,184	\$ -	\$ -	\$ -	\$ 1,184
Notes payable - utility	10,908	11,653	-	-	10,908	11,653
Capital Leases	85	178	-	-	85	178
Special assessment bond with government commitment	4,076	4,579	-	-	4,076	4,579
General obligation bond payable	-	-	3,200	3,340	3,200	3,340
Unamortized bond premium	-	-	371	396	371	396
Total	15,069	17,594	3,571	3,736	18,640	21,330
Net pension liability	9,126	11,891	1,894	2,325	11,020	14,216
Compensated absences	713	707	220	233	933	940
Total Long-term Debt	\$ 24,908	\$ 30,192	\$ 5,685	\$ 6,294	\$ 30,593	\$ 36,486

Long-term debt - At the end of the 2017 year, the City of Homer had total debt outstanding of \$18,640 as detailed in Table A-4. This excludes \$11,020 related to net pension liability and \$933 related to the compensated absences.

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

Economic Factors and Next Year's Budgets and Rates

The State's fiscal situation remains uncertain. However, it's expected that the City of Homer revenue and expenditure activities will remain stable and comparable to 2017.

The Water and Sewer Utility Fund remains vulnerable because of the basic structural flaws. The City owns a production and distribution system infrastructure that is very expensive to operate and maintain and has relatively few customers to pay for it. The City has a reliable source of funds to build things and expand the infrastructure (dedicated sales tax). The past four years City Council has made continuous efforts to address the inadequate funds (user fees) to maintain sufficient operating expenditures.

City of Homer, Alaska

Management's Discussion and Analysis

Requests for Information

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

Finance Department

City of Homer

491 E. Pioneer Ave. Homer, Alaska 99603

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

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Basic Financial Statements

City of Homer, Alaska
Statement of Net Position

December 31, 2017	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 18,261,436	\$ 1,588,940	\$ 19,850,376
Receivables, net of allowance for doubtful accounts:			
Accounts	404,672	139,964	544,636
Sales and property taxes	1,316,423	-	1,316,423
State and federal grants and loans	703,424	7,514	710,938
Assessments	9,284,315	-	9,284,315
Other	55,137	-	55,137
Internal balances	125,619	(125,619)	-
Inventory	443,952	11,359	455,311
Prepaid items	214,644	17,683	232,327
Restricted cash and investments	2,862,633	312,725	3,175,358
Capital assets not being depreciated - land and construction in progress	12,359,472	15,538,626	27,898,098
Other capital assets, net of accumulated depreciation	70,340,948	37,535,828	107,876,776
Total Assets	116,372,675	55,027,020	171,399,695
Deferred Outflows of Resources - related to pensions	677,855	140,695	818,550
Total Assets and Deferred Outflows of Resources	\$ 117,050,530	\$ 55,167,715	\$ 172,218,245
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 458,320	\$ 165,248	\$ 623,568
Enstar FMA refunds	1,606,062	-	1,606,062
Accrued payroll and related liabilities	132,026	21,428	153,454
Accrued interest payable	99,439	12,321	111,760
Prepaid rentals and deposits	59,667	965,199	1,024,866
Unearned revenue	73,702	18,000	91,702
Unearned grant revenue	-	151,813	151,813
Noncurrent liabilities:			
Due within one year:			
Accrued leave	571,000	88,000	659,000
Notes payable	889,627	-	889,627
Capital lease	30,031	-	30,031
General obligation bonds payable	-	140,000	140,000
Special assessment bond payable with government commitment to Kenai Peninsula Borough	515,804	-	515,804
Due in more than one year:			
Accrued leave	142,408	132,436	274,844
Notes payable	10,018,516	-	10,018,516
Capital lease	54,377	-	54,377
General obligation bonds payable including bond premium	-	3,430,876	3,430,876
Special assessment bond payable with government commitment to Kenai Peninsula Borough	3,560,442	-	3,560,442
Unearned lease revenue	-	180,000	180,000
Net pension liability	9,126,304	1,894,242	11,020,546
Total Liabilities	27,337,725	7,199,563	34,537,288
Deferred Inflows of Resources - related to pensions	988,460	205,163	1,193,623
Net Position			
Net investment in capital assets	71,707,869	49,797,275	121,505,144
Restricted for:			
Roads and trails	7,180,072	-	7,180,072
Special service district	101,223	-	101,223
Police station construction	1,176,966	-	1,176,966
Unrestricted (deficit)	8,558,215	(2,034,286)	6,523,929
Total Net Position	88,724,345	47,762,989	136,487,334
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 117,050,530	\$ 55,167,715	\$ 172,218,245

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Year Ended December 31, 2017

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental Activities							
General government	\$ 3,051,310	\$ 682,811	\$ 130,443	\$ 678,155	\$ (1,559,901)	\$ -	\$ (1,559,901)
Public safety	4,111,197	452,074	607,766	-	(3,051,357)	-	(3,051,357)
Public works	3,278,791	620,835	36,725	-	(2,621,231)	-	(2,621,231)
Library	1,025,668	-	38,145	-	(987,523)	-	(987,523)
Airport	248,201	155,491	1,262	-	(91,448)	-	(91,448)
Parks and recreation	766,109	195,667	5,012	-	(565,430)	-	(565,430)
Community services	253,428	39,501	376	-	(213,551)	-	(213,551)
Water	2,634,341	2,285,373	20,500	31,971	(296,497)	-	(296,497)
Sewer	1,561,809	2,149,795	15,100	-	603,086	-	603,086
Unallocated interest	391,627	-	-	-	(391,627)	-	(391,627)
Total Governmental Activities	17,322,481	6,581,547	855,329	710,126	(9,175,479)	-	(9,175,479)
Business-type Activities							
Port and harbor	6,511,717	4,307,566	45,007	251,835	-	(1,907,309)	(1,907,309)
Total	\$ 23,834,198	\$ 10,889,113	\$ 900,336	\$ 961,961	(9,175,479)	(1,907,309)	(11,082,788)
General Revenues							
Property taxes					3,508,902	-	3,508,902
Sales taxes					7,947,575	-	7,947,575
Grants and entitlements not restricted to a specific purpose					280,824	46,692	327,516
Investment income					341,358	2,891	344,249
Transfers					(318,028)	318,028	-
Total General Revenues and Transfers					11,760,631	367,611	12,128,242
Special Item - construction of gas pipeline on behalf of third parties					(1,980)	-	(1,980)
Change in Net Position					2,583,172	(1,539,698)	1,043,474
Beginning Net Position					86,141,173	49,302,687	135,443,860
Ending Net Position					\$ 88,724,345	\$ 47,762,989	\$ 136,487,334

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds
Balance Sheet

	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
<i>December 31, 2017</i>						
Assets						
Cash and investments	\$ 3,523,700	\$ 3,148,236	\$ -	\$ 6,616,062	\$ 4,006,480	\$ 17,294,478
Receivables, net of allowance:						
Accounts	-	404,672	-	-	-	404,672
Property taxes	88,955	-	-	-	-	88,955
Sales taxes	1,022,886	204,582	-	-	-	1,227,468
Assessments	734,567	4,098,389	4,451,359	-	-	9,284,315
State and federal grants and loans	26,585	-	-	-	676,839	703,424
Other	53,100	-	-	-	2,037	55,137
Interfund loan	127,055	-	-	-	12,838	139,893
Due from other funds	2,601,029	-	-	-	-	2,601,029
Inventory	43,783	400,169	-	-	-	443,952
Prepaid items	214,644	-	-	-	-	214,644
Restricted cash and investments	-	-	1,685,667	-	1,176,966	2,862,633
Total Assets	\$ 8,436,304	\$ 8,256,048	\$ 6,137,026	\$ 6,616,062	\$ 5,875,160	\$ 35,320,600
Liabilities						
Accounts payable	\$ 248,077	\$ 141,125	\$ -	\$ -	\$ 69,118	\$ 458,320
Accrued payroll and related liabilities	112,370	19,656	-	-	-	132,026
Customer deposits	15,704	43,963	-	-	-	59,667
Unearned revenue	16,488	-	-	-	57,214	73,702
Enstar FMA refunds	-	-	1,606,062	-	-	1,606,062
Due to other funds	-	-	1,443,956	-	1,157,073	2,601,029
Total Liabilities	392,639	204,744	3,050,018	-	1,283,405	4,930,806
Deferred Inflows of Resources						
Deferred property taxes	102,069	-	-	-	-	102,069
Deferred assessments	734,567	4,244,415	4,451,359	-	-	9,430,341
Total Deferred Inflows of Resources	836,636	4,244,415	4,451,359	-	-	9,532,410
Total Liabilities and Deferred Inflows of Resources	1,229,275	4,449,159	7,501,377	-	1,283,405	14,463,216
Fund Balances						
Nonspendable:						
Inventory	43,783	400,169	-	-	-	443,952
Prepaid items	214,644	-	-	-	-	214,644
Interfund loan	127,055	-	-	-	-	127,055
Restricted:						
Roads and trails	-	-	-	6,616,062	564,010	7,180,072
Special service district	101,223	-	-	-	-	101,223
Committed - Police station construction	-	-	-	-	1,176,966	1,176,966
Assigned:						
Library	-	-	-	-	3,690	3,690
Public safety	-	-	-	-	37,045	37,045
Community schools	-	-	-	-	270	270
Sustainability	-	-	-	-	14,946	14,946
Water and sewer	-	3,406,720	-	-	-	3,406,720
PERS benefits	171,314	-	-	-	17,534	188,848
Capital and land	-	-	-	-	3,306,492	3,306,492
Unassigned (deficit)	6,549,010	-	(1,364,351)	-	(529,198)	4,655,461
Total Fund Balances (Deficit)	7,207,029	3,806,889	(1,364,351)	6,616,062	4,591,755	20,857,384
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,436,304	\$ 8,256,048	\$ 6,137,026	\$ 6,616,062	\$ 5,875,160	\$ 35,320,600

