

# **City of Homer, Alaska**

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information, and Single Audit Reports

Year Ended June 30, 2023



**City of Homer**  
[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

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# City of Homer, Alaska

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of revenues, expenditures, and changes in fund balance - budget and actual, schedules of the City's information on the net pension liability and net other postemployment benefits (OPEB) Assets, and schedules of the City's pension and OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and *Schedule of State Financial Assistance* as required by the *State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.





We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Homer as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated April 8, 2024, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules and schedules for the year ended June 30, 2022 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BDO USA, P.C.*

Anchorage, Alaska  
October 8, 2024

## **Management's Discussion and Analysis**

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# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

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### Financial Highlights

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- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on June 30, 2023 by \$150,035,309 (Net Position). Of this amount, unrestricted net position of \$28,170,569 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$6,115,976 from current year activity. For the year, governmental type activities increased by \$4,818,139 and business type activities increased by \$1,297,837.

As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$33,473,790, an increase of \$2,391,621 from the prior year. A combination of factors contributed to the increase, but primarily due to proceeds from new loans.

- At June 30, 2023, the fund balance for the General fund was \$7,502,125. Of this amount, \$2,332,560 was unassigned and available for future use.
- At June 30, 2023, the City of Homer's outstanding governmental liabilities totaled \$23,092,684. Business-type debt outstanding was \$4,462,656. These figures include external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liabilities.

### Overview of the Financial Statements

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

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

The financial statements also include *notes*, which elaborate on some of the information in the 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, and OPEB schedules. In addition to these required elements, we have included other supplementary information such as the individual and combining fund financial statements and schedules.

# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

<b>Illustration A-1</b> <b>Major Features of City of Homer's Government-wide and Fund Financial Statements</b>			
	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.

### 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 in the table of contents of this document.

## City of Homer, Alaska

### Management's Discussion and Analysis June 30, 2023

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- 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 period. 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**

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

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

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

The City of Homer maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

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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

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The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found 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 2023 fiscal year, the City's net position (assets exceeding liabilities) totaled \$150,035 (see Table A-1). Of this amount, \$114,494 or 76%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$7,371 in the governmental activities is for capital projects. The total unrestricted amount in the governmental activities totals \$23,442 and is available to meet the City's ongoing obligations to citizens and creditors.

# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

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)**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current assets	\$ 42,654	43,405	7,450	5,983	50,104	49,388
Noncurrent assets	84,126	83,372	51,873	52,650	135,999	136,022
<b>Total Assets</b>	126,780	126,777	59,323	58,633	186,103	185,410
<b>Deferred outflows</b>	1,855	1,694	305	299	2,160	1,993
<b>Total Assets and Deferred Outflows</b>	128,635	128,471	59,628	58,932	188,263	187,403
<b>Liabilities</b>						
Noncurrent liabilities	23,093	21,008	4,462	4,464	27,555	25,472
Other liabilities	1,840	1,960	1,137	880	2,977	2,840
<b>Total Liabilities</b>	24,933	22,968	5,599	5,344	30,532	28,312
<b>Deferred inflows</b>	397	7,016	7,299	8,155	7,696	15,171
<b>Total Liabilities and Deferred Inflows</b>	25,330	29,984	12,898	13,499	38,228	43,483
<b>Net Position</b>						
Net investment in capital assets	72,492	71,964	42,002	42,946	114,494	114,910
Restricted	7,371	8,530	-	-	7,371	8,530
Unrestricted	23,442	17,993	4,728	2,487	28,170	20,480
<b>Total Net Position</b>	\$ 103,305	98,487	46,730	45,433	150,035	143,920

# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues</b>						
Charges for services	\$ 5,112	5,364	5,931	5,537	11,043	10,901
Operating grants and contributions	1,253	1,253	33	92	1,286	1,345
Capital grants and contributions	1,421	1,164	526	35	1,947	1,199
<b>General Revenues</b>						
Property taxes	4,033	3,914	-	-	4,033	3,914
Sales taxes	13,109	12,341	-	-	13,109	12,341
Other	556	(737)	190	5	746	(732)
<b>Total Revenues</b>	<b>25,484</b>	<b>23,299</b>	<b>6,680</b>	<b>5,669</b>	<b>32,164</b>	<b>28,968</b>
<b>Expenses</b>						
General government	3,621	4,196	-	-	3,621	4,196
Public safety	5,473	5,813	-	-	5,473	5,813
Public works	4,448	4,385	-	-	4,448	4,385
Library	1,095	1,117	-	-	1,095	1,117
Airport	301	292	-	-	301	292
Community services	85	94	-	-	85	94
Water and sewer	4,781	4,375	-	-	4,781	4,375
Unallocated interest	234	257	-	-	234	257
Port and harbor	-	-	6,011	5,829	6,011	5,829
<b>Total Expenses</b>	<b>20,038</b>	<b>20,529</b>	<b>6,011</b>	<b>5,829</b>	<b>26,049</b>	<b>26,358</b>
Increase (decrease) in net position before transfers	\$ 5,446	2,770	669	(160)	6,115	2,610



# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Transfers	\$ (628)	37	628	(37)	-	-
<b>Increase (Decrease) In Net Position</b>	4,818	2,807	1,297	(197)	6,115	2,610
<b>Net Position, beginning</b>	98,487	95,680	45,433	45,630	143,920	141,310
<b>Net Position, ending</b>	\$ 103,305	98,487	46,730	45,433	150,035	143,920

The City's net position increased by \$6,115. Revenues exceeded expenses in the governmental activities by \$4,818 and in the business-type activities revenues exceeded expenses by \$1,297. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased due to investment income and loan proceeds along with amount of sales tax collected.
- Expenses in the governmental activities decreased due to changes in the PERS and OPEB liabilities.
- Revenues in the business-type activities increased by \$1,011 in total. This is mainly due to increases in charges for services of \$394 and capital grants and contributions of \$491.
- Expenses in the business-type activities also increased by \$386.
- Sales Taxes reflect an increase from 2022. This breakdown shows the Sales Taxes by fund. Changes in sales tax dollars from 2022 to 2023 are as follows:

Sales & Use Taxes	2023	2022	Change
<b>Fund</b>			
General	\$ 8,292	7,712	580
Utility (Water & Sewer – HAWSP)	2,007	1,942	65
HART Roads Capital Project	1,806	1,732	74
Police Station Debt Service SRF	803	777	26
Hart Trails Capital Project	201	178	23
<b>Total</b>	\$ 13,109	12,341	768

## City of Homer, Alaska

### Management's Discussion and Analysis June 30, 2023

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#### Financial Analysis of the Governmental Funds

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

As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$33,473 an increase of \$2,391 compared to balances at June 30, 2022. Of the ending balance, \$2,287, or 7% is unassigned. The remaining fund balance is restricted for roads and trails \$7,371, committed for police station debt service \$1,622, community assistance program \$98, port expansion study \$750, Covid mitigation, and emergency use \$4,887, or assigned for future capital projects and other purposes \$15,852; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$1,315. The increase of total fund balance during the year is attributed to:

- General Fund increase in fund balance of \$662 from net transfers in of \$583 from other funds.
- The Utility Special Revenue Fund's fund balance increased by \$825. This is mainly due to loan proceeds of \$870.
- HAWSP Debt Service Fund's increase of \$1,238 is due to the sales tax collections and special assessments greater than debt service payments.
- HART Roads Capital Projects Fund's decrease of \$1,405 is due to transfers out of \$1,047.
- Increase of \$1,072 in nonmajor funds due to loan proceeds of \$723.

#### Governmental Funds (General and Utility Special Revenue) Budgetary Highlights

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- General Fund Revenue: Final Budget and Original Budget excluded PERS relief revenue from the State of Alaska, and actual revenues were greater than Final Budget by \$280. Net transfers in were \$57 less than the Final Budget.
- General Fund Expenditures: Final Budget and Original Budget excluded PERS relief expenditures and actual expenditures were below Final Budget by \$440.
- Utility Fund Expenditures and Revenue: Final Operating Budget and original budget excluded intergovernmental revenues and their corresponding expenditures. The net change in fund balance was greater than the final budget by \$825 due to increased charges for services and loan proceeds.

