



City of Homer

www.cityofhomer-ak.gov

Finance Department

491 East Pioneer Avenue
Homer, Alaska 99603

finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

March 31, 2026

BDO USA, P.C.
3601 C St., Ste. 600
Anchorage, AK 99502

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of City of Homer (the Government), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 17, 2025, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.
- (4) We have made available to you:
 - (a) All financial records, and related data and federal and state awards (including amendments, if any, and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities), including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of City of Homer that were held from July 1, 2024 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
 - (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are listed immediately below have been corrected. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.

Corrected Misstatements

Item #	Account Name and Adjustment Description	Debit	Credit
1)	Deferred Lease Revenue	\$178,611	



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	Lease Receivable		(\$178,611)
	To update lease figures for leases that were added and deleted in FY2025.		

- (7) The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are listed immediately below have not been corrected. In our opinion, the effects of not correcting such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements of the Government taken as a whole.

Uncorrected Misstatements

Item #	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
1	Prior Year Sick Leave Expense	\$299,596		\$0
	Current Year Sick Leave Expense		(\$299,596)	
2	Prior Year Sick Leave Expense	\$60,777		\$0
	Current Year Sick Leave Expense		(\$60,777)	
The effects of restating net position for the implementation of GASB Standard 101 in FY25.				
Current year cumulative uncorrected misstatements				\$0
Cumulative effect of prior period uncorrected misstatements brought forward from last period				\$0
Cumulative uncorrected misstatements adjusted for prior period impact				\$0

Description of Uncorrected Disclosure Misstatements

The City elected to forego updating the beginning balances of Net Position for the implementation of GASB Standard 101 in FY2025. The City correspondingly elected to forego associated GASB Standard 101 disclosures over the implementation of the Standard.



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- (8) You have identified and discussed with us in the course of the audit the deficiencies in our internal control over financial reporting listed immediately below.

Control Deficiencies Other Than Material Weaknesses or Significant Deficiencies:

- 1) The City should review and ensure that its GASB 87 schedules are accurate before completion.
 - 2) Some members of the Finance team have the ability to add or modify employee user details via system management module.
- (9) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements
- (10) We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- (11) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of all related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.



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- (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
- (c) Guarantees, whether written or oral, under which the Government is contingently liable.
- (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance accounting principles generally accepted in the United States of America In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances The methods, significant assumptions, and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, and disclosure that is in accordance with accounting principles generally accepted in the United States of America.
- (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
- Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual guarantees; or
 - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- (f) Commitments, such as:
- Major capital asset purchase agreements;



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- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
 - Deferred compensation, bonuses, pensions plans, or severance pay; or
 - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
- (12) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets) and provisions of contracts and grant agreements (including the failure to file reports required by regulatory bodies (e.g., EPA, OCC, FDIC, DOL, Medicare, U.S. Customs Service, HIPAA, IRS, Dept. of Commerce, state and municipal authorities), tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - (b) Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
 - (c) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
- (13) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
- (14) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (15) Provision, when material, has been made (i) to reduce excess or obsolete inventories to their estimated net realizable value and (ii) for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market rates.



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- (16) We have appropriately disclosed the Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
- (17) We have complied with all aspects of contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance. We have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.
- (18) No discussions have taken place with your firm's personnel regarding employment with the Government.
- (19) We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds, and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (20) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (21) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (22) In regards to the assistance in preparation and submission of the City's data collection form, services performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.



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(23) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria, and we believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria.

The methods of measurement or presentation have not changed from those used in the prior period.

(24) Required supplementary information is measured and presented in accordance with prescribed guidelines.

(25) With respect to federal award programs:

- (a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA).
- (b) We have, in accordance with the Uniform Guidance, identified and disclosed to you in the schedule of expenditures of federal awards (SEFA), expenditures made during the audit period for all government programs and related activities provided by federal agencies in the form of federal awards, grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- (c) We acknowledge our responsibility for the preparation of the SEFA and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA below.
- (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014, and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance, as well as from those awards that are subject to the 2024 Revised Uniform Guidance.
- (e) We will include the auditor's report on the SEFA in any document that contains the SEFA and that indicates you have reported on such information.



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- (f) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.
- (i) We have made available to you all federal award contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program and related activities that have taken place with federal agencies or pass-through entities.
- (j) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- (k) We have complied with the direct and material compliance requirements and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- (l) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.



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- (m) Amounts claimed or used for cost-sharing (matching) were determined in accordance with relevant guidelines in the Uniform Guidance (2 CFR part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* subpart E).
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations, if any.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- (p) We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- (q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- (r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- (s) The copies of federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- (t) We have charged costs to federal awards in accordance with applicable cost principles.
- (u) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance and we are responsible for and have reviewed the sections of the DCF that you have completed and ensured any uploads to the Federal Audit Clearinghouse (FAC) performed by you are correct. The final version of the applicable audit reporting package, which includes your signed auditor's reports, that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.



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- (v) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
- (w) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- (26) We have a process to track the status of audit findings and recommendations.
- (27) There have been no known or suspected breaches of sensitive information (e.g., personnel files) caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incident could have a material effect on the financial statements.
- (28) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
 - If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such



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information, they should not be relied on. A copy of the printed financial statements will be provided on request.

- (29) Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
- (30) The fact that the amount of uncollateralized deposits or uninsured, unregistered securities held by the counterparty or its trust department or agent but not in the Government's name significantly exceeded the amounts in those categories as of the statement of financial position date was properly disclosed in the financial statements.
- (31) We believe that the actuarial assumptions and methods used to measure pension and/or other postretirement liabilities and costs for financial accounting and disclosure purposes are appropriate in the circumstances.
- (32) We have determined that there is the possibility of a withdrawal liability in a multiemployer plan in the amount of.
- (33) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB Statement No. 87.
- (34) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangement associated with conduit debt obligations in accordance with GASB Statement No. 91.
- (35) We have appropriately identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASB Statement No. 94.
- (36) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASB Statement No. 96.
- (37) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101.
- (38) We have considered climate-related events and conditions when preparing the financial statements and necessary disclosures, and have communicated to you such matters, if any, and their impact on our financial reporting.



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(39) Expenditures that are reported on the State Schedule of Financial Assistance did not exceed \$750,000 and the City is not subject to an audit in accordance with the State of Alaska Audit Guide. To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Very truly yours,


Jenna Delumeau


Elizabeth Fischer