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2017

Total fund balances for governmental funds		\$ 20,857,384
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
These assets, net of accumulated depreciation consist of:		
Land and land improvements	\$ 11,525,986	
Construction in progress	833,486	
Buildings	51,715,487	
Improvements other than buildings	53,518,282	
Machinery and equipment	16,306,618	
Infrastructure	35,601,534	
Accumulated depreciation	<u>(86,800,973)</u>	
Total Capital Assets		82,700,420
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	102,069	
Special assessments not yet due	<u>9,430,341</u>	
Total Other Long-term Assets		9,532,410
Internal service funds are used by the City to charge the cost of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service funds is included in the governmental activities in the Statement of Net Position.		
		952,684
Long-term liabilities, including notes payable, bonds payable, and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued interest	(99,439)	
Note payable to Kenai Peninsula Borough	(4,076,246)	
Notes payable	(10,908,143)	
Capital leases	(84,408)	
Accrued leave	(713,408)	
Net pension liability	<u>(9,126,304)</u>	
Total Long-term Liabilities		(25,007,948)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	677,855	
Deferred inflows of resources related to pensions	<u>(988,460)</u>	
Total Deferred Pension Items		<u>(310,605)</u>
Total Net Position of Governmental Activities		<u>\$ 88,724,345</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project			
<i>Year Ended December 31, 2017</i>							
Revenues							
Property taxes	\$ 3,511,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,511,360
Sales taxes	6,640,036	1,307,539	-	-	-	-	7,947,575
Licenses and permits	47,555	-	-	-	-	-	47,555
Intergovernmental	1,025,798	67,571	-	-	699,824	-	1,793,193
Charges for services	1,897,301	3,642,491	-	-	-	-	5,539,792
Special assessments	188,422	434,321	1,538,890	-	-	-	2,161,633
Investment income	24,353	11,833	14,498	27,935	262,739	-	341,358
Fines and forfeitures	28,277	-	-	-	-	-	28,277
Donations	-	-	-	-	4,136	-	4,136
Other	223	-	-	-	48,950	-	49,173
Total Revenues	13,363,325	5,463,755	1,553,388	27,935	1,015,649		21,424,052
Expenditures							
Current:							
General government	2,926,231	-	-	-	70,478	-	2,996,709
Public safety	4,128,482	-	-	-	250	-	4,128,732
Public works	2,042,170	-	-	-	-	-	2,042,170
Library	833,581	-	-	-	-	-	833,581
Airport	180,948	-	-	-	-	-	180,948
Parks and recreation	475,106	-	-	-	-	-	475,106
Community services	254,459	-	-	-	-	-	254,459
Water	-	1,993,763	-	-	-	-	1,993,763
Sewer	-	1,466,637	-	-	-	-	1,466,637
Debt service:							
Principal	1,184,339	855,836	502,520	-	92,824	-	2,635,519
Interest	42,564	167,017	179,638	-	4,431	-	393,650
Capital outlay	82,924	958,650	-	51,921	2,592,650	-	3,686,145
Total Expenditures	12,150,804	5,441,903	682,158	51,921	2,760,633		21,087,419
Excess of Revenues Over (Under)							
Expenditures	1,212,521	21,852	871,230	(23,986)	(1,744,984)	-	336,633
Other Financing Sources (Uses)							
Proceeds from issuance of long term debt	-	162,900	-	-	-	-	162,900
Transfers in	1,228,883	180,955	-	-	2,568,524	-	3,978,362
Transfers out	(1,847,143)	(43,398)	-	-	(2,405,849)	-	(4,296,390)
Net Other Financing Sources (Uses)	(618,260)	300,457	-	-	162,675		(155,128)
Special Item - construction of gas pipeline on behalf of third parties	-	-	(1,980)	-	-		(1,980)
Net Change in Fund Balances	594,261	322,309	869,250	(23,986)	(1,582,309)		179,525
Beginning Fund Balances	6,612,768	3,484,580	(2,233,601)	6,640,048	6,174,064		20,677,859
Ending Fund Balances (Deficit)	\$ 7,207,029	\$ 3,806,889	\$ (1,364,351)	\$ 6,616,062	\$ 4,591,755		\$ 20,857,384

See accompanying notes to basic financial statements.

City of Homer, Alaska

Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$	179,525
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$3,567,061) exceeded capital outlays (\$3,417,737).		
		(149,324)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in other long-term assets.		
		(562,157)
Issuance of long-term debt (\$655,478) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$3,180,389) consumes current financial resources in governmental funds. Neither of these transaction has any effect on the net position.		
		2,524,911
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the decrease in accrued interest payable.		
		1,834
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued leave	\$ (6,182)	
Increase in net pension obligation and related deferred accounts	<u>463,525</u>	
		457,343
Internal service funds are used by management to charge the cost of health insurance and accrued leave cash-outs to individual funds. A portion of the net income of these activities is reported with governmental activities.		
		<u>131,040</u>
Change in Net Position of Governmental Activities	\$	<u>2,583,172</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Net Position

	Major Enterprise Fund Port of Homer	Internal Service Funds
<i>December 31, 2017</i>		
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,588,940	\$ 966,958
Accounts receivable, net of allowance for doubtful accounts	139,964	-
State and federal grants receivable	7,514	-
Inventory	11,359	-
Prepaid items	17,683	-
Total Current Assets	1,765,460	966,958
Noncurrent Assets		
Capital assets, net of accumulated depreciation	53,074,454	-
Restricted cash and investments	312,725	-
Total Noncurrent Assets	53,387,179	-
Total Assets	55,152,639	966,958
Deferred Outflows of Resources - related to pensions	140,695	-
Total Assets and Deferred Outflows of Resources	\$ 55,293,334	\$ 966,958
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 165,248	\$ -
Accounts payable for capital assets	-	-
Accrued payroll and related liabilities	21,428	-
Accrued leave	88,000	-
Accrued interest payable	12,321	-
General obligation bonds payable	140,000	-
Prepaid rentals and deposits	965,199	-
Unearned lease revenue	18,000	-
Unearned grant revenue	151,813	-
Interfund loan	62,091	-
Total Current Liabilities	1,624,100	-
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	180,000	-
Interfund loan	77,802	-
General obligation bonds payable including bond premium	3,430,876	-
Accrued leave	132,436	-
Net pension liability	1,894,242	-
Total Noncurrent Liabilities	5,715,356	-
Total Liabilities	7,339,456	-
Deferred Inflows of Resources - related to pensions	205,163	-
Net Position		
Net investment in capital assets	49,797,275	-
Unrestricted (deficit)	(2,048,560)	966,958
Total Net Position	47,748,715	966,958
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 55,293,334	\$ 966,958
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	14,274	
Net Position of Business-type Activities	\$ 47,762,989	

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2017</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 4,155,457	\$ -
Interfund charges	-	1,861,850
Employee health contributions	-	175,852
Total Operating Revenues	4,155,457	2,037,702
Operating Expenses		
Operations	2,678,222	194,724
Administration	1,501,442	23,368
Depreciation	2,364,813	-
Employee incentive fees	-	106,696
Insurance premiums	-	1,549,114
Total Operating Expenses	6,544,477	1,873,902
Operating income (loss)	(2,389,020)	163,800
Nonoperating Revenues		
Investment income	2,891	-
State PERS relief	45,007	-
Other income	152,109	-
Cruise ship tax	-	-
Fish tax	46,692	-
Total Nonoperating Revenues	246,699	-
Income (loss) before transfers and capital contributions	(2,142,321)	163,800
Transfers in	318,028	-
Capital contributions	251,835	-
Change in net position	(1,572,458)	163,800
Beginning Net Position	49,321,173	803,158
Ending Net Position	47,748,715	\$ 966,958
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	32,760	
Change in Net Position of Business-type Activities	\$ (1,539,698)	

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Cash Flows

<i>Year Ended December 31, 2017</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,475,892	\$ -
Receipts from interfund services provided and employee contributions	-	2,037,702
Payments to suppliers	(2,342,114)	-
Payments to employees	(1,771,082)	(301,420)
Payments for insurance, claims, and administration	-	(1,572,482)
Net cash flows from (for) operating activities	362,696	163,800
Cash Flows from (for) Noncapital Financing Activities		
Decrease in due to other funds	-	(79,884)
Transfers in (out)	318,028	-
Cruise ship tax and fish tax received	46,692	-
Net cash flows from (for) noncapital financing activities	364,720	(79,884)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(140,000)	-
Interest paid on long-term debt	(24,726)	-
Capital contributions received	778,142	-
Acquisition of property, plant and equipment	(534,036)	-
Decrease in interfund loan	(57,648)	-
Net cash flows from (for) capital and related financing activities	21,732	-
Cash Flows from Investing Activities		
Investment income received	2,891	-
Net Increase in Cash and Investments	752,039	83,916
Beginning Cash and Investments	1,149,626	883,042
Ending Cash and Investments	\$ 1,901,665	\$ 966,958

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2017</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash		
Flows from (for) Operating Activities		
Operating Income (loss)	\$ (2,389,020)	\$ 163,800
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	2,364,813	-
Noncash expense - PERS relief	45,007	-
Increase in allowance for doubtful accounts	115,566	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues	152,109	-
Abandonment of various projects	-	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(26,353)	-
Inventory	(313)	-
Prepaid items	15,955	-
Deferred outflows of resources related to pensions	274,335	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	4,849	-
Accrued payroll and related liabilities	(9,836)	-
Unearned grant revenue	55,260	-
Accrued leave	(12,206)	-
Prepaid rentals and deposits	41,853	-
Net pension liability	(430,572)	-
Deferred inflows of resources related to pensions	179,249	-
Net Cash Flows from (for) Operating Activities	\$ 362,696	\$ 163,800
Noncash Capital and Related Financing Activities		
Interest capitalized	\$ 141,345	\$ -
Capital assets acquired on account	\$ -	\$ -

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

Organization and Services Provided

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

Scope and Presentation

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Homer, Alaska

Notes to Basic Financial Statements

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

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

The City reports the following major funds:

Major governmental funds:

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

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

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

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

Major proprietary fund:

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

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

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

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

Budgets and Budgetary Accounting

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

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

Cash and Investments

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

City of Homer, Alaska

Notes to Basic Financial Statements

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

Receivables and Payables

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

Property Taxes

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

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

Unbilled Service Revenues

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

Inventory

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

Prepaid Items

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

Capital Assets

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

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

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

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

	Years
Buildings	15-45
Improvements other than buildings	3-45
Machinery and equipment	3-25
Infrastructure	10-50

Accrued Leave

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

Long-term Debt

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

City of Homer, Alaska

Notes to Basic Financial Statements

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

Fund Balances

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

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

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

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

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

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

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

Comparative Data

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

City of Homer, Alaska

Notes to Basic Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System (PERS) and additions to/from PERS’s fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash and Investments

The City of Homer utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds."

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City’s deposit and investment balances to the financial statements as of December 31, 2017.

Bank deposits	\$ 564,384
Investments	22,461,350
Total Cash and Investments	\$ 23,025,734
Cash and investments	\$ 19,850,376
Restricted cash and investments	3,175,358
Total Cash and Investments	\$ 23,025,734

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

General Investments

Investment Policy

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

- 8. Commercial paper; graded A1 or higher;
- 9. Bankers' acceptances; rated at least AA; and
- 10. Money market mutual funds.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Aside from the investment policy stated above, the City has no specific policy with respect to interest rate risk.

Investment maturities at December 31, 2017 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
Federal Farm Credit Bank Bonds	\$ 1,470,735	\$ 1,470,735		
Financing Corp Bonds	3,841,741	3,841,741		
Federal National MTG Assn. Bonds	3,112,623	3,112,623	\$ -	\$ -
Total Subject to Interest Rate Risk	8,425,099	\$ 8,425,099	\$ -	\$ -
Certificates of deposit	7,421,387			
Pooled investments (AMLIP)	6,146,507			
Money market	468,357			
Total Investments	\$ 22,461,350			

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy specifies the types of investments which can be purchased, in order to limit credit risk, as described above. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM by Standard and Poor's for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. At December 31, 2017, the share value of investments in the AML pool is approximately equal to fair value.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Homer, Alaska

Notes to Basic Financial Statements

The City has investments in money market funds and certificates of deposits totaling \$7,889,744 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2017. The City's investment in AMLIP is measured at net asset value, as of December 31, 2017. Management believes that these values approximate fair value. All government securities are Level 2.