# City of Homer, Alaska

## Management's Discussion and Analysis June 30, 2023

### 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 June 30, 2023, totals \$128,602 (net of accumulated depreciation). This amount represents a \$416 decrease over the previous year.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 11,687	11,687	15,805	15,805	27,492	27,492
Construction in progress	2,470	2,070	793	50	3,263	2,120
Buildings	59,736	59,736	16,381	16,381	76,117	76,117
Improvements other than buildings	60,701	57,117	54,650	54,592	115,351	111,709
Machinery and equipment	19,629	18,747	3,676	3,473	23,305	22,220
Infrastructure	37,056	37,056	-	-	37,056	37,056
Right-to-use leased equipment	121	- 121	-	-	121	- 121
Right-to-use leased property and buildings	239	- 239	-	-	239	- 239
Accumulated depreciation	(107,513)	(103,401)	(46,829)	(44,655)	(154,342)	(148,056)
<b>Total Capital Assets</b>	<b>\$ 84,126</b>	<b>83,372</b>	<b>44,476</b>	<b>45,646</b>	<b>128,602</b>	<b>129,018</b>

### Major Capital Asset Events During the 2023 Fiscal Year Included

#### Capital Projects Completed

Governmental Funds:

- Public Works – HART improvements and road drainage plan
- Water & Sewer system upgrades

Port & Harbor (Enterprise Fund):

- Float Repair Caps A-J

#### On-Going Projects

Governmental Funds:

## City of Homer, Alaska

### Management's Discussion and Analysis June 30, 2023

- Public Works – Bunnell Ave and Charles Way improvements and road drainage plan
- Public Works – Manhole repairs for East Hill repaving
- Water & Sewer – Raw water line replacement and digester blowers

Port & Harbor (Enterprise Fund):

- Float Repair Caps K-Q
- Harbor Basin Cathodic Protection Project
- Large Vessel Study

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

**Table A-4**  
**City of Homer's Debt**  
**(Amounts reported in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable – utility	\$ 7,604	7,048	-	-	7,604	7,048
General obligation bond payable	3,280	3,500	2,440	2,650	5,720	6,150
Unamortized bond premium	516	563	33	50	549	613
<b>Total</b>	<b>11,400</b>	<b>11,111</b>	<b>2,473</b>	<b>2,700</b>	<b>13,873</b>	<b>13,811</b>
Net pension liability	10,588	8,753	1,744	1,543	12,332	10,296
Leases payable	235	297	-	-	235	297
Compensated absences	870	847	246	221	1,116	1,068
<b>Total Long-term Liabilities</b>	<b>\$ 23,093</b>	<b>21,008</b>	<b>4,463</b>	<b>4,464</b>	<b>27,556</b>	<b>25,472</b>

Long-term liabilities - At the end of the 2023 fiscal year, the City of Homer had total debt outstanding of \$13,873 as detailed in Table A-4. This excludes \$12,332 related to net pension liability, \$235 related to long term leases, and \$1,116 related to the compensated absences.

The notes payable 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 1.5-1.9% interest. The majority of the loans are repaid by the property owner through "SAD" (Special Assessment District). The remaining portion of the loans are paid back by the City of Homer with designated sales tax revenues.

## City of Homer, Alaska

### Management's Discussion and Analysis June 30, 2023

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Additional information on the City's Long-term liabilities can be found in Notes 6, 9, and 10 to the basic financial statements.

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

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The State's fiscal situation remains uncertain. The novel coronavirus pandemic has caused increased uncertainty in the City of Homer's future revenue and expenditure activities. However, the City of Homer will utilize federal funding from the American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Funds (ARPA CSLFRF) which is expected to be utilized during 2023-2024.

The Water and Sewer Utility Fund remains vulnerable because of a basic fundamental flaw. The City owns an expensive and expansive treatment, collection and distribution infrastructure and very few customers to pay for maintenance and operations. Priority should be placed on infill and hooking up customers where the infrastructure has already been installed. It is debatable if expanding the system into new, less densely populated areas is a net drain on the system as with those new customers comes increased miles of pipe to maintain.

#### **Requests for Information**

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

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

## **Basic Financial Statements**

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

<b>June 30, 2023</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash and investments	\$ 28,261,745	5,210,665	33,472,410
Receivables, net of allowance for doubtful accounts:			
Accounts	550,525	479,271	1,029,796
Sales and property taxes	3,500,930	-	3,500,930
State and federal grants and loans	1,477,805	526,470	2,004,275
Assessments	3,214,127	-	3,214,127
Leases	-	7,397,423	7,397,423
Internal balances	15,835	(15,835)	-
Inventory	543,677	-	543,677
Prepaid items	784,251	223,014	1,007,265
Restricted cash and investments	-	317,980	317,980
Net OPEB assets	4,304,450	708,885	5,013,335
Capital assets not being depreciated:			
Land and land improvements	11,686,635	15,804,641	27,491,276
Construction work in progress	2,469,765	792,916	3,262,681
Other capital assets, net of accumulated depreciation	69,970,052	27,877,626	97,847,678
<b>Total Assets</b>	<b>126,779,797</b>	<b>59,323,056</b>	<b>186,102,853</b>
<b>Deferred Outflows of Resources:</b>			
Related to pensions	1,394,633	229,677	1,624,310
Related to OPEB	460,116	75,775	535,891
<b>Total Deferred Outflows of Resources</b>	<b>1,854,749</b>	<b>305,452</b>	<b>2,160,201</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 128,634,546</b>	<b>59,628,508</b>	<b>188,263,054</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 864,209	498,625	1,362,834
Accrued payroll and related liabilities	538,999	85,195	624,194
Accrued interest payable	127,146	4,425	131,571
Prepaid rentals and deposits	80,472	449,481	529,953
Unearned revenue	229,485	18,000	247,485
Unearned lease revenue	-	81,000	81,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	510,000	96,000	606,000
Notes payable	945,104	-	945,104
Leases payable	63,587	-	63,587
General obligation bonds payable	230,000	220,000	450,000

**City of Homer, Alaska**  
**Statement of Net Position, continued**

<b>June 30, 2023</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position, continued</b>			
<b>Liabilities, continued</b>			
Due in more than one year:			
Accrued leave	\$ 360,275	149,559	509,834
Notes payable	6,658,204	-	6,658,204
Leases payable	170,937	-	170,937
General obligation bonds payable including bond premium	3,566,300	2,253,349	5,819,649
Net pension liability	10,588,277	1,743,748	12,332,025
<b>Total Liabilities</b>	<b>24,932,995</b>	<b>5,599,382</b>	<b>30,532,377</b>
<b>Deferred Inflows of Resources:</b>			
Lease related	-	7,233,457	7,233,457
OPEB related	396,597	65,314	461,911
<b>Total Deferred Inflows of Resources</b>	<b>396,597</b>	<b>7,298,771</b>	<b>7,695,368</b>
<b>Net Position</b>			
Net investment in capital assets	72,492,320	42,001,834	114,494,154
Restricted for:			
Roads and trails	7,326,852	-	7,326,852
Special service district	43,734	-	43,734
Unrestricted	23,442,048	4,728,521	28,170,569
<b>Total Net Position</b>	<b>103,304,954</b>	<b>46,730,355</b>	<b>150,035,309</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 128,634,546</b>	<b>59,628,508</b>	<b>188,263,054</b>

*See accompanying notes to basic financial statements.*



**City of Homer, Alaska**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 3,621,498	218,399	93,678	913,195	(2,396,226)	-	(2,396,226)
Public safety	5,472,835	409,518	1,115,827	-	(3,947,490)	-	(3,947,490)
Public works	4,447,661	379,482	24,636	-	(4,043,543)	-	(4,043,543)
Library	1,095,151	-	15,747	-	(1,079,404)	-	(1,079,404)
Airport	300,687	231,685	2,627	-	(66,375)	-	(66,375)
Community services	85,278	38,821	-	-	(46,457)	-	(46,457)
Water	2,829,063	1,972,511	-	508,051	(348,501)	-	(348,501)
Sewer	1,952,032	1,861,824	-	-	(90,208)	-	(90,208)
Unallocated interest	233,501	-	-	-	(233,501)	-	(233,501)
<b>Total Governmental Activities</b>	20,037,706	5,112,240	1,252,515	1,421,246	(12,251,705)	-	(12,251,705)
<b>Business-type Activities</b>							
Port and harbor	6,010,628	5,931,230	32,821	526,470	-	479,893	479,893
<b>Total</b>	\$ 26,048,334	11,043,470	1,285,336	1,947,716	(12,251,705)	479,893	(11,771,812)
<b>General Revenues</b>							
Property taxes					\$ 4,032,783	-	4,032,783
Sales taxes					13,108,876	-	13,108,876
Grants and entitlements not restricted to a specific purpose					24,752	116,236	140,988
Investment income					531,670	73,471	605,141
<b>Transfers</b>					(628,237)	628,237	-
<b>Total General Revenues and Transfers</b>					17,069,844	817,944	17,887,788
<b>Change in Net Position</b>					4,818,139	1,297,837	6,115,976
<b>Beginning Net Position</b>					98,486,815	45,432,518	143,919,333
<b>Ending Net Position</b>					\$ 103,304,954	46,730,355	150,035,309

See accompanying notes to basic financial statements.