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

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2017, receivables for the City's individual major funds and nonmajor in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Utility Special Revenue	Gas Line Capital Project	Port of Homer Enterprise	Nonmajor Funds	Totals
Receivables:						
Accounts	\$ -	\$ 424,849	\$ -	\$ 289,214	\$ -	\$ 714,063
Sales taxes	1,022,886	204,582	-	-	-	1,227,468
Property taxes	94,789	-	-	-	-	94,789
State and federal grants and loans	26,585	-	-	7,514	676,839	710,938
Special assessments	734,567	4,098,389	4,451,359	-	-	9,284,315
Other	233,240	-	-	-	14,875	248,115
Total receivables	2,112,067	4,727,820	4,451,359	296,728	691,714	12,279,688
Less allowance for uncollectibles	(58,919)	(20,177)	-	(149,250)	-	(228,346)
Net Receivables	\$ 2,053,148	\$ 4,707,643	\$ 4,451,359	\$ 147,478	\$ 691,714	\$ 12,051,342

At December 31, 2017, the various components of *deferred inflows of resources and unearned revenue* reported in the governmental funds were as follows:

Deferred Inflows of Resources

Delinquent property taxes receivable - General Fund	\$ 102,069
Special assessments not yet due:	
General Fund	734,567
Utility Special Revenue Fund	4,244,115
Gas Line Capital Project Fund	4,451,359
Total Deferred Inflows of Resources	\$ 9,532,110

City of Homer, Alaska

Notes to Basic Financial Statements

Unearned Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
General Fund	\$ 16,488
Retainage reimbursements	57,214
<hr/>	
Total Unearned Revenue	\$ 73,702

4. Interfund Balances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2017 follows:

Due from Other Funds

To General Fund from:	
Nonmajor Funds	\$ 1,157,073
Gas Line Capital Project Fund	1,443,956
<hr/>	
Total Due from Other Funds	\$ 2,601,029

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 180,955
Nonmajor governmental funds	1,348,160
Port of Homer Enterprise Fund	318,028
From nonmajor governmental funds to:	
General Fund	1,228,883
Nonmajor Funds	1,176,966
From Utility Special Revenue Fund to nonmajor governmental funds	43,398
<hr/>	
Total Transfers to Other Funds	\$ 4,296,390

Interfund transfers are routinely recorded throughout the year and are typically to fund capital depreciation reserves and other operating subsidies.

Interfund Loan

In 2011, the City underwent an extensive energy audit with the goal of identifying areas for energy savings and efficiencies. Numerous minor upgrades or repairs were conducted in this effort. Most of these costs were funded by fund balances set aside in the prior year along with grant funds. The City approved and recorded an interfund loan from the Energy Revolving Loan Capital Project Fund to the Port of Homer Enterprise Fund in the amount of \$29,294 to fund a portion of the Port related upgrades. The Port will repay the loan in \$3,291 annual installments over nine years. The loan had a balance of \$12,837 as of December 31, 2017.

City of Homer, Alaska

Notes to Basic Financial Statements

In 2014, the General Fund loaned \$300,000 to the Port of Homer Enterprise Fund in order to complete the financing package related to the Port and Harbor Building upgrade project. The loan is due in annual payment of \$63,648 including interest at 2% per year payable over five years. At December 31, 2017 the outstanding balance was \$127,055.

5. Capital Assets

Capital asset activity for the year ended December 31, 2017 follows:

Governmental Activities	Balance January 1, 2017	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,504,585	\$ 21,401	\$ -	\$ 11,525,986
Construction in progress	2,848,336	833,486	(2,848,336)	833,486
Total assets not being depreciated	14,352,921	854,887	(2,848,336)	12,359,472
<i>Capital assets being depreciated:</i>				
Buildings	50,956,989	758,498	-	51,715,487
Improvements other than buildings	51,132,315	2,385,967	-	53,518,282
Machinery and equipment	15,679,803	675,022	(48,207)	16,306,618
Infrastructure	33,961,628	1,639,906	-	35,601,534
Total assets being depreciated	151,730,735	5,459,393	(48,207)	157,141,921
Less accumulated depreciation for:				
Buildings	30,404,080	735,537	-	31,139,617
Improvements other than buildings	24,470,882	1,456,005	-	25,926,887
Machinery and equipment	10,649,771	509,270	(48,207)	11,110,834
Infrastructure	17,709,179	914,456	-	18,623,635
Total accumulated depreciation	83,233,912	3,615,268	(48,207)	86,800,973
Total assets being depreciated, net	68,496,823	1,844,125	-	70,340,948
Governmental Activities Capital Assets, net	\$ 82,849,744	\$ 2,699,012	\$ (2,848,336)	\$ 82,700,420

City of Homer, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2017	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,254,041	\$ -	\$ -	15,254,041
Construction in progress	1,161,435	284,585	(1,161,435)	284,585
Total assets not being depreciated	16,415,476	284,585	(1,161,435)	15,538,626
<i>Capital assets being depreciated:</i>				
Buildings	16,360,648	20,000	-	16,380,648
Improvements other than buildings	51,835,999	1,205,900	-	53,041,899
Machinery and equipment	3,316,622	78,696	-	3,395,318
Total assets being depreciated	71,513,269	1,304,596	-	72,817,865
Less accumulated depreciation for:				
Buildings	9,406,029	379,261	-	9,785,290
Improvements other than buildings	20,500,514	1,919,180	-	22,419,694
Machinery and equipment	3,010,681	66,372	-	3,077,053
Total accumulated depreciation	32,917,224	2,364,813	-	35,282,037
Total capital assets being depreciated, net	38,596,045	(1,060,217)	-	37,535,828
Business-Type Activities Capital Assets, net	\$ 55,011,521	\$ (775,632)	\$ (1,161,435)	\$ 53,074,454

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City of Homer, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows for the year ended December 31, 2017:

	Depreciation
Governmental Activities	
General government	\$ 169,539
Public safety	205,647
Public works	1,110,246
Library	231,953
Airport	70,551
Parks and recreation	308,332
Water utility	1,037,094
Sewer utility	433,699
Total Depreciation Expense - Governmental Activities	\$ 3,567,061
Total Depreciation Expense - Business-type Activities	
Port and harbor	\$ 2,364,813

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

Original cost assigned to building	\$ 630,000
Revenue recognized on cumulative basis	(432,000)
	\$ 198,000
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	180,000
Total Unearned Lease Revenue	\$ 198,000

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City of Homer, Alaska

Notes to Basic Financial Statements

6. Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2017:

Governmental Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
Notes payable:					
\$1,700,000 USDA library note payable, due in annual installments of \$99,824, including interest at 4.125%, retired in 2017	\$ 1,184,339	\$ -	\$ 1,184,339	\$ -	-
\$3,462,403 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	1,097,750	-	121,972	975,778	121,973
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	1,287,698	-	143,078	1,144,620	143,078
\$1,591,733 2012 Sewer Utility Alaska Clean Water loan, due in annual installments of \$79,587 plus interest at 1.5% through August 6, 2032	1,283,929	-	79,587	1,204,342	79,587
\$1,086,870 Sewer Utility Alaska Clean Water loan, due in annual installments of \$54,344 plus interest at 1.5% through November 14, 2034	978,182	-	54,344	923,838	54,344
\$2,023,006 2012 Water Utility Alaska Drinking Water loan, due in annual installments of \$117,832 including interest at 1.5% through August 18, 2032	1,665,108	-	92,855	1,572,253	94,248

City of Homer, Alaska

Notes to Basic Financial Statements

Governmental Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
<p>\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029</p>	\$ 4,732,020	-	\$ 364,002	\$ 4,368,018	\$ 364,001
<p>\$255,000 (maximum) Water Utility Alaska Drinking Water due in annual principal installments of \$9,546 including interest at 1.5% through March 1, 2037</p>	52,026	138,899	-	190,925	9,546
<p>\$817,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037</p>	128,339	9,500	52,100	85,739	3,708
<p>\$600,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$25,781 including interest at 1.5% through March 1, 2037</p>	428,130	14,500	-	442,630	19,142
<p>\$12,359,388 special assessment bond payable to the Kenai Peninsula Borough in eight equal principal and interest payments beginning September 1, 2016, interest at 4% through September 1, 2024. Additional principal payments made in 2016 based on early assessment collections.</p>	4,578,766	-	502,520	4,076,246	515,804

City of Homer, Alaska

Notes to Basic Financial Statements

Governmental Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
Capital Leases:					
\$149,599 dump truck capital lease payable in equal monthly installments of \$2,650 including interest through September 2020	\$ 113,695	\$ -	\$ 29,287	\$ 84,408	\$ 30,031
\$190,579 sweeper capital lease payable in annual installments of \$65,449 including interest through March 2017	63,723	-	63,723	-	-
Accrued leave	707,226	549,382	543,200	713,408	571,000
Net pension liability	11,890,631	-	2,764,327	9,126,304	-
Total Governmental Activities					
Long-Term Liabilities	\$ 30,191,562	\$ 712,281	\$ 5,995,334	\$ 24,908,509	\$ 2,006,462

All of the Utility Special Revenue Fund water and sewer charges and connection fees have been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

Business-type Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
\$3,375,000 Series 2013 Harbor General Obligation Bonds, due in annual installments of \$140,000-\$280,000 plus interest at 2% through June of 2033.	\$ 3,340,000	\$ -	\$ 140,000	\$ 3,200,000	\$ 140,000
Unamortized bond premium	395,602	-	24,726	370,876	-
Accrued leave	232,642	92,632	104,838	220,436	88,000
Net pension liability	2,324,814	-	430,572	1,894,242	-
Total Business-type Activities					
Long-Term Liabilities	\$ 6,293,058	\$ 92,632	\$ 700,136	\$ 5,685,554	\$ 228,000

City of Homer, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for long-term debt, and the loans not yet in repayment status, exclusive of accrued leave follow:

Governmental Activities Year Ending December 31,	Notes Payable			Special Assessment Bond Payable (KPB Loan)								
	Principal	Interest	Total	Principal	Interest	Total						
2018	\$ 889,627	\$ 154,065	\$ 1,043,692	\$ 515,804	\$ 166,354	\$ 682,158						
2019	891,382	150,119	1,041,501	536,819	145,339	682,158						
2020	893,164	136,749	1,029,913	558,690	123,468	682,158						
2021	894,974	123,352	1,018,326	581,451	100,707	682,158						
2022	896,811	109,927	1,006,738	605,141	77,017	682,158						
2023-2027	3,982,479	351,261	4,333,740	1,278,341	79,067	1,357,408						
2028-2032	2,156,099	103,253	2,259,352	-	-	-						
2033-2037	303,607	11,280	314,887	-	-	-						
	<u>\$ 10,908,143</u>			<u>\$ 1,140,006</u>			<u>\$ 12,048,149</u>					
				<u>\$ 4,076,246</u>			<u>\$ 691,952</u>			<u>\$ 4,768,198</u>		

The City acquired a dump truck under a capital lease agreement. The asset has a recorded cost of \$185,996 and a net book value (net of depreciation) at December 31, 2017 of \$130,175. The asset has an expected useful life of 10 years. Future minimum payments under the capital lease agreement is as follows:

Governmental Activities Year Ending December 31,	Capital Leases Payable		
	Principal	Interest	Total
2018	\$ 30,031	\$ 1,775	\$ 31,806
2019	30,794	1,012	31,806
2020	23,583	247	23,830
	<u>\$ 84,408</u>	<u>\$ 3,034</u>	<u>\$ 87,442</u>

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City of Homer, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for the bonds follow:

Business-type Activities <i>Year Ending December 31,</i>	G. O. Bonds Payable		
	Principal	Interest	Total
2018	\$ 140,000	\$ 145,750	\$ 285,750
2019	145,000	141,475	286,475
2020	150,000	136,300	286,300
2021	160,000	130,100	290,100
2022	165,000	123,600	288,600
2023-2027	950,000	495,400	1,445,400
2028-2032	1,210,000	227,000	1,437,000
2033	280,000	7,000	287,000
	\$ 3,200,000	\$ 1,406,625	\$ 4,606,625

In 2013, the City entered into a loan agreement with the Kenai Peninsula Borough to borrow up to \$12,700,000 for the design and construction of natural gas distribution improvements in the City. Concurrent with the issuance of the loan with the Borough, the City issued a \$12,700,000 natural gas distribution special assessment bond. The bond proceeds are to be used for the design and construction of natural gas distribution improvements in the City. After completion of the project, the City will establish an assessment district. This bond will be repaid from amounts to be levied against the property owners benefited by this construction in the assessment district. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

At December 31, 2014, the City had drawn \$12,359,388 on the loan to cover substantial completion of the project. In 2015, the City levied the customer special assessments, which requires the individuals to pay the assessment over a period of 20 years. Certain customers elected to pay the entire assessment up front. The City then used these funds to reduce the outstanding debt on the loan by approximately \$4.1 million. Because of the large reduction on the debt, and subsequent additional payments made on the loan, the loan has reamortized as noted on the payment schedule on the previous page and is expected to be paid in full in September 2024.

Debt Covenants

The Kenai Peninsula Borough gasoline loan required that a reserve account be established in the amount of \$1,270,000 from the date of the first drawdown. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Gas Line Capital Project Fund.

City of Homer, Alaska

Notes to Basic Financial Statements

The 2013 Harbor bonds require that a reserve account be established in the amount of the largest annual debt service payment (\$290,100) or the Port to establish and charge fees sufficient to produce 120% of the annual debt service amount. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Port of Homer Enterprise Fund.

7. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General	Utility Special Revenue	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Nonspendable:						
Inventory	\$ 43,783	\$ 400,169	\$ -	\$ -	\$ -	443,952
Prepaid items	214,644	-	-	-	-	214,644
Interfund loan	127,055	-	-	-	-	127,055
Total nonspendable	385,482	400,169	-	-	-	785,651
Restricted:						
Roads and trails	-	-	-	6,616,062	564,010	7,180,072
Special service district	101,223	-	-	-	-	101,223
Total restricted	101,223	-	-	6,616,062	564,010	7,281,295
Committed:						
Police station construction	-	-	-	-	1,176,966	1,176,966
Assigned:						
Library	-	-	-	-	3,690	3,690
Public safety	-	-	-	-	37,045	37,045
Community schools	-	-	-	-	270	270
Sustainability	-	-	-	-	14,946	14,946
Water and sewer	-	3,406,720	-	-	-	3,406,720
PERS benefits	171,314	-	-	-	17,534	188,848
Capital and land	-	-	-	-	3,306,492	3,306,492
Total assigned	171,314	3,406,720	-	-	3,379,977	6,958,011
Unassigned (deficit)	6,549,010	-	(1,364,351)	-	(529,198)	4,655,461
Total Fund Balances	\$ 7,207,029	\$ 3,806,889	\$(1,364,351)	\$ 6,616,062	\$ 5,875,160	\$ 20,857,384

City of Homer, Alaska

Notes to Basic Financial Statements

8. 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, 2017.

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. The amount of settlements for the past three years did not materially exceed the City's insurance coverage.

9. Defined Benefit (DB) Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. 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. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

City of Homer, Alaska

Notes to Basic Financial Statements

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded “on-behalf” contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan’s past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

The City records these on-behalf contributions as revenue and expense/expenditures as dictated by the governing GAAP for each basis of accounting depending on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

City of Homer, Alaska

Notes to Basic Financial Statements

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years (as demonstrated in the contribution rate tables below).

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY16, the rate uses an 8.00% pension discount rate and a 4.30% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the years ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2014 and June 30, 2015 actuarial valuations, respectively. City contribution rates for the 2017 calendar year were as follows:

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Postemployment healthcare (see Note 11)	7.04%	5.80%	-%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

City of Homer, Alaska

Notes to Basic Financial Statements

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	24.49%
Postemployment healthcare (see Note 11)	4.88%	3.11%	-%	56.64%
Total Contribution Rates	22.00%	25.01%	3.01%	81.13%

In 2017, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	City Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 759,781	\$ 820,166
Nonemployer contributions (on-behalf)	294,806	261,808
Total Contributions	\$ 1,023,008	\$ 1,081,974

In addition, employee contributions to the Plan totaled \$225,652 during the City's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2017, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2017
City proportionate share of NPL	\$ 11,020,546
State's proportionate share of NPL associated with the City	4,105,937
Total Net Pension Liability	\$ 15,126,483

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was .25432 percent, which was a decrease of 0.04113 from its proportion measured as of June 30, 2016.

City of Homer, Alaska

Notes to Basic Financial Statements

For the year ended December 31, 2017, the City recognized pension expense of \$532,683. Of this amount, \$261,808 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (198,138)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	295,610	-
Changes in proportion and differences between City contributions and proportionate share of contributions	56,743	(995,485)
City contributions subsequent to the measurement date	466,197	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 818,550	\$ (1,193,623)

The \$466,197 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2018	\$ (1,116,259)
2019	307,819
2020	138,184
2021	(171,014)
Total Amortization	\$ (841,270)

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City of Homer, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement period, and rolled forward to the measurement date of June 30, 2017. The actuarial valuation for the year ended June 30, 2016 (latest available) was prepared by Conduent HR Services. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2018-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 7.91% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post-termination mortality rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

City of Homer, Alaska

Notes to Basic Financial Statements

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	8.83%
Global equity (non-US)	7.79%
Intermediate treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 14,476,504	\$ 11,020,546	\$ 8,102,123

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

10. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired

City of Homer, Alaska

Notes to Basic Financial Statements

members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2017, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2017 were \$169,280 and \$270,847, respectively. The City contribution amount was recognized as pension expense/expenditures.

11. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

For the year ended December 31, 2017, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2017, 2016, and 2015 were \$0, \$60,696 and \$49,513, respectively.

City of Homer, Alaska

Notes to Basic Financial Statements

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 304,805	\$ 304,805	100 %
2016	393,427	393,427	100 %
2015	455,735	455,735	100 %

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2016, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2017, the City contributed \$162,073 in DC OPEB costs. This amount has been recognized as expense/expenditures.

12. Deferred Compensation Plan

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

City of Homer, Alaska

Notes to Basic Financial Statements

beneficiaries.

13. Contingencies

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

Grants

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

14. Designated Sales Tax

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

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

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

15. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end December 31, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

City of Homer, Alaska

Notes to Basic Financial Statements

GASB 84 - *Fiduciary Activities* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 85 - *Omnibus* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - *Certain Debt Extinguishment Issues* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

GASB 87 - *Leases* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - *Accounting for Interest Cost incurred before the End of a Construction Period* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

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Required Supplementary Information

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

Year Ended December 31, 2017	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 9,652,801	\$ 9,931,476	\$ 10,151,619	\$ -	\$ 10,151,619	\$ 220,143
Licenses and permits	30,420	30,420	47,555	-	47,555	17,135
Intergovernmental	732,583	732,583	1,025,798	(181,209)	844,589	112,006
Charges for services	1,744,775	1,744,774	1,897,301	-	1,897,301	152,527
Special assessments	-	-	188,422	-	188,422	188,422
Investment income	20,980	20,980	24,353	-	24,353	3,373
Fines and forfeitures	15,508	15,508	28,277	-	28,277	12,769
Total Revenues	12,197,067	12,475,741	13,363,325	(181,209)	13,182,116	706,375
Expenditures						
General government	3,002,324	2,858,872	2,926,231	(50,133)	2,876,098	(17,226)
Public safety	4,294,723	4,312,965	4,128,482	(95,645)	4,032,837	280,128
Public works	2,046,432	2,046,432	2,042,170	(27,337)	2,014,833	31,599
Library	842,772	848,029	833,581	(12,299)	821,282	26,747
Airport	219,721	219,721	180,948	(1,238)	179,710	40,011
Parks and recreation	454,767	454,767	475,106	(4,997)	470,109	(15,342)
Community services	254,602	254,602	254,459	(2,730)	251,729	2,873
Debt service:						
Principal	41,478	1,184,340	1,184,339	-	1,184,339	1
Interest	58,346	37,076	42,564	-	42,564	(5,488)
Capital outlay	-	-	82,924	-	82,924	(82,924)
Total Expenditures	11,215,165	12,216,804	12,150,804	(194,379)	11,956,425	260,379
Excess of Revenues Over (under) Expenditures	981,902	258,937	1,212,521	13,170	1,225,691	966,754
Other Financing Sources (Uses)						
Transfers in	10,000	1,232,815	1,228,883	-	1,228,883	(3,932)
Transfers out	(991,902)	(1,491,752)	(1,847,143)	-	(1,847,143)	(355,391)
Net Change in Fund Balance	\$ -	\$ -	594,261	\$ 13,170	607,431	\$ 607,431
Fund Balance, beginning			6,612,768		6,612,768	
Fund Balance, ending			\$ 7,207,029		\$ 7,220,199	

See accompanying notes to Required Supplementary Information.