## City of Homer, Alaska

Governmental Funds  
Balance Sheet

	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	HAWSP Debt Service	HART Roads Capital Project	Nonmajor Funds	
<b>June 30, 2023</b>						
<b>Assets</b>						
Cash and investments	\$ 5,612,963	1,769,451	5,915,270	4,745,984	10,168,545	28,212,213
Receivables, net of allowance:						
Accounts	174,895	375,630	-	-	-	550,525
Property taxes	44,394	-	-	-	-	44,394
Sales taxes	2,230,094	-	511,017	459,916	255,509	3,456,536
Assessments	-	-	1,956,104	-	1,258,023	3,214,127
State and federal grants	-	1,346,534	-	-	131,271	1,477,805
Due from other funds	206,919	-	-	-	-	206,919
Inventory	5,135	538,542	-	-	-	543,677
Prepaid and other assets	64,645	-	-	-	719,606	784,251
<b>Total Assets</b>	<b>\$ 8,339,045</b>	<b>4,030,157</b>	<b>8,382,391</b>	<b>5,205,900</b>	<b>12,532,954</b>	<b>38,490,447</b>
<b>Liabilities</b>						
Accounts payable	\$ 315,393	452,443	-	46,292	50,081	864,209
Accrued payroll and related liabilities	458,042	68,064	-	-	-	526,106
Unearned revenue	-	-	-	-	229,485	229,485
Customer deposits	25,265	55,207	-	-	-	80,472
Due to other funds	-	-	-	-	64,038	64,038
<b>Total Liabilities</b>	<b>798,700</b>	<b>575,714</b>	<b>-</b>	<b>46,292</b>	<b>343,604</b>	<b>1,764,310</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	38,220	-	-	-	-	38,220
Special assessments not yet due	-	-	1,956,104	-	1,258,023	3,214,127
<b>Total Deferred Inflows of Resources</b>	<b>38,220</b>	<b>-</b>	<b>1,956,104</b>	<b>-</b>	<b>1,258,023</b>	<b>3,252,347</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>836,920</b>	<b>575,714</b>	<b>1,956,104</b>	<b>46,292</b>	<b>1,601,627</b>	<b>5,016,657</b>
<b>Fund Balances</b>						
Nonspendable	69,780	538,542	-	-	706,606	1,314,928
Restricted	-	-	-	5,159,608	2,210,978	7,370,586
Committed	4,928,471	-	-	-	1,720,480	6,648,951
Assigned	171,314	2,915,901	6,426,287	-	6,338,503	15,852,005
Unassigned	2,332,560	-	-	-	(45,240)	2,287,320
<b>Total Fund Balances</b>	<b>7,502,125</b>	<b>3,454,443</b>	<b>6,426,287</b>	<b>5,159,608</b>	<b>10,931,327</b>	<b>33,473,790</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,339,045</b>	<b>4,030,157</b>	<b>8,382,391</b>	<b>5,205,900</b>	<b>12,532,954</b>	<b>38,490,447</b>

See accompanying notes to basic financial statements.

**City of Homer, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2023**

Total fund balances for governmental funds		\$ 33,473,790
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 and amortization consist of:		
Land and land improvements	\$ 11,686,635	
Construction in progress	2,469,765	
Buildings	59,736,029	
Improvements other than buildings	60,702,635	
Machinery and equipment	19,628,966	
Right-to-use leased equipment	120,600	
Right-to-use leased property and buildings	239,090	
Infrastructure	37,055,664	
Accumulated depreciation and amortization	<u>(107,512,932)</u>	
<b>Total Capital Assets</b>		84,126,452
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	38,220	
Special assessments not yet due	<u>3,214,127</u>	
<b>Total Other Long-term Assets</b>		3,252,347
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.		(90,407)
Certain other postemployment benefits plans have been funded in excess of the required contributions. These assets are not financial resources and therefore are not reported in the funds.		
Net OPEB assets		4,304,450
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	(127,146)	
Notes payable - Utility	(7,603,308)	
Leases payable	(234,524)	
Bonds payable - Police Station, including premiums	(3,796,300)	
Accrued leave	(870,275)	
Net pension liability	<u>(10,588,277)</u>	
<b>Total Long-term Liabilities</b>		(23,219,830)
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	1,394,633	
Deferred outflows of resources related to OPEB	460,116	
Deferred inflows of resources related to OPEB	<u>(396,597)</u>	
<b>Total Deferred Pension Items</b>		<u>1,458,152</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 103,304,954</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					Total Governmental Funds
	General	Utility Special Revenue	HAWSP Debt Service	HART Roads Capital Project	Nonmajor Funds	
<b>Year Ended June 30, 2023</b>						
<b>Revenues</b>						
Property taxes	\$ 4,077,288	-	-	-	3,272	4,080,560
Sales and use taxes	8,292,059	-	2,007,007	1,806,306	1,003,504	13,108,876
Permits and licenses	42,973	-	-	-	-	42,973
Intergovernmental	1,262,390	508,051	-	-	919,835	2,690,276
Charges for services	978,587	3,834,335	-	-	-	4,812,922
Special assessments	-	-	476,870	-	572,929	1,049,799
Investment income	118,721	78,997	106,888	91,697	135,367	531,670
Fines and forfeitures	13,396	-	-	-	-	13,396
Enstar FMA refund	-	-	-	-	69,509	69,509
Other	-	-	-	-	8,237	8,237
<b>Total Revenues</b>	<b>14,785,414</b>	<b>4,421,383</b>	<b>2,590,765</b>	<b>1,898,003</b>	<b>2,712,653</b>	<b>26,408,218</b>
<b>Expenditures</b>						
Current:						
General government	4,158,880	-	-	-	27,887	4,186,767
Public safety	5,984,845	-	-	-	25,204	6,010,049
Public works	3,157,000	-	-	-	-	3,157,000
Library	1,024,664	-	-	-	-	1,024,664
Airport	286,791	-	-	-	-	286,791
Community services	94,000	-	-	-	-	94,000
Water	-	1,937,306	-	-	-	1,937,306
Sewer	-	1,647,846	-	-	-	1,647,846
Debt service:						
Principal	-	-	880,378	-	376,718	1,257,096
Interest	-	1,639	103,800	-	175,000	280,439
Capital outlay	-	1,317,096	-	2,255,804	1,524,961	5,097,861
<b>Total Expenditures</b>	<b>14,706,180</b>	<b>4,903,887</b>	<b>984,178</b>	<b>2,255,804</b>	<b>2,129,770</b>	<b>24,979,819</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>79,234</b>	<b>(482,504)</b>	<b>1,606,587</b>	<b>(357,801)</b>	<b>582,883</b>	<b>1,428,399</b>
<b>Other Financing Sources (Uses)</b>						
Loan proceeds	-	870,070	-	-	722,624	1,592,694
Transfers in	1,739,101	460,002	-	-	543,254	2,742,357
Transfers out	(1,156,267)	(23,064)	(368,268)	(1,046,983)	(777,247)	(3,371,829)
<b>Net Other Financing Sources (Uses)</b>	<b>582,834</b>	<b>1,307,008</b>	<b>(368,268)</b>	<b>(1,046,983)</b>	<b>488,631</b>	<b>963,222</b>
<b>Net Change in Fund Balances</b>	<b>662,068</b>	<b>824,504</b>	<b>1,238,319</b>	<b>(1,404,784)</b>	<b>1,071,514</b>	<b>2,391,621</b>
<b>Beginning Fund Balances</b>	<b>6,840,057</b>	<b>2,629,939</b>	<b>5,187,968</b>	<b>6,564,392</b>	<b>9,859,813</b>	<b>31,082,169</b>
<b>Ending Fund Balances</b>	<b>\$ 7,502,125</b>	<b>3,454,443</b>	<b>6,426,287</b>	<b>5,159,608</b>	<b>10,931,327</b>	<b>33,473,790</b>

See accompanying notes to basic financial statements.