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

Year Ended December 31, 2017	Budget		Actual	Budget	Actual	Variance with Final Budget
	Original	Final	GAAP Basis	to GAAP Difference	Budget Basis	
Revenues						
Sales taxes	\$ 1,284,071	\$ 1,307,544	\$ 1,307,539	\$ -	\$ 1,307,539	\$ (5)
Intergovernmental	-	-	67,571	(35,600)	31,971	31,971
Charges for services	3,630,564	3,630,564	3,642,491	-	3,642,491	11,927
Special assessments	-	-	434,321	-	434,321	434,321
Investment income	1,003	1,003	11,833	-	11,833	10,830
Total Revenues	4,915,638	4,939,111	5,463,755	(35,600)	5,428,155	489,044
Expenditures						
Water	2,324,259	2,272,930	1,993,763	(20,500)	1,973,263	299,667
Sewer	1,406,055	1,453,059	1,466,637	(15,100)	1,451,537	1,522
Debt service:						
Principal	859,415	859,415	855,836	-	855,836	3,579
Interest	177,053	177,053	167,017	-	167,017	10,036
Total debt service	1,036,468	1,036,468	1,022,853	-	1,022,853	13,615
Capital outlay	-	-	958,650	-	958,650	(958,650)
Total Expenditures	4,766,782	4,762,457	5,441,903	(35,600)	5,406,303	(643,846)
Excess of Revenues Over (Under) Expenditures	148,856	176,654	21,852	-	21,852	(154,802)
Other Financing Sources (Uses)						
Proceeds from issuance of long term debt	-	-	162,900	-	162,900	162,900
Transfers in	180,956	180,956	180,955	-	180,955	(1)
Transfers out	-	-	(43,398)	-	(43,398)	(43,398)
Net Change in Fund Balance	\$ 329,812	\$ 357,610	322,309	\$ -	\$ 322,309	\$ (35,301)
Fund Balance, beginning			3,484,580			
Fund Balance, ending			<u>\$ 3,806,889</u>			

See accompanying notes to Required Supplementary Information.

City of Homer, Alaska
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability

<i>Years Ended December 31,</i>	<i>Measurement Period Ended June 30,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	2017	0.21319%	\$ 11,020,546	\$ 4,105,937	\$ 15,126,483	\$ 6,619,157	166.49%	63.37%
2016	2016	0.25432%	14,215,445	1,792,202	16,007,647	6,372,455	223.08%	59.55%
2015	2015	0.22501%	10,912,909	2,922,750	13,835,659	6,455,186	169.06%	63.96%
2014	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to Required Supplementary Information.

City of Homer, Alaska
Public Employees Retirement System
Schedule of City Contributions

<i>Years Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 820,166	\$ 820,166	\$ -	\$ 6,619,157	12.391%
2016	\$ 1,031,207	\$ 1,031,207	\$ -	\$ 6,372,455	16.182%
2015	\$ 644,804	\$ 644,804	\$ -	\$ 6,455,186	9.989%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
2008	*	*	*	*	*

*GASB requires ten years of information be presented. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to Required Supplementary Information.

City of Homer, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedules

An operating budget is adopted each fiscal year for the General Fund and Utility Special Revenue Fund on the modified accrual basis used to reflect actual revenues and expenditures.

The City follows these procedures in establishing the budgetary data reflected in the required budgetary comparison Schedules:

- a. By the third Friday in October, the City Manager presents the budget proposal for the next fiscal year, including additional information.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. At a regular Council meeting no less than 10 days before the end of the fiscal year, the Council shall appropriate the funds.
- d. The Council may increase or decrease appropriations during the course of the year and may amend the budget using the same method as for initial adoption.
- e. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that result in permanent staffing level revisions, require Council approval. Expenditures may not exceed appropriations at the fund level.
- f. Appropriations lapse at the end of the fiscal year to the extent they have not been fully expended or fully encumbered. Capital appropriations remain in force until the project is finished or abandoned.

The City publishes its annual budget document and it is available on the City’s website at: www.cityofhomer-ak.gov

2. Pension Disclosures

In accordance with GASB Statement 82, “Covered Payroll” is defined as payroll on which contributions to the pension plan are based. Because a portion of the City’s contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both DB and DC).

Both pension tables are intended to present 10 years of information. Additional year’s information will be added to the schedules as it becomes available.

Schedule of City’s Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2017, the Plan measurement date is June 30, 2017.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.

Schedule of City Contributions

- This table is based on the City’s contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions have been reported as a deferred outflow on the statement of net position.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

Animal Shelter Donations - This fund accounts for donations made to the animal shelter that have been earmarked for supplies.

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

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

Sustainability - This fund accounts for donations for sustainable global warming.

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

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

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

CAPITAL PROJECT FUNDS

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

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

HART Trails - This fund accounts for improvements to City trails.

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

Land Reserves - This fund accounts for the accumulation of capital to purchase land.

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

City Facilities - This fund accounts for various facility improvements.

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

City of Homer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

December 31, 2017	Special Revenue Funds									Capital Project Funds							Total Nonmajor Governmental Funds	
	Library Donations	Fire Department Donations	Animal Shelter Donations	Retainage Reimbursements	Community Schools	Sustainability	Non-capital Projects	Permanent Fund	PERS Funding	Total Special Revenue Funds	HART Trails	Depreciation Reserves	Land Reserves	Energy Revolving Loan	City Facilities	Fleet Reserve Allocation		Total Capital Project Funds
Assets																		
Cash and investments	\$ 3,713	\$ 36,710	\$ 335	\$ 56,014	\$ 270	\$ 14,946	\$ 28,956	\$ -	\$ 17,534	\$ 158,478	\$ 564,010	\$ 2,356,563	\$ 199,814	\$ 189,565	\$ -	\$ 538,050	\$ 3,848,002	\$ 4,006,480
Receivables, net:																		
Interfund loan	-	-	-	-	-	-	-	-	-	-	-	-	12,838	-	-	-	12,838	12,838
State and federal grants	-	-	-	-	-	-	4,547	-	-	4,547	-	-	-	672,292	-	-	672,292	676,839
Other	-	-	-	1,266	-	-	-	-	-	1,266	-	-	771	-	-	-	771	2,037
Restricted cash and investments	-	-	-	-	-	-	-	-	-	-	-	1,176,966	-	-	-	-	1,176,966	1,176,966
Total Assets	\$ 3,713	\$ 36,710	\$ 335	\$ 57,280	\$ 270	\$ 14,946	\$ 33,503	\$ -	\$ 17,534	\$ 164,291	\$ 564,010	\$ 3,533,529	\$ 199,814	\$ 203,174	\$ 672,292	\$ 538,050	\$ 5,710,869	\$ 5,875,160
Liabilities																		
Accounts payable	\$ 23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,504	\$ -	\$ -	\$ 1,527	\$ -	\$ 20,523	\$ -	\$ -	\$ 44,417	\$ 2,651	\$ 67,591	\$ 69,118
Unearned revenue	-	-	-	57,214	-	-	-	-	-	57,214	-	-	-	-	-	-	-	57,214
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	1,157,073	-	-	1,157,073	1,157,073
Total Liabilities	23	-	-	57,214	-	-	1,504	-	-	58,741	-	20,523	-	-	1,201,490	2,651	1,224,664	1,283,405
Fund Balances																		
Restricted:																		
Roads and trails	-	-	-	-	-	-	-	-	-	-	564,010	-	-	-	-	-	564,010	564,010
Committed:																		
Police station construction	-	-	-	-	-	-	-	-	-	-	-	1,176,966	-	-	-	-	1,176,966	1,176,966
Assigned:																		
Library	3,690	-	-	-	-	-	-	-	-	3,690	-	-	-	-	-	-	-	3,690
Public safety	-	36,710	335	-	-	-	-	-	-	37,045	-	-	-	-	-	-	-	37,045
Community schools	-	-	-	-	270	-	-	-	-	270	-	-	-	-	-	-	-	270
Sustainability	-	-	-	-	-	14,946	-	-	-	14,946	-	-	-	-	-	-	-	14,946
PERS benefits	-	-	-	-	-	-	-	-	17,534	17,534	-	-	-	-	-	-	-	17,534
Capital and land	-	-	-	66	-	-	31,999	-	-	32,065	-	2,336,040	199,814	203,174	-	535,399	3,274,427	3,306,492
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(529,198)	-	(529,198)	(529,198)
Total Fund Balances	3,690	36,710	335	66	270	14,946	31,999	-	17,534	105,550	564,010	3,513,006	199,814	203,174	(529,198)	535,399	4,486,205	4,591,755
Total Liabilities and Fund Balances	\$ 3,713	\$ 36,710	\$ 335	\$ 57,280	\$ 270	\$ 14,946	\$ 33,503	\$ -	\$ 17,534	\$ 164,291	\$ 564,010	\$ 3,533,529	\$ 199,814	\$ 203,174	\$ 672,292	\$ 538,050	\$ 5,710,869	\$ 5,875,160

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

Year Ended December 31, 2017	Special Revenue Funds										Capital Project Funds						Total Nonmajor Governmental Funds	
	Library Donations	Fire Depart- ment Donations	Animal Shelter Donations	Retainage Reimburse- ments	Com- munity Schools	Sustain- ability	Non- capital Projects	Permanent Fund	PERS Funding	Total Special Revenue Funds	HART Trails	Depre- ciation Reserves	Land Reserve	Energy Revolving Loan	City Facilities	Fleet Reserve Allocation		Total Capital Project Funds
Revenues																		
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,626	\$ -	\$ -	\$ 9,626	\$ -	\$ -	\$ -	\$ -	\$ 690,198	\$ -	\$ 690,198	\$ 699,824
Investment income	470	387	-	-	-	120	5,458	233,661	2,177	242,273	2,801	14,518	-	-	646	2,501	20,466	262,739
Donations	207	3,929	-	-	-	-	-	-	-	4,136	-	-	-	-	-	-	-	4,136
Other grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	721	-	-	721	-	-	48,229	-	-	-	48,229	48,950
Total Revenues	677	4,316	-	-	-	120	15,805	233,661	2,177	256,756	2,801	14,518	48,229	-	690,844	2,501	758,893	1,015,649
Expenditures																		
Current:																		
General government	30,958	-	-	-	-	-	16,562	-	-	47,520	-	22,958	-	-	-	-	22,958	70,478
Public safety	-	-	-	-	250	-	-	-	-	250	-	-	-	-	-	-	-	250
Debt service principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,824	-	92,824	92,824
Debt service interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,431	-	4,431	4,431
Capital lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	9,900	-	-	-	-	14	-	-	9,914	-	917,357	-	-	1,488,525	176,854	2,582,736	2,592,650
Total Expenditures	30,958	9,900	-	-	250	-	16,576	-	-	57,684	-	940,315	-	-	1,488,525	274,109	2,702,949	2,760,633
Excess of Revenues Over (Under)																		
Expenditures	(30,281)	(5,584)	-	-	(250)	120	(771)	233,661	2,177	199,072	2,801	(925,797)	48,229	-	(797,681)	(271,608)	(1,944,056)	(1,744,984)
Other Financing Sources (Uses)																		
Transfers in	-	-	-	-	-	-	-	-	-	-	-	2,215,631	-	47,393	-	305,500	2,568,524	2,568,524
Transfers out	-	-	-	-	-	-	-	(2,403,869)	-	(2,403,869)	-	(1,980)	-	-	-	-	(1,980)	(2,405,849)
Net Change in Fund Balances	(30,281)	(5,584)	-	-	(250)	120	(771)	(2,170,208)	2,177	(2,204,797)	2,801	1,287,854	48,229	47,393	(797,681)	33,892	622,488	(1,582,309)
Fund Balances, beginning	33,971	42,294	335	66	520	14,826	32,770	2,170,208	15,357	2,310,347	561,209	2,225,152	151,585	155,781	268,483	501,507	3,863,717	6,174,064
Fund Balances, ending	\$ 3,690	\$ 36,710	\$ 335	\$ 66	\$ 270	\$ 14,946	\$ 31,999	\$ -	\$ 17,534	\$ 105,550	\$ 564,010	\$ 3,513,006	\$ 199,814	\$ 203,174	\$ (529,198)	\$ 535,399	\$ 4,486,205	\$ 4,591,755