## City of Homer, Alaska

**Reconciliation of the Change in Fund Balances of Governmental Funds  
to Statement of Activities  
Year Ended June 30, 2023**

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Net change in fund balances - total governmental funds \$ 2,391,621

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 and amortization expense is  
recognized to allocate the cost of these items over their estimated useful  
lives. This is the amount by which capital outlays exceeded depreciation.

Depreciation and amortization	\$ (4,250,551)	
Capital outlays	<u>5,005,111</u>	754,560

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. (924,136)

Repayment of the principal of the long-term debt consumes current financial  
resources in governmental funds. The issuance of long-term debt provides  
current financial resources in governmental funds. These transaction have  
no effect on the net position. Also, governmental funds report the effect of  
bond premiums, discounts, and similar items when debt is first issued,  
whereas these amounts are deferred and amortized in the Statement of  
Activities.

Principal payments of the long-term debt	1,257,097	
Decrease in unamortized bond premium	46,937	
Issuance of long-term debt	<u>(1,592,694)</u>	(288,660)

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and, therefore, are not reported as  
expenditures in governmental funds.

Increase in accrued leave	(22,982)	
Decrease in lease payable	62,885	
Decrease in net pension liability and related deferred accounts	404,699	
Decrease in net OPEB liability and related deferred accounts	<u>2,387,258</u>	2,831,860

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. 52,894

**Change in Net Position of Governmental Activities \$ 4,818,139**

*See accompanying notes to basic financial statements.*

## City of Homer, Alaska

Proprietary Funds  
Statement of Net Position

<i>June 30, 2023</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 5,210,665	\$ 49,532
Accounts receivable, net of allowance for doubtful accounts	479,271	-
State and federal grants receivable	526,470	-
Inventory	-	-
Lease receivable	302,029	-
Prepaid items	223,014	-
<b>Total Current Assets</b>	<b>6,741,449</b>	<b>49,532</b>
<b>Noncurrent Assets</b>		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	792,916	-
Other capital assets, net of accumulated depreciation	27,877,626	-
Restricted cash and investments	317,980	-
Lease receivable	7,095,394	-
Net OPEB assets	708,885	-
<b>Total Noncurrent Assets</b>	<b>52,597,442</b>	<b>-</b>
<b>Total Assets</b>	<b>59,338,891</b>	<b>49,532</b>
<b>Deferred Outflows of Resources:</b>		
Pension related	229,677	-
OPEB related	75,775	-
<b>Total Deferred Outflows of Resources</b>	<b>305,452</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 59,644,343</b>	<b>\$ 49,532</b>

See accompanying notes to basic financial statements.

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

<b>June 30, 2023</b>	<b>Major Enterprise Fund Port of Homer</b>	<b>Internal Service Funds</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 498,625	\$ -
Accrued payroll and related liabilities	85,195	12,893
Accrued leave	96,000	-
Accrued interest payable	4,425	-
General obligation bonds payable	220,000	-
Prepaid berth rentals and deposits	449,481	-
Unearned lease revenue	18,000	-
Due to other funds	-	142,881
<b>Total Current Liabilities</b>	<b>1,371,726</b>	<b>155,774</b>
<b>Noncurrent Liabilities, Net of Current Portion</b>		
Unearned lease revenue	81,000	-
Accrued leave long term	149,559	-
General obligation bonds payable including bond premium	2,253,349	-
Net pension liabilities	1,743,748	-
<b>Total Noncurrent Liabilities</b>	<b>4,227,656</b>	<b>-</b>
<b>Total Liabilities</b>	<b>5,599,382</b>	<b>155,774</b>
<b>Deferred Inflows of Resources:</b>		
Lease related	7,233,457	-
OPEB related	65,314	-
<b>Total Deferred Inflows of Resources</b>	<b>7,298,771</b>	<b>-</b>
<b>Net Position</b>		
Net investment in capital assets	42,001,834	-
Unrestricted (deficit)	4,744,356	(106,242)
<b>Total Net Position</b>	<b>46,746,190</b>	<b>(106,242)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 59,644,343</b>	<b>\$ 49,532</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(15,835)</u>	
<b>Net Position of Business-type Activities</b>	<b><u>\$ 46,730,355</u></b>	

*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 June 30, 2023</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
<b>Operating Revenues</b>		
Port and harbor charges for services	\$ 5,791,803	\$ -
Interfund charges	-	2,484,381
Employee health contributions	-	193,146
<b>Total Operating Revenues</b>	<b>5,791,803</b>	<b>2,677,527</b>
<b>Operating Expenses</b>		
Operations	3,076,692	313,494
Administration	729,256	535
Depreciation	2,173,415	-
Employee incentive fees	-	156,067
Insurance premiums	-	2,147,264
<b>Total Operating Expenses</b>	<b>5,979,363</b>	<b>2,617,360</b>
Operating income (loss)	(187,560)	60,167
<b>Nonoperating Revenues (Expense)</b>		
Investment income	73,471	-
Interest expense	(39,773)	-
State PERS relief	32,821	-
Other income	100,892	-
Cruise ship tax	38,535	-
Fish tax	116,236	-
<b>Total Nonoperating Revenues (Expense)</b>	<b>322,182</b>	<b>-</b>
Income (loss) before transfers and capital contributions	134,622	60,167
Transfers in	750,000	1,235
Transfers out	(121,763)	-
Capital contributions	526,470	-
Change in net position	1,289,329	61,402
<b>Beginning Net Position</b>	<b>45,456,861</b>	<b>(167,644)</b>
<b>Ending Net Position</b>	<b>46,746,190</b>	<b>\$ (106,242)</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	8,508	
<b>Change in Net Position of Business-type Activities</b>	<b>\$ 1,297,837</b>	

See accompanying notes to basic financial statements.



## City of Homer, Alaska

Proprietary Funds  
Statement of Cash Flows

<b>Year Ended June 30, 2023</b>	<b>Major Enterprise Fund Port of Homer</b>	<b>Internal Service Funds</b>
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 5,664,767	\$ -
Receipts from interfund services provided and employee contributions	-	2,677,527
Payments to suppliers	(2,111,305)	-
Payments to employees	(2,141,880)	(456,668)
Payments for insurance, claims, and administration	-	(2,149,007)
<b>Net cash flows from (for) operating activities</b>	<b>1,411,582</b>	<b>71,852</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Increase in due to other funds	-	(23,555)
Transfers in (out)	628,237	1,235
<b>Net cash flows from (for) noncapital financing activities</b>	<b>628,237</b>	<b>(22,320)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(210,000)	-
Interest paid on long-term debt	(56,576)	-
Cruise ship tax and fish tax received	154,771	-
Acquisition of property, plant and equipment	(1,002,829)	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,114,634)</b>	<b>-</b>
<b>Cash Flows from (for) Investing Activities</b>		
Investment income received	73,471	-
<b>Net Increase in Cash and Investments</b>	<b>998,656</b>	<b>49,532</b>
<b>Beginning Cash and Investments</b>	<b>4,529,989</b>	<b>-</b>
<b>Ending Cash and Investments</b>	<b>\$ 5,528,645</b>	<b>\$ 49,532</b>
<b>Reconciliation of Cash to Statement of Net Position</b>		
Unrestricted cash and investments	\$ 5,210,665	\$ 49,532
Restricted cash and investments	317,980	-
<b>Total Cash and Investments</b>	<b>\$ 5,528,645</b>	<b>\$ 49,532</b>

See accompanying notes to basic financial statements.

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

<b>Year Ended June 30, 2023</b>	<b>Major Enterprise Fund Port of Homer</b>	<b>Internal Service Funds</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Flows from (for) Operating Activities</b>		
Operating (loss) income	\$ (187,560)	\$ 60,167
Adjustments to reconcile operating loss to net cash flows		
from operating activities:		
Depreciation	2,173,415	-
Noncash expense - PERS relief	32,821	-
Decrease in allowance for doubtful accounts	1,048	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues and expense, net	100,892	-
(Increase) decrease in assets and deferred		
outflows of resources:		
Accounts receivable	(140,094)	-
Prepaid items	(208,389)	-
Lease receivable	(392,807)	-
Deferred outflows of resources related to pensions	30,182	-
Deferred outflows of resources related to OPEB	(36,988)	-
Increase (decrease) in liabilities and deferred		
inflows of resources:		
Accounts payable	235,315	(1,208)
Accrued payroll and related liabilities	16,745	12,893
Accrued leave	24,780	-
Prepaid berth rentals and deposits	22,476	-
Net pension liability	200,383	-
Net OPEB assets	413,136	-
Deferred inflows of resources related leases	299,449	-
Deferred inflows of resources related to pensions	(615,459)	-
Deferred inflows of resources related to OPEB	(539,763)	-
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 1,411,582</b>	<b>\$ 71,852</b>

*See accompanying notes to basic financial statements.*

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

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### 1. Summary of Significant Accounting Policies

#### ***Organization and Services Provided***

The City of Homer, Alaska (the City) 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

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property and sales taxes, charges for services, intergovernmental revenues, and investment income associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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 *HAWSP Debt Service Fund* provides dedicated sources of revenue, sales tax and assessments, to secure and retire financing for construction of water and sewer infrastructure.

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 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.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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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.

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, Enterprise, 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.

Effective January 1, 2020, the City is operating under a biennial budget which will cover two fiscal years in each budget. Effective July 1, 2021, the City of Homer changed the fiscal year to the twelve-month period commencing July 1 through June 30 of the succeeding year.

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.

## **City of Homer, Alaska**

### **Notes to Basic Financial Statements** *Year Ended June 30, 2023*

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#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Investments***

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

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

#### ***Receivables and Payables***

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

#### ***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 period in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the period. At June 30, 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 year 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.

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

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### ***Inventory***

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

### ***Prepaid Items***

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

### ***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
Right-to-use leased equipment	5
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 not reported in the governmental fund financial statements unless they have matured (e.g. the employee has terminated employment).

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### **Leases – Lessor**

The City is a lessor for noncancellable leases of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund-level financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### **Leases - Lessee**

The City is a lessee for noncancellable leases of equipment as well as space in a building. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.



## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

#### ***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.

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

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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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.

There is established within the committed fund balance of the general fund an amount equal to four months revenue for the current fiscal year that is restricted to emergency use only. Emergency restricted fund balance shall only be spent to help the City provide quick response to weather, economic uncertainty and unexpected situations such as natural disasters so as to avoid the need for short-term borrowing.

#### ***Deferred Outflows/Inflows***

In addition to assets, the statement of the net position reports a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of pension and OPEB related items. These items are amortized resulting in additional expense in future periods.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of pension and OPEB related items. These items are amortized resulting in a reduction of expense at a later date.

#### ***Pensions and OPEB***

For purpose of measuring the net pension and OPEB liability/assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS 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.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

#### 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 June 30, 2023.

Bank deposits	\$ 1,103,194
Investments	32,687,196
<b>Total Cash and Investments</b>	<b>\$ 33,790,390</b>
Cash and investments	\$ 33,472,410
Restricted cash and investments	317,980
<b>Total Cash and Investments</b>	<b>\$ 33,790,390</b>

Restricted cash and investments primarily represent funds set aside for capital projects, including unspent bond proceeds, interest earnings, refunds from utility corporations, or mandatory bond reserve accounts.

#### ***General Investments***

##### *Investment Policy*

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

1. U.S. Treasury securities – 5 years;
2. Other obligations of the U.S. Government, its agencies and instrumentalities – five years;
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 and other deposits that are collateralized;
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 by Moody's or S&P – five years;
8. Commercial paper; graded P1 or higher by Moody's or A1 or higher by S&P – five years;
9. Bankers' acceptances; rated at least AA by Moody's or S&P; 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.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

#### 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 June 30, 2023 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	\$ 576,729	576,729	-	-
Federal Home Loan Mortgage Bonds	772,938	-	772,938	-
Federal National MTG Assn. Bonds	1,677,314	-	1,677,314	-
US Treasury	4,042,820	559,453	3,483,367	-
Certificates of deposit	9,461,755	2,245,098	7,216,657	-
<b>Total Subject to Interest Rate Risk</b>	<b>16,531,556</b>	<b>3,381,280</b>	<b>13,150,276</b>	<b>-</b>
Pooled investments (AMLIP)	16,146,896	-	-	-
Money market	8,744	-	-	-
<b>Total Investments</b>	<b>\$ 32,687,196</b>	<b>3,381,280</b>	<b>13,150,276</b>	<b>-</b>

#### Credit Risk

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

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM by Standard and Poor's for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. At June 30, 2023, the share value of investments in the AML pool is approximately equal to fair value.

#### Custodial Credit Risk – Bank Deposits

In the case of bank deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy to mitigate this risk by establishing a collateralized agreement in the City's name by an agent of the financial institution holding the demand deposits. Of the bank balance at June 30, 2023, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$848,573 was subject to a collateral agreement. The uninsured and uncollateralized amount was \$0 at June 30, 2023.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### 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.

The City has investments in money market funds totaling \$326,724 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2023. The City's investment in AMLIP is measured at net asset value, as of June 30, 2023. Management believes that these values approximate fair value. All government securities and certificates of deposit with maturities greater than one year are Level 2 investments on the fair value hierarchy.

### 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 June 30, 2023, the City's funds that included an applicable allowances for doubtful accounts, are as follows:

	General Fund	Utility Special Revenue Fund	Port of Homer Enterprise Fund	Totals
Accounts receivable	\$ 193,829	383,138	499,061	1,076,028
Allowance for doubtful accounts	(18,934)	(7,508)	(19,790)	(46,232)
<b>Accounts Receivable, net</b>	<b>\$ 174,895</b>	<b>375,630</b>	<b>479,271</b>	<b>1,029,796</b>

Additionally, the General Fund property taxes receivable amount shown has an allowance for uncollectible accounts of \$2,412 on the outstanding balance of \$44,394 for net amount of \$44,394.

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## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

At June 30, 2023, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

#### Deferred Inflows of Resources

Delinquent property taxes receivable – General Fund	\$ 38,220
Special assessments not yet due:	
HAWSP Debt Service Special Revenue Fund	1,956,104
Nonmajor Seawall Assessment Special Revenue Fund	664,092
Nonmajor Gas Line Capital Project Fund	477,846
Nonmajor HART Assessment Special Revenue Fund	116,085
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,252,347</b>

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## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

#### 4. Interfund Balances and Transfers

A schedule of transfers for the year ended June 30, 2023 follows:

##### Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 91,734
Internal Service Fund	827
Port of Homer Enterprise Fund	750,000
Nonmajor governmental funds	313,706
From Utility Special Revenue Fund to:	
General Fund	10,000
Internal Service Fund	196
Nonmajor governmental funds	12,868
From HAWSP Debt Service Fund to:	
Utility Special Revenue Fund	368,268
From HART Roads Capital Project Fund to:	
General Fund	866,100
Nonmajor governmental funds	180,883
From Nonmajor Governmental Funds to:	
General Fund	777,247
From Port of Homer Enterprise Fund to:	
Internal Service Fund	212
General Fund	85,754
Nonmajor Governmental Funds	35,797
<b>Total Transfers to Other Funds</b>	<b>\$ 3,493,592</b>

Interfund transfers are routinely recorded throughout the year. Transfers from funds were to pay debt, for capital project, and reserves.

At June 30, 2023, an interfund balance of \$64,038 was owed from the nonmajor governmental funds for short term operation funding to the General Fund.

At June 30, 2023, an interfund balance of \$142,881 was owed from the internal service fund for short term operating funding to the General Fund.