General Fund

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

City of Homer, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2017	2016
Assets		
Cash and investments	\$ 3,523,700	\$ 2,935,291
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$5,834 (\$5,566 in 2016)	88,955	97,490
Sales taxes	1,022,886	958,795
Assessments	734,567	333,908
Grants receivables	26,585	-
Other, net of allowance for doubtful accounts of \$38,742 (\$28,044 in 2016)	53,100	82,113
Total Receivables	1,926,093	1,472,306
Due from other funds	2,601,029	2,509,537
Interfund loan receivable	127,055	184,704
Inventory	43,783	49,309
Prepaid items	214,644	217,408
Total Assets	\$ 8,436,304	\$ 7,368,555
Liabilities		
Accounts payable	\$ 248,077	\$ 150,124
Accrued payroll and related liabilities	112,370	149,535
Unearned revenue	16,488	1,989
Customer deposits	15,704	15,704
Total Liabilities	392,639	317,352
Deferred Inflows of Resources		
Deferred property taxes	102,069	104,527
Deferred assessments	734,567	333,908
Total Deferred Inflows of Resources	836,636	438,435
Total Liabilities and Deferred Inflows of Resources	1,229,275	755,787
Fund Balance		
Nonspendable	385,482	451,421
Restricted - Special service district	101,223	125,982
Assigned - PERS benefits	171,314	171,314
Unassigned	6,549,010	5,864,051
Total Fund Balance	7,207,029	6,612,768
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,436,304	\$ 7,368,555

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

Year Ended December 31,	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 3,502,342	\$ 3,511,360	\$ -	\$ 3,511,360	\$ 9,018	\$ 3,199,487
Sales taxes	6,424,023	6,640,036	-	6,640,036	216,013	6,383,660
Penalties and interest	5,111	223	-	223	(4,888)	4,633
Total taxes	9,931,476	10,151,619	-	10,151,619	220,143	9,587,780
Licenses and permits	30,420	47,555	-	47,555	17,135	30,209
Intergovernmental:						
Revenue - sharing	-	205,118	-	205,118	205,118	215,905
State PERS relief	-	181,209	(181,209)	-	-	235,899
Utility cooperative	33,831	24,721	-	24,721	(9,110)	24,878
Alcohol beverage tax	23,333	24,400	-	24,400	1,067	24,750
Public safety	511,300	516,433	-	516,433	5,133	512,880
Library grants	6,900	13,332	-	13,332	6,432	10,222
Public works	34,000	34,000	-	34,000	-	34,000
Other grant	123,219	26,585	-	26,585	(96,634)	95,571
Total intergovernmental	732,583	1,025,798	(181,209)	844,589	112,006	1,154,105
Charges for services:						
Administrative services	1,155,453	1,156,088	-	1,156,088	635	1,209,925
Ambulance services	130,000	155,353	-	155,353	25,353	271,872
Fire contracts	68,655	80,022	-	80,022	11,367	71,631
Camping fees	154,521	195,667	-	195,667	41,146	179,034
Rental and leases	-	175	-	175	175	-
Airport services	130,305	155,491	-	155,491	25,186	131,051
Community school fees	36,871	39,501	-	39,501	2,630	38,773
Miscellaneous services	68,969	115,004	-	115,004	46,035	88,190
Total charges for services	1,744,774	1,897,301	-	1,897,301	152,527	1,990,476
Special assessments	-	188,422	-	188,422	188,422	47,940

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

Year Ended December 31,	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues, continued						
Investment income	\$ 20,980	\$ 24,353	\$ -	\$ 24,353	\$ 3,373	\$ 47,028
Fines and forfeitures	15,508	28,277	-	28,277	12,769	18,029
Total Revenues	12,475,741	13,363,325	(181,209)	13,182,116	706,375	12,875,567
Expenditures						
General government:						
City council/mayor:						
Salaries and benefits	1,056	1,164	-	1,164	(108)	13,464
Supplies	2,600	1,913	-	1,913	687	1,460
Other services and charges	404,163	405,160	-	405,160	(997)	288,346
Total city council/mayor	407,819	408,237	-	408,237	(418)	303,270
City clerk:						
Salaries and benefits	359,220	341,830	(8,572)	333,258	25,962	351,847
Supplies	4,150	3,431	-	3,431	719	3,394
Other services and charges	52,838	39,565	-	39,565	13,273	37,761
Total city clerk	416,208	384,826	(8,572)	376,254	39,954	393,002
City manager:						
Salaries and benefits	225,943	230,500	(2,796)	227,704	(1,761)	205,566
Supplies	4,500	3,909	-	3,909	591	3,729
Other services and charges	20,860	15,649	-	15,649	5,211	13,497
Total city manager	251,303	250,058	(2,796)	247,262	4,041	222,792
Administrative services:						
Salaries and benefits	894,549	842,201	(29,163)	813,038	81,511	905,558
Supplies	7,200	6,620	-	6,620	580	9,338
Other services and charges	402,754	363,391	-	363,391	39,363	381,153
Total administrative services	1,304,503	1,212,212	(29,163)	1,183,049	121,454	1,296,049

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

Year Ended December 31,	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
General government, continued:						
Planning and zoning/property management:						
Salaries and benefits	\$ 328,570	\$ 339,326	\$ (9,602)	\$ 329,724	\$ (1,154)	\$ 318,034
Supplies	1,900	1,433	-	1,433	467	1,084
Other services and charges	21,746	10,307	-	10,307	11,439	15,450
Total planning and zoning/ property management	352,216	351,066	(9,602)	341,464	10,752	334,568
City hall complex:						
Salaries and benefits	-	-	-	-	-	398
Supplies	13,000	13,118	-	13,118	(118)	12,532
Other services and charges	113,823	112,548	-	112,548	1,275	106,659
Total city hall complex	126,823	125,666	-	125,666	1,157	119,589
Non-departmental - salaries and benefits	-	194,166	-	194,166	(194,166)	147,492
Total general government	2,858,872	2,926,231	(50,133)	2,876,098	(17,226)	2,816,762
Public safety:						
Police department:						
Salaries and benefits	2,109,432	2,149,879	(51,576)	2,098,303	11,129	2,169,285
Supplies	47,500	36,357	-	36,357	11,143	35,664
Other services and charges	279,846	241,029	-	241,029	38,817	247,565
Total police department	2,436,778	2,427,265	(51,576)	2,375,689	61,089	2,452,514
Jail:						
Salaries and benefits	498,622	435,675	(13,169)	422,506	76,116	485,036
Supplies	27,500	30,437	-	30,437	(2,937)	28,190
Other services and charges	82,150	64,301	-	64,301	17,849	92,917
Total jail	608,272	530,413	(13,169)	517,244	91,028	606,143
Animal control:						
Salaries and benefits	3,130	-	(13,169)	(13,169)	16,299	-
Supplies	11,700	9,773	-	9,773	1,927	8,316
Other services and charges	197,160	196,379	-	196,379	781	141,625
Total animal control	211,990	206,152	(13,169)	192,983	19,007	149,941

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

Year Ended December 31,	2017					2016
Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis	
Expenditures, continued						
Public safety, continued:						
Emergency services:						
Salaries and benefits	\$ 769,896	\$ 738,202	\$ (17,731)	\$ 720,471	\$ 49,425	\$ 710,102
Supplies	45,500	28,884	-	28,884	16,616	32,391
Other services and charges	240,529	197,566	-	197,566	42,963	199,770
Total emergency services	1,055,925	964,652	(17,731)	946,921	109,004	942,263
Total public safety	4,312,965	4,128,482	(95,645)	4,032,837	280,128	4,150,861
Public works:						
Administration:						
Salaries and benefits	81,358	78,711	(1,557)	77,154	4,204	71,958
Supplies	6,100	3,999	-	3,999	2,101	6,138
Other services and charges	70,053	49,300	-	49,300	20,753	63,817
Total administration	157,511	132,010	(1,557)	130,453	27,058	141,913
Maintenance:						
Salaries and benefits	210,337	214,646	(4,713)	209,933	404	207,203
Supplies	11,750	9,233	-	9,233	2,517	11,011
Other services and charges	113,000	104,357	-	104,357	8,643	99,314
Total maintenance	335,087	328,236	(4,713)	323,523	11,564	317,528
Streets:						
Salaries and benefits	385,006	422,867	(10,264)	412,603	(27,597)	401,501
Supplies	226,600	222,939	-	222,939	3,661	212,584
Other services and charges	58,000	58,181	-	58,181	(181)	54,377
Total streets	669,606	703,987	(10,264)	693,723	(24,117)	668,462
Motor pool:						
Salaries and benefits	169,485	177,786	(4,201)	173,585	(4,100)	169,998
Supplies	101,250	63,926	-	63,926	37,324	49,918
Other services and charges	271,500	284,336	-	284,336	(12,836)	244,114
Total motor pool	542,235	526,048	(4,201)	521,847	20,388	464,030

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

Year Ended December 31,	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Engineer/inspector:						
Salaries and benefits	\$ 163,108	\$ 164,139	\$ (4,180)	\$ 159,959	\$ 3,149	\$ 158,117
Supplies	4,250	796	-	796	3,454	2,005
Other services and charges	9,250	6,503	-	6,503	2,747	6,524
Total engineer/inspector	176,608	171,438	(4,180)	167,258	9,350	166,646
Janitorial:						
Salaries and benefits	124,235	138,889	(2,422)	136,467	(12,232)	129,335
Supplies	12,500	15,125	-	15,125	(2,625)	13,809
Other services and charges	28,650	26,437	-	26,437	2,213	30,603
Total engineer/inspector	165,385	180,451	(2,422)	178,029	(12,644)	173,747
Total public works	2,046,432	2,042,170	(27,337)	2,014,833	31,599	1,932,326
Library:						
Salaries and benefits	654,434	657,971	(12,299)	645,672	8,762	626,499
Supplies	26,527	24,278	-	24,278	2,249	20,019
Other services and charges	167,068	151,332	-	151,332	15,736	150,569
Total library	848,029	833,581	(12,299)	821,282	26,747	797,087
Airport:						
Salaries and benefits	78,827	76,831	(1,238)	75,593	3,234	60,627
Supplies	12,000	15,323	-	15,323	(3,323)	12,864
Other services and charges	128,894	88,794	-	88,794	40,100	97,867
Total airport	219,721	180,948	(1,238)	179,710	40,011	171,358
Parks and recreation:						
Salaries and benefits	300,537	319,003	(4,997)	314,006	(13,469)	304,862
Supplies	43,800	30,439	-	30,439	13,361	32,357
Other services and charges	110,430	125,664	-	125,664	(15,234)	111,755
Total parks and recreation	454,767	475,106	(4,997)	470,109	(15,342)	448,974
Community services:						
Community service contributions:						
Museum	69,000	69,000	-	69,000	-	69,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	208,000
Other	16,500	19,895	-	19,895	(3,395)	17,400
Total community service contributions	110,500	113,895	-	113,895	(3,395)	294,400