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# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

### 5. Capital Assets

Capital asset activity for the year ended June 30, 2023 follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions and Reclass- ifications</b>	<b>Deletions and Reclass- ifications</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,686,635	-	-	11,686,635
Construction in progress	2,070,387	1,680,683	(1,281,305)	2,469,765
Total capital assets not being depreciated	13,757,022	1,680,683	(1,281,305)	14,156,400
<i>Capital assets being depreciated and amortized:</i>				
Buildings	59,736,029	-	-	59,736,029
Improvements other than buildings	57,116,919	3,585,716	-	60,702,635
Machinery and equipment	18,747,344	1,020,017	(138,395)	19,628,966
Right-to-use leased equipment	120,600	-	-	120,600
Right-to-use leased property and buildings	239,090	-	-	239,090
Infrastructure	37,055,664	-	-	37,055,664
Total capital assets being depreciated and amortized	173,015,646	4,605,733	(138,395)	177,482,984
Less accumulated depreciation and amortization for:				
Buildings	35,343,964	986,779	-	36,330,743
Improvements other than buildings	32,470,590	1,671,882	-	34,142,472
Machinery and equipment	12,541,114	641,626	(138,395)	13,044,345
Right-to-use leased equipment	27,831	24,120	-	51,951
Right-to-use leased property and buildings	36,101	36,101	-	72,202
Infrastructure	22,981,176	890,043	-	23,871,219
Total accumulated depreciation and amortization	103,400,776	4,250,551	(138,395)	107,512,932
Total assets being depreciated and amortized, net	69,614,870	355,182	-	69,970,052
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 83,371,892</b>	<b>2,035,865</b>	<b>(1,281,305)</b>	<b>84,126,452</b>



# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions and Reclass- ifications</b>	<b>Deletions and Reclass- ifications</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	50,337	760,284	(17,705)	792,916
<b>Total capital assets not being depreciated</b>	<b>15,854,978</b>	<b>760,284</b>	<b>(17,705)</b>	<b>16,597,557</b>
<i>Capital assets being depreciated and amortized:</i>				
Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	54,592,653	57,432	-	54,650,085
Machinery and equipment	3,472,789	202,818	-	3,675,607
<b>Total capital assets being depreciated and amortized</b>	<b>74,446,090</b>	<b>260,250</b>	<b>-</b>	<b>74,706,340</b>
<i>Less accumulated depreciation and amortization for:</i>				
Buildings	11,491,964	379,261	-	11,871,225
Improvements other than buildings	30,172,276	1,714,653	-	31,886,929
Machinery and equipment	2,991,059	79,501	-	3,070,560
<b>Total accumulated depreciation and amortization</b>	<b>44,655,299</b>	<b>2,173,415</b>	<b>-</b>	<b>46,828,714</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>29,790,791</b>	<b>(1,913,165)</b>	<b>-</b>	<b>27,877,626</b>
<b>Business-Type Activities Capital Assets, net</b>	<b>\$ 45,645,769</b>	<b>(1,152,881)</b>	<b>(17,705)</b>	<b>44,475,183</b>

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## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

Depreciation and amortization expense was charged to the functions as follows for the year ended June 30, 2023:

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**Governmental Activities**

General government	\$ 219,350
Public safety	558,512
Public works	1,558,551
Library	216,075
Airport	77,881
Water utility	1,127,337
Sewer utility	492,845

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**Total Depreciation and Amortization Expense – Governmental Activities**

\$ 4,250,551

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**Business-type Activities**

Port and harbor	\$ 2,173,415
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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:

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Original cost assigned to building	\$ 630,000
Revenue recognized on cumulative basis	(531,000)
	\$ 99,000

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Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	81,000

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<b>Total Unearned Lease Revenue</b>	<b>\$ 99,000</b>
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# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

### 6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2023:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retired</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Notes payable:					
\$2,439,450 2002 Sewer Utility Alaska Clean Water (ACW) loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	\$ 487,881	-	121,973	365,908	121,973
\$2,575,394 2002 Water Utility Alaska Drinking Water (ADW) loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	572,315	-	143,077	429,238	143,077
\$1,591,733 2012 Sewer Utility ACW loan, due in annual installments of \$66,415 plus interest at 1.5% through August 6, 2032	728,496	-	67,356	661,140	67,356
\$1,086,870 Sewer Utility ACW loan, due in annual installments of \$54,344 plus interest at 1.5% through April 1, 2034	652,122	-	54,344	597,778	54,344
\$2,023,006 2012 Water Utility ADW loan, due in annual installments of \$117,832 including interest at 1.5% through August 18, 2032	1,186,694	-	100,031	1,086,663	101,532
\$6,188,025 2006 Water Utility ADW loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	2,912,012	-	364,002	2,548,010	364,001

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

<b>Governmental Activities, continued</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retired</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
\$190,926 Water Utility ADW due in annual principal installments of \$9,546 plus interest at 1.5% through October 1, 2037	\$ 152,741	-	9,547	143,194	9,546
\$81,989 Water Utility ADW loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	63,548	-	3,821	59,727	3,880
\$221,315 Water Utility ADW loan, due in annual installments of \$12,308 including interest at 1.5% through March 1, 2037	164,228	-	9,844	154,384	9,992
\$127,674 Water Utility ADW loan, due in annual installments of \$6,384 plus interest at 1.5% through June 8, 2042	127,674	-	6,384	121,290	6,384
\$139,414 Water Utility Alaska Drinking Water loan, due in annual installments of \$6,971 plus interest at 1.5% through June 2043	-	139,414	-	139,414	6,971
\$46,033 Water Utility Alaska Drinking Water loan, due in annual installments of \$2,302 including interest at 1.5% through June 2043	-	46,033	-	46,033	2,302
\$287,692 Sewer Utility Alaska Clean Water loan, due in annual installments of \$14,385 plus interest at 1.83125% through December 2043	-	287,692	-	287,692	14,385

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

<b>Governmental Activities, continued</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retired</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
\$246,600 (maximum) Sewer Utility Alaska Clean Water loan, due in annual installments of \$10,348 plus interest at 1.7938% through May 2043	\$ -	206,951	-	206,951	10,348
\$189,980 Water Utility Alaska Drinking Water loan, due in annual installments of \$9,499 plus interest at 1.7938% through May 2043	-	189,980	-	189,980	9,499
\$945,611 (maximum) Seawall Alaska Drinking Water loan, due in annual installments of \$19,514 plus interest at 1.5% through January 2052	-	722,624	156,718	565,906	19,514
\$4,100,000 2020 Series A General Obligation Police Station Bonds, due in annual installments of \$190,000-\$375,000 plus interest at 5% through May 1, 2034.	3,500,000	-	220,000	3,280,000	230,000
Unamortized bond premium	563,237	-	46,937	516,300	-
Leases payable	297,409	-	62,885	234,524	63,587
Accrued leave	847,293	620,250	597,268	870,275	510,000
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 12,255,650</b>	<b>2,212,944</b>	<b>1,964,186</b>	<b>12,504,407</b>	<b>1,748,691</b>

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

<b>Business-type Activities</b>	Beginning Balance	Additions	Retired	Ending Balance	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 2024.	\$ 370,000	-	170,000	200,000	180,000
\$2,300,000 Series 2013 2A Harbor General Obligation Bonds, due in annual installments of \$20,000- \$260,000 plus interest at 2% through December of 2033.	2,280,000	-	40,000	2,240,000	40,000
Unamortized bond premium	50,024	-	16,675	33,349	-
Accrued leave	220,779	126,732	101,952	245,559	96,000
<b>Total Business-type Activities Long-Term Liabilities</b>	<b>\$ 2,920,803</b>	<b>126,732</b>	<b>328,627</b>	<b>2,718,908</b>	<b>316,000</b>

In May 2021, the City issued General Obligation Bonds of \$2,300,000 to refinance \$2,300,000 of 2013 Harbor General Obligation Bonds that resulted in debt service saving through 2034 of \$273,224 and economic gain of \$258,493.

Governmental activities accrued leave is typically liquidated by the General Fund. Debt has typically been liquidated through specific debt service funds. All of the HAWSP Debt Service Fund water and sewer assessment revenue has been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

Additionally, the sales tax revenues noted in the Police Station Debt Service Fund has been pledged to repay the general obligation bonds noted above.