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

Year Ended December 31,	2017					2016
Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis	
Expenditures, continued						
Community services, continued:						
Community schools:						
Salaries and benefits	\$ 118,337	\$ 117,204	\$ (2,730)	\$ 114,474	\$ 3,863	\$ 110,395
Supplies	2,250	775	-	775	1,475	1,089
Other services and charges	23,515	22,585	-	22,585	930	21,605
Total community schools	144,102	140,564	(2,730)	137,834	6,268	133,089
Total community services	254,602	254,459	(2,730)	251,729	2,873	427,489
Debt service on loans:						
Principal	1,184,340	1,184,339	-	1,184,339	1	48,951
Interest	37,076	42,564	-	42,564	(5,488)	50,873
Total debt service	1,221,416	1,226,903	-	1,226,903	(5,487)	99,824
Capital outlay	-	82,924	-	82,924	(82,924)	-
Total Expenditures	12,216,804	12,150,804	(194,379)	11,956,425	260,379	10,844,681
Excess of Revenues Over Expenditures	258,937	1,212,521	13,170	1,225,691	966,754	2,030,886
Other Financing Sources (Uses)						
Transfers in	1,232,815	1,228,883	-	1,228,883	(3,932)	10,000
Transfers out	(1,491,752)	(1,847,143)	-	(1,847,143)	(355,391)	(1,949,118)
Net Change in Fund Balance	\$ -	594,261	\$ 13,170	607,431	\$ 607,431	91,768
Fund Balance, beginning		6,612,768		6,612,768		6,521,000
Fund Balance, ending		\$ 7,207,029		\$ 7,220,199		\$ 6,612,768

Utility Special Revenue Fund

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

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

<i>December 31, 2017</i>	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
Assets					
Cash and investments	\$ 2,825,178	\$ (3,560,668)	\$ (1,006,073)	\$ 4,889,799	\$ 3,148,236
Receivables					
Accounts	258,646	146,026	-	-	404,672
Sales taxes	-	204,582	-	-	204,582
Assessments	-	4,098,389	-	-	4,098,389
State and Federal grants and loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Receivables	258,646	4,448,997	-	-	4,707,643
Inventory	400,169	-	-	-	400,169
Total Assets	\$ 3,483,993	\$ 888,329	\$ (1,006,073)	\$ 4,889,799	\$ 8,256,048
Liabilities					
Accounts payable	\$ 128,556	\$ -	\$ -	\$ 12,569	\$ 141,125
Accrued payroll and related liabilities	19,656	-	-	-	19,656
Customer deposits	43,963	-	-	-	43,963
Total Liabilities	192,175	-	-	12,569	204,744
Deferred Inflows of Resources					
Deferred assessments	-	4,244,415	-	-	4,244,415
Total Liabilities and Deferred Inflows of Resources	192,175	4,244,415	-	12,569	4,449,159
Fund Balances (Deficits)					
Nonspendable - inventory	400,169	-	-	-	400,169
Assigned - water and sewer	2,891,649	(3,356,086)	(1,006,073)	4,877,230	3,406,720
Total Fund Balances (Deficits)	3,291,818	(3,356,086)	(1,006,073)	4,877,230	3,806,889
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 3,483,993	\$ 888,329	\$ (1,006,073)	\$ 4,889,799	\$ 8,256,048

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

<i>Year Ended December 31, 2017</i>	Budget	Actual	Variance
Revenues			
Sales taxes	\$ 1,307,544	\$ 1,307,539	\$ (5)
Intergovernmental:			
Federal sources	-	6,441	6,441
State sources	-	61,130	61,130
Total intergovernmental	-	67,571	67,571
Charges for services:			
Water charges and connection fees	1,888,667	1,889,034	367
Sewer charges and connection fees	1,741,897	1,753,457	11,560
Total charges for services	3,630,564	3,642,491	11,927
Water and sewer special assessments	-	434,321	434,321
Investment income	1,003	11,833	10,830
Total Revenues	4,939,111	5,463,755	524,644
Expenditures			
Water:			
Pumping system	501,619	113,820	387,799
Treatment plant and operations testing	555,755	608,763	(53,008)
Distribution system and reservoir	318,377	354,070	(35,693)
Water meters	180,974	161,104	19,870
Water hydrants	180,956	197,791	(16,835)
Administration	535,249	558,215	(22,966)
Total water	2,272,930	1,993,763	279,167
Sewer:			
Pumping system	783,722	846,557	(62,835)
Collection system	235,001	230,854	4,147
Administration	434,336	389,226	45,110
Total sewer	1,453,059	1,466,637	(13,578)
Debt service:			
Principal	859,415	855,836	3,579
Interest	177,053	167,017	10,036
Total debt service	1,036,468	1,022,853	13,615
Capital outlay	-	958,650	(958,650)
Total Expenditures	4,762,457	5,441,903	(679,446)
Excess of Revenues Over (Under) Expenditures	176,654	21,852	(154,802)
Other Financing Sources (Uses)			
Proceeds from issuance of long term debt	-	162,900	162,900
Transfers in	180,956	180,955	(1)
Transfers out	-	(43,398)	(43,398)
Net Change in Fund Balance	<u>\$ 357,610</u>	322,309	<u>\$ (35,301)</u>
Fund Balance, beginning		3,484,580	
Fund Balance, ending		<u>\$ 3,806,889</u>	

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

<i>Year Ended December 31, 2017</i>	Utility Operations	HAWSP Debt Service	Utility Capital Projects	Utility Reserves	Total Utility Fund
Revenues					
Sales taxes	\$ -	\$ 1,307,539	\$ -	\$ -	\$ 1,307,539
Intergovernmental:					
Federal sources	-	-	6,441	-	6,441
State sources	35,599	-	25,531	-	61,130
Total intergovernmental	35,599	-	31,972	-	67,571
Charges for services:					
Water charges and connection fees	1,889,034	-	-	-	1,889,034
Sewer charges and connection fees	1,753,457	-	-	-	1,753,457
Total charges for services	3,642,491	-	-	-	3,642,491
Water and sewer special assessments	-	434,321	-	-	434,321
Investment income	11,833	-	-	-	11,833
Total Revenues	3,689,923	1,741,860	31,972	-	5,463,755
Expenditures					
Water:					
Pumping system	113,820	-	-	-	113,820
Treatment plant and operations testing	608,763	-	-	-	608,763
Distribution system and reservoir	354,070	-	-	-	354,070
Water meters	161,104	-	-	-	161,104
Water hydrants	197,791	-	-	-	197,791
Administration	422,359	135,856	-	-	558,215
Total water	1,857,907	135,856	-	-	1,993,763
Sewer:					
Pumping system	846,557	-	-	-	846,557
Collection system	230,854	-	-	-	230,854
Administration	389,226	-	-	-	389,226
Total sewer	1,466,637	-	-	-	1,466,637
Debt service:					
Principal	-	855,836	-	-	855,836
Interest	1,506	165,511	-	-	167,017
Total debt service	1,506	1,021,347	-	-	1,022,853
Capital outlay	-	-	832,738	125,912	958,650
Total Expenditures	3,326,050	1,157,203	832,738	125,912	5,441,903
Excess of Revenues Over (Under)					
Expenditures	363,873	584,657	(800,766)	(125,912)	21,852
Other Financing Sources (Uses)					
Eliminating transfers	(599,965)	-	-	599,965	-
Proceeds from issuance of long-term debt	-	-	162,900	-	162,900
Transfers in	180,955	-	-	-	180,955
Transfers out	-	-	-	(43,398)	(43,398)
Net Change in Fund Balances	(55,137)	584,657	(637,866)	430,655	322,309
Fund Balances (Deficits), beginning	3,346,955	(3,940,743)	(368,207)	4,446,575	3,484,580
Fund Balances (Deficits), ending	\$ 3,291,818	\$ (3,356,086)	\$ (1,006,073)	\$ 4,877,230	\$ 3,806,889

Port of Homer Enterprise Fund

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

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

City of Homer, Alaska
Port of Homer Enterprise Fund
Statement of Net Position

December 31,	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,588,940	\$ 839,847
Receivables:		
Accounts, net of allowance for doubtful accounts of \$149,250 (\$33,684 in 2016)	139,964	229,177
State and federal grants	7,514	533,821
Inventory	11,359	11,046
Prepaid items	17,683	33,638
Total Current Assets	1,765,460	1,647,529
Restricted Cash and Investments		
Bond reserves	312,725	309,779
Property, Plant and Equipment		
Property, plant and equipment in service	72,817,865	71,513,269
Land and land improvements	15,254,041	15,254,041
Construction work in progress	284,585	1,161,435
Less accumulated depreciation	(35,282,037)	(32,917,224)
Net Property, Plant and Equipment	53,074,454	55,011,521
Total Assets	55,152,639	56,968,829
Deferred Outflows of Resources - related to pensions	140,695	415,030
Total Assets and Deferred Outflows of Resources	\$ 55,293,334	\$ 57,383,859
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 165,248	\$ 160,399
Accounts payable for capital assets	-	105,940
Accrued payroll and related liabilities	21,428	31,264
Accrued leave	88,000	75,000
Accrued interest payable	12,321	12,671
General obligation bonds payable	140,000	140,000
Prepaid berth rentals and deposits	965,199	923,346
Unearned lease revenue	18,000	18,000
Unearned grant revenue	151,813	96,553
Interfund loan	62,091	62,091
Total Current Liabilities	1,624,100	1,625,264
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	180,000	198,000
Accrued leave	132,436	157,642
Interfund loan	77,802	135,450
General obligation bonds payable including bond premium	3,430,876	3,595,602
Net pension liability	1,894,242	2,324,814
Total Noncurrent Liabilities	5,715,356	6,411,508
Total Liabilities	7,339,456	8,036,772
Deferred Inflows of Resources - related to pensions	205,163	25,914
Net Position		
Net investment in capital assets	49,797,275	51,569,616
Unrestricted (deficit)	(2,048,560)	(2,248,443)
Total Net Position	47,748,715	49,321,173
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 55,293,334	\$ 57,383,859

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

<i>Year Ended December 31,</i>	2017	2016
Operating Revenues		
Harbor	\$ 2,705,943	\$ 2,704,470
Main dock	317,702	306,652
Fish dock	478,678	573,376
Deep water dock	208,833	237,948
Rents, leases and storage	437,607	413,781
Fish grinder	6,694	8,794
Total Operating Revenues	4,155,457	4,245,021
Operating Expenses		
Harbor	1,777,958	1,714,762
Main dock	92,308	91,237
Fish dock	615,396	637,006
Deep water dock	178,346	188,082
Fish grinder	14,214	22,316
Administration	1,501,442	1,707,209
Depreciation	2,364,813	2,318,895
Total Operating Expenses	6,544,477	6,679,507
Operating Loss	(2,389,020)	(2,434,486)
Nonoperating Revenues (Expenses)		
Investment income	2,891	46,361
State PERS relief	45,007	54,946
Other income	152,109	136,147
Cruise ship tax	-	41,064
Fish tax	46,692	23,289
Abandonment of various projects	-	(614,830)
Net Nonoperating Revenues (Expenses)	246,699	(313,023)
Loss Before Transfers and Capital Contributions	(2,142,321)	(2,747,509)
Transfers in (out)	318,028	(36,412)
Capital contributions	251,835	2,372,711
Change in Net Position	(1,572,458)	(411,210)
Beginning Net Position	49,321,173	49,732,383
Ending Net Position	\$ 47,748,715	\$ 49,321,173

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

<i>Year Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,475,892	\$ 4,309,683
Payments to suppliers	(2,342,114)	(3,033,276)
Payments to employees	(1,771,082)	(1,298,569)
Net cash flows from (for) operating activities	362,696	(22,162)
Cash Flows from (for) Noncapital Financing Activities		
Decrease in due to other funds	-	(502,221)
Transfers out	318,028	(36,412)
Cruise ship tax and fish tax received	46,692	64,353
Net cash flows from (for) noncapital financing activities	364,720	(474,280)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(140,000)	(135,000)
Interest paid on long-term debt	(24,726)	(153,400)
Capital contributions received	778,142	3,410,259
Acquisition of property, plant and equipment	(534,036)	(1,767,286)
Decrease in interfund loan	(57,648)	(60,940)
Net cash flows from (for) capital and related financing activities	21,732	1,293,633
Cash Flows from Investing Activities		
Investment income received	2,891	46,361
Net Increase in Cash and Investments	752,039	843,552
Beginning Cash and Investments	1,149,626	306,074
Ending Cash and Investments	\$ 1,901,665	1,149,626

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

<i>Year Ended December 31,</i>	2017	2016
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (2,389,020)	\$ (2,434,486)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,364,813	2,318,895
Noncash expense - PERS relief	45,007	54,946
Increase in allowance for doubtful accounts	115,566	5,550
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	152,109	136,147
Abandonment of various projects	-	(614,830)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(26,353)	(81,937)
Inventory	(313)	3,385
Prepaid items	15,955	33,483
Deferred outflows of resources related to pensions	274,335	(132,501)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	4,849	88,239
Accrued payroll and related liabilities	(9,836)	9,789
Unearned grant revenue	55,260	13,046
Accrued leave	(12,206)	4,625
Prepaid berth rentals and deposits	41,853	9,856
Net pension liability	(430,572)	586,499
Deferred inflows of resources related to pensions	179,249	(4,868)
Net Cash Flows from (for) Operating Activities	\$ 362,696	\$ (22,162)
Noncash Capital and Related Financing Activities		
Interest capitalized	\$ -	\$ 141,345
Capital assets acquired on account	\$ -	\$ 105,940

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Internal Service Funds

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

Health Insurance Fund - This fund accounts for the cost of medical, dental, vision insurance activities.

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

City of Homer, Alaska
Internal Service Funds
Combining Statement of Net Position

<i>December 31, 2017</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ 903,363	\$ 63,595	\$ 966,958
Liabilities and Net Position			
Net Position			
Unrestricted	\$ 903,363	\$ 63,595	\$ 966,958
Total Liabilities and Net Position	\$ 903,363	\$ 63,595	\$ 966,958

City of Homer, Alaska

Internal Service Funds

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

<i>Year Ended December 31, 2017</i>	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 1,523,647	\$ 338,203	\$ 1,861,850
Employee health contributions	175,852	-	175,852
Total Operating Revenues	1,699,499	338,203	2,037,702
Operating Expenses			
Salaries and benefits	-	194,724	194,724
Insurance premiums	1,549,114	-	1,549,114
Administration	23,368	-	23,368
Employee incentive fees	106,696	-	106,696
Total Operating Expenses	1,679,178	194,724	1,873,902
Change in Net Position	20,321	143,479	163,800
Beginning Net Position (Deficit)	883,042	(79,884)	803,158
Ending Net Position	\$ 903,363	\$ 63,595	\$ 966,958

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

<i>Year Ended December 31, 2017</i>	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 1,699,499	\$ 338,203	\$ 2,037,702
Payments to employees	(106,696)	(194,724)	(301,420)
Payments for insurance, claims, and administration	(1,572,482)	-	(1,572,482)
Net cash flows from (for) operating activities	20,321	143,479	163,800
Cash Flows from (for) Noncapital Financing Activities			
Decrease in due to other funds	-	(79,884)	(79,884)
Net cash flows from (for) noncapital financing activities	-	(79,884)	(79,884)
Net Increase in Cash and Investments	20,321	63,595	83,916
Cash and Investments, beginning	883,042	-	883,042
Cash and Investments, ending	\$ 903,363	\$ 63,595	\$ 966,958
Reconciliation of Operating Income to Net Cash			
Flows from (for) Operating Activities			
Operating income	\$ 20,321	\$ 143,479	\$ 163,800

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

<i>December 31,</i>	2017	2016
Assets		
Cash and investments	\$ 903,363	\$ 883,042
Total Assets	\$ 903,363	\$ 883,042
Net Position		
Unrestricted	\$ 903,363	\$ 883,042

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

<i>Year Ended December 31,</i>	2017	2016
Operating Revenues		
Interfund insurance charges	\$ 1,523,647	\$ 1,468,618
Employee health contributions	175,852	161,366
Total Operating Revenues	1,699,499	1,629,984
Operating Expenses		
Insurance premiums	1,549,114	1,440,767
Administration	23,368	25,827
Employee incentive fees	106,696	102,050
Total Operating Expenses	1,679,178	1,568,644
Operating Income	20,321	61,340
Transfers in	-	94,394
Change in Net Position	20,321	155,734
Beginning Net Position	883,042	727,308
Ending Net Position	\$ 903,363	\$ 883,042

City of Homer, Alaska

Health Insurance Internal Service Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided and employee contributions	\$ 1,699,499	\$ 1,629,984
Payments for insurance, claims, and administration	(1,572,482)	(1,466,594)
Payments to employees for incentive fees	(106,696)	(102,050)
Net cash flows from (for) operating activities	20,321	61,340
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	94,394
Net Increase in Cash and Investments	20,321	155,734
Cash and Investments, beginning	883,042	727,308
Cash and Investments, ending	\$ 903,363	\$ 883,042
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income	\$ 20,321	\$ 61,340

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

<i>December 31,</i>	2017	2016
Current Assets		
Cash and investments	\$ 63,595	\$ -
Liabilities and Net Position		
Current Liabilities		
Due to other funds	\$ -	\$ 79,884
Net Position		
Unrestricted (deficit)	63,595	(79,884)
Total Liabilities and Net Position	\$ 63,595	-

City of Homer, Alaska

Leave Cash-out Internal Service Fund

Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

<i>Year Ended December 31,</i>	2017	2016
Operating Revenues - interfund leave cash-out charges	\$ 338,203	\$ 206,784
Operating Expenses - salaries and benefits	194,724	172,352
Change in Net Position	143,479	34,432
Beginning Net Position (Deficit)	(79,884)	(114,316)
Ending Net Position (Deficit)	\$ 63,595	\$ (79,884)

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

<i>Year Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided	\$ 338,203	\$ 206,784
Payments to employees	(194,724)	(172,352)
Net cash flows from (for) operating activities	143,479	34,432
Cash Flows from (for) Noncapital Financing Activities		
Increase (decrease) in due to other funds	(79,884)	(34,432)
Net Increase in Cash and Investments	63,595	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ 63,595	\$ -
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income	\$ 143,479	\$ 34,432

Schedule of Expenditures of Federal Awards

City of Homer, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Total Grant Award	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF THE INTERIOR					
Passed through the State of Alaska Department of Fish and Game - Fish and Wildlife Cluster: Sport Fish Restoration	15.605	\$2,237,475	COOP#12-085	\$ -	\$ 30,146
DEPARTMENT OF TRANSPORTATION					
Passed through the State of Alaska Department of Transportation and Public Facilities:					
Highway Planning and Construction Cluster -					
Highway Planning and Construction	20.205	262,334	54392	-	131,980
Soundview Sidewalk	20.205	494,119	30001777CT	-	420,598
Total CFDA 20.205					552,578
Total Highway Planning and Construction Cluster					552,578
Highway Safety Cluster:					
State and Community Highway Safety	20.600	7,350	402PT-17-06-(A)-5	-	5,078
State and Community Highway Safety	20.600	11,770	402PT-18-06-(A)-5	-	4,548
Total CFDA 20.600					9,626
Total Highway Safety Cluster					9,626
Total Department of Transportation					562,204
INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
Passed through the State of Alaska Department of Education and Early Development - Grants to State	45.310	1,250	None	-	1,250
Environmental Protection Agency					
Passed through State of Alaska Department of Environmental Conservation:					
Clean Water State Revolving Fund Cluster -					
Capitalization Grants for Drinking Water State Revolving Funds -					
- Loan Portion	66.458	368,844	409071	-	368,844
Drinking Water State Revolving Fund Cluster -					
Capitalization Grants for Drinking Water State Revolving Funds:					
- Loan Portion	66.468	63,372	409091	-	63,372
- Subsidy Portion	66.468	190,116	409091	-	6,441
Total Drinking Water State Revolving Fund Cluster					69,813
Total Environmental Protection Agency					438,657
DEPARTMENT OF HOMELAND SECURITY					
Passed through the State of Alaska Division of Homeland Security and Emergency Management -					
Homeland Security Grant Program	97.067	110,000	20SHSP-GY15	-	9,750
Homeland Security Grant Program	97.067	343,363	20SHSP-GY16	-	251,694
Total CFDA 97.067					261,444
Federal Emergency Management Agency	97.083	248,421		-	26,585
Total Department of Homeland Security					288,029
Total Federal Financial Assistance					\$ 1,320,286

See accompanying notes to the Schedule of Expenditures of Federal Awards.

City of Homer, Alaska

Notes to Schedule of Expenditures of Federal Awards *Year Ended December 31, 2017*

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Homer under programs of the federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Homer, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Homer.

The City of Homer had no federally funded insurance programs or loan guarantees during the year ended December 31, 2017.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

City of Homer has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Clean Water and Drinking Water Revolving Loans

The Clean Water and Drinking Water Revolving Loans are programs funded through a mix of federal and state funding. The Drinking Water Revolving Loan was offered with a subsidized portion not to exceed \$612,750. The federal subsidy and loan will be reported on the Schedule as the funds are expended based on the awarded ratios between subsidy and loan. The City is unable to determine the actual funding split until the drawdowns are processed by the State.

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Single Audit Reports

Single Audit Responses (Unaudited)



City of Homer

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Financial Statement Findings

Finding 2016-001 Timely Reconciliation of Books and Records - Material Weakness in Internal Control over Financial Reporting

Status This finding has been resolved.

Finding 2016-002 Single Audit Reporting - Material Noncompliance

Status This finding has been resolved.

Federal Award Findings

There was no findings in the prior year.

State of Alaska Award Findings

There was no findings in the prior year.