<b>Fund</b>	Revenue	Operating Expenses	Net Available for Debt Service	Debt Service Requirement		
				Principal	Interest	Total
HAWSP	\$ 2,573,350	-	2,573,350	880,378	103,800	984,178
Police Station	\$ 802,803	-	802,803	220,000	175,000	395,000

# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

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

<b>Governmental Activities</b> <i>Year Ending June 30,</i>	<b>Notes Payable</b>		
	Principal	Interest	Total
2024	\$ 945,104	116,355	1,061,459
2025	946,831	102,073	1,048,904
2026	948,586	87,758	1,036,344
2027	685,322	73,429	758,751
2028	687,134	63,043	750,177
2029-2033	2,359,356	174,845	2,534,201
2034-2038	514,732	64,010	578,742
2039-2043	340,619	29,899	370,518
2044-2048	97,570	10,245	107,815
2049-2052	78,054	2,927	80,981
	<b>\$ 7,603,308</b>	<b>724,584</b>	<b>8,327,892</b>

Annual debt service requirements to maturity for the bonds follow:

<b>Governmental Activities</b> <i>Year Ending June 30,</i>	<b>G. O. Bonds Payable</b>		
	Principal	Interest	Total
2024	\$ 230,000	164,000	394,000
2025	245,000	152,500	397,500
2026	255,000	140,250	395,250
2027	265,000	127,500	392,500
2028	280,000	114,250	394,250
2029-2032	1,630,000	346,250	1,976,250
2033-2034	375,000	18,750	393,750
	<b>\$ 3,280,000</b>	<b>1,063,500</b>	<b>4,343,500</b>

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

<b>Business-type Activities</b> <i>Year Ending June 30,</i>	<b>G. O. Bonds Payable</b>		
	Principal	Interest	Total
2024	\$ 220,000	45,116	265,116
2025	65,000	39,870	104,870
2026	210,000	38,130	248,130
2027	230,000	35,687	265,687
2028	235,000	32,529	267,529
2029-2033	1,220,000	95,659	1,315,659
2034	260,000	3,058	263,058
	<u>\$ 2,440,000</u>	<u>290,049</u>	<u>2,730,049</u>

#### Debt Covenants

The 2013 Harbor bonds require that a reserve account be established in the amount of the largest annual debt service payment (\$290,100) and for 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. The City was required to maintain the reserve account with the refinancing of \$2,300,000 in May 2021.

#### 7. 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 keeper's 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 June 30, 2023.



# City of Homer, Alaska

## Notes to Basic Financial Statements Year Ended June 30, 2023

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.

### 8. 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	HAWSP Debt Service	HART Roads Capital Project
Nonspendable:				
Inventory	\$ 5,135	538,542	-	-
Prepaid items	64,645	-	-	-
<b>Total Nonspendable</b>	<b>69,780</b>	<b>538,542</b>	<b>-</b>	<b>-</b>
Restricted:				
Roads and trails	-	-	-	5,159,608
Special service district	-	-	-	-
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,159,608</b>
Committed:				
Emergency use	4,928,471	-	-	-
Police station debt service	-	-	-	-
Community assistance program	-	-	-	-
<b>Total Committed</b>	<b>4,928,471</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assigned:				
Library	-	-	-	-
Public safety	-	-	-	-
Community schools	-	-	-	-
Sustainability	-	-	-	-
Water and sewer	-	2,915,901	6,426,287	-
PERS benefits	171,314	-	-	-
Capital and land	-	-	-	-
<b>Total Assigned</b>	<b>171,314</b>	<b>2,915,901</b>	<b>6,426,287</b>	<b>-</b>
Unassigned (deficit)	2,332,560	-	-	-
<b>Total Fund Balances</b>	<b>\$ 7,502,125</b>	<b>3,454,443</b>	<b>6,426,287</b>	<b>5,159,608</b>

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

<i>Continued</i>	Nonmajor Funds	Totals
Nonspendable:		
Inventory	\$ -	543,677
Prepaid items	706,606	771,251
<b>Total Nonspendable</b>	<b>706,606</b>	<b>1,314,928</b>
Restricted:		
Roads and trails	2,167,244	7,326,852
Special service district	43,734	43,734
<b>Total Restricted</b>	<b>2,210,978</b>	<b>7,370,586</b>
Committed:		
Emergency use	-	4,928,471
Police station debt service	1,621,766	1,621,766
Community assistance program	98,714	98,714
<b>Total Committed</b>	<b>1,720,480</b>	<b>6,648,951</b>
Assigned:		
Library	180,408	180,408
Public safety	50,608	50,608
Community schools	270	270
Sustainability	16,155	16,155
Water and sewer	-	9,342,188
PERS benefits	38,743	210,057
Capital and land	6,052,319	6,052,319
<b>Total Assigned</b>	<b>6,338,503</b>	<b>15,852,005</b>
Unassigned (deficit)	(45,240)	2,287,320
<b>Total Fund Balances</b>	<b>\$ 10,931,327</b>	<b>33,473,790</b>

## 9. Leases

### **Lease Receivable**

The City leases land and subleased buildings. The leases range for five to thirty years with renewal options. The City will receive annual payments listed in the table below. There are no agreements as a lessee or lessor that include sale-leaseback or lease-leaseback provision. The City recognized lease revenue and interest revenue during the current fiscal year related to all leases as stated in the table below. As of June 30, 2023, the City receivable for lease payments is stated below. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

As of June 30, 2023, the balance of the deferred inflow of resources is listed below.

	Payment Amount	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflow
Port of Homer	\$ 503,987	402,665	165,650	7,397,423	7,233,457

#### Lease Payable – Governmental Activities

The City has a lease agreement for multiple printers and copiers for five years. The City also leases property and buildings with agreements original agreements between 6 and 19 years. An initial lease liability was recorded in the amount of \$357,326. As of June 30, 2023 the value of the lease liability was \$234,524. The City is required to make monthly and annual payments totaling \$66,231. The leases have incremental interest rates between 0.89% and 1.24%. The value of the right-to-use asset as of the end of the current fiscal year was \$359,690 and had accumulated amortization of \$124,153.

The future principal and interest lease payments as of June 30, 2023 are as follows:

<i>Year Ended June 30,</i>	Principal	Interest	Total
2024	\$ 63,587	3,277	66,864
2025	64,297	3,277	67,574
2026	46,059	3,277	49,336
2027	37,096	3,277	40,373
2028	7,713	3,277	10,990
Thereafter	15,772	244	16,016
Totals	\$ 234,524	16,629	251,153

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## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### 10. Defined Benefit (DB) Pension Plan and OPEB Plans

##### ***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. Plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, and death and disability benefits (OPEB). 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.

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.

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer defined benefit plan, the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS Defined Contribution Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan

##### ***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

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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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 39.35.280 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. The City records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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

#### ***Employee Contribution Rates***

Regular employees are required to contribute 6.75% (5.25% pension and 1.50% OPEB) 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.

***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

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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 enterprise fund and 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. Contribution rates for the period ended June 30, 2023 were determined in the June 30, 2021 actuarial valuations.

City contribution rates were as follows:

<i>July 1, 2022 to June 30, 2023</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	18.38%	2.79%
Postemployment healthcare	-%	-%	-%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>18.38%</b>	<b>2.79%</b>

In 2023, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2021 to June 30, 2022	City Fiscal Period July 1, 2022 to June 30, 2023
Employer contributions pension (including DBUL)	\$ 1,007,909	\$ 1,271,733
Employer contributions OPEB	217,718	96,563
Nonemployer contributions (on-behalf pension)	616,414	232,094
<b>Total Contributions</b>	<b>\$ 1,842,041</b>	<b>\$ 1,600,390</b>

In addition, employee contributions to the Plan for pension totaled \$146,112 during the City’s fiscal year.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB***

At June 30, 2023, the City reported a liability for its proportionate share of the net pension/OPEB liability that reflected a reduction for State pension support provided to the City.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

The amounts recognized by the City for its proportional share, the related State proportion, and the total is as follows:

#### **Net Pension Liability**

City proportionate share	\$ 12,332,025
State's proportionate share associated with the City	3,411,468
<b>Total Net Pension Liability</b>	<b>\$ 15,743,493</b>

#### **Net OPEB (Asset) - ARHCT**

City proportionate share	\$ (4,727,406)
State's proportionate share associated with the City	(1,350,544)
<b>Total Net OPEB (Asset) - ARHCT</b>	<b>\$ (6,077,950)</b>

#### **Net OPEB (Asset) - ODD**

City proportionate share	\$ (166,954)
State's proportionate share associated with the City	-
<b>Total Net OPEB (Asset) - ODD</b>	<b>\$ (166,954)</b>

#### **Net OPEB (Asset) - RMP**

City proportionate share	\$ (118,975)
State's proportionate share associated with the City	-
<b>Total Net OPEB (Asset) - RMP</b>	<b>\$ (118,975)</b>

The total pension/OPEB liabilities were measured as of June 30, 2022, and the total pension/OPEB liability used to calculate the net pension/OPEB liability for each Plan was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022. The City's proportion of the net pension/OPEB liabilities were based on a projection of the City's long-term share of contributions to the pension/OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2022 was as follows:

City's proportionate share	Measurement Period June 30, 2022	Measurement Period June 30, 2021	Change
Net Pension Liability	0.24195%	0.28066%	(0.03871%)
Net OPEB Liability - ARHCT	0.24027%	0.28174%	(0.04147%)
Net OPEB Liability (Asset) - ODD	0.38084%	0.37739%	0.00345%
Net OPEB Liability - RMP	0.34257%	0.33967%	0.00290%

For the year ended June 30, 2023, the City recognized pension and OPEB expense (benefit) of \$(1,960,500) and \$(1,379,966), respectively for PERS in the Statement of Activities.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related		OPEB Related	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Deferred Outflows/Inflows of Resources:</b>				
Difference between expected and actual experience	\$ -	-	5,898	(92,907)
Change in assumptions	-	-	23,036	(360,666)
Net difference between projected and actual earnings on pension plan investments	352,577	-	290,827	-
Change in proportion and differences in proportional share	-	-	119,567	(8,338)
City contributions subsequent to the measurement date	1,271,733	-	96,563	-
<b>Total Deferred Outflows/Inflows Related to Pensions</b>	<b>\$ 1,624,310</b>	<b>-</b>	<b>535,891</b>	<b>(461,911)</b>

The \$1,271,733 and \$96,563 reported as deferred outflows of resources related to pensions and OPEB, respectively, resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension/OPEB liability in the year ended June 30, 2023.



## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

<i>Year Ending June 30,</i>	Pension Related	OPEB Related	Total
2024	\$ (41,917)	(208,993)	(250,910)
2025	(107,440)	(123,212)	(230,652)
2026	(257,922)	(244,562)	(502,484)
2027	759,856	617,156	1,377,012
2028	-	(28,610)	(28,610)
Thereafter	-	(34,362)	(34,362)
<b>Total Amortization</b>	<b>\$ 352,577</b>	<b>(22,583)</b>	<b>329,994</b>

#### **Actuarial Assumptions**

The total pension/OPEB asset for the measurement year ended June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officers/firefighters, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation Methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% Rx/EGWP: 7.5% grading down to 4.5% Initial trend rates are from FY 2023 Ultimate trend rates reached in FY 2050
Pension Mortality – Peace Officer/Firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

Pension Mortality – Other Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time.

Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

ARHCT and RMP Plans – Mortality – Peace Officer/Firefighter Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

ARHCT and RMP Plans – All Other Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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	table, headcount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
ODD Plan – Mortality	<p>Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement.</p> <p>Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement.</p> <p>Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.</p> <p>Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member</p>
ARHCT and ODD Plans – Mortality	Deaths are assumed to result from occupational causes 35% of the time.
ARHCT - Participation	<p>100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible.</p> <p>20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.</p>
Other	See the experience study report dated July 15, 2022.

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The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board in June 2022 to better reflect expected future experience. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

The long term expected rate of return on pension/OPEB 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/OPEB 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.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	27%	6.51%
Global equity (non-US)	18%	5.70%
Aggregate bonds	21%	0.31%
Opportunistic	6%	-%
Real assets	14%	3.71%
Private equity	14%	9.61%
Cash equivalents	-%	(0.50%)

#### **Discount Rate**

The discount rate used to measure the total pension/OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension/OPEB 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

#### **Discount Rate Sensitivity**

The following presents the Retirement System's net pension/OPEB liability and the City's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<b>PERS</b>				
Net Pension Liability	0.24195%	\$ 16,601,557	12,332,025	8,731,929
Net OPEB Liability (Asset)- ARHCT	0.24027%	\$ (2,808,761)	(4,727,406)	(6,336,362)
Net OPEB Liability (Asset) - ODD	0.38084%	\$ (157,269)	(166,954)	(174,529)
Net OPEB Liability (Asset) - RMP	0.34257%	\$ 21,884	(118,975)	(226,393)

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

#### ***Pension Plan Fiduciary Net Position***

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

#### ***Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates***

The following presents the City's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation reports as well as what the City's proportionate share of the respective plan's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<b>PERS</b>				
Net OPEB Liability (Asset) - ARHCT	0.24027%	\$ (6,525,636)	(4,727,406)	(2,579,972)
Net OPEB Liability (Asset) - ODD	0.38084%	\$ n/a	n/a	n/a
Net OPEB Liability (Asset) - RMP	0.34257%	\$ (241,144)	(118,975)	45,576

#### **11. 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 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.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### **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 June 30, 2023, the City was required to contribute 5% of covered salary into the Plan. The City and employee contributions to PERS for DC pensions for the year ended June 30, 2023 were \$321,947 and \$515,114, respectively. The City contribution amount was recognized as pension expense/expenditures. During the City's period forfeitures for DC pension used to offset the City's expense/expenditures was \$40,518.

## **12. Defined Contribution OPEB Plans**

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 June 30, 2023 were as follows:

	Other Tier IV	Police/Fire Tier IV
Alaska retiree healthcare trust	-%	-%
Retiree medical plan	1.10%	1.10%
Occupational death and disability benefits	0.30%	0.68%
<b>Total Contribution Rates</b>	<b>1.40%</b>	<b>1.78%</b>

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, 2020, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,237 per year for each full-time employee, and \$1.43 per hour for part-time employees.

#### **Annual Postemployment Healthcare Cost**

In 2023, the City contributed \$183,007 in DC OPEB costs. This amount has been recognized as expense/expenditures.

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### 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. 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.

In October 2023, a portable storage device containing personally protected health information and related personally identifiable information for certain individuals was removed from a secured location and misplaced. The City is not able to estimate any impact of future losses associated with the loss of the portable storage device.

#### 14. Designated Sales Tax

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

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Water, sewer, and related debt service	0.75%
Road and trail projects	0.75%
Public safety, operations, and maintenance	0.05%
Debt service for construction of police station	0.30%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	3.00%

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<b>Total Sales Tax Percentage</b>	<b>7.85%</b>
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Effective January 1, 2009, Ordinance 08-32(s)(A-2) exempts sales tax on non-prepared foods from September 1 through May 31 annually.

#### 15. Deferred Compensation Plan

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

## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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#### 16. Related Parties

City purchases goods and services from local companies. Some of these purchases are considered related party transactions due to the nature of the relationships between employees of the City and these local companies. These transactions are not considered significant for individual disclosure.

#### 17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance). The following new accounting standards were implemented by the City for 2023 reporting.

*GASB 91 – Conduit Debt Obligations* – Effective for year-end June 30, 2023, with earlier application encouraged - This statement establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice of accounting for conduit debt obligations. This statement also establishes that conduit debt obligations are not a liability of the issuer and improves required note disclosures. The City has no conduit debt obligations.

*GASB 93 – Replacement of Interbank Offered Rates* – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022. The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). No significant impact to the City's financial statements.

*GASB 94 – Public-private and Public-public Partnerships and Availability Payment Arrangements* – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City has no PPPs.

*GASB 96 – Subscription-based Information Technology Arrangements* – Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The City has no subscriptions that require the recording of a right-to-use subscription asset, subscription liability, and related notes.

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB 95). Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:



## City of Homer, Alaska

### Notes to Basic Financial Statements Year Ended June 30, 2023

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GASB 99 – *Omnibus 2022* – Provisions of this Statement address requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63, which are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs were required to be implemented for year-end June 30, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end June 30, 2024.

GASB 100 – *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* – Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB 101 – *Compensated Absences* – Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102 – *Certain Risk Disclosures* – Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

## **Required Supplementary Information**

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## City of Homer, Alaska

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

	Budget		Actual	Budget	Actual	Variance
Year Ended June 30, 2023	Original	Final	GAAP Basis	to GAAP Difference	Budget Basis	with Final Budget
Revenues						
Property taxes	\$ 3,883,897	3,883,897	4,077,288	-	4,077,288	193,391
Sales and use taxes	6,245,825	8,911,049	8,292,059	-	8,292,059	(618,990)
Permits and licenses	44,262	44,262	42,973	-	42,973	(1,289)
Intergovernmental	614,207	614,207	1,262,390	(167,686)	1,094,704	480,497
Charges for services	1,784,693	713,635	978,587	-	978,587	264,952
Interest Income	153,499	153,499	118,721	-	118,721	(34,778)
Fines and forfeitures	17,393	17,393	13,396	-	13,396	(3,997)
Total Revenues	12,743,776	14,337,942	14,785,414	(167,686)	14,617,728	279,786
Expenditures						
General government	3,858,643	4,465,822	4,158,880	(50,365)	4,108,515	357,307
Public safety	5,323,796	5,722,520	5,984,845	(79,875)	5,904,970	(182,450)
Public works	3,101,721	3,426,206	3,157,000	(24,636)	3,132,364	293,842
Library	988,374	1,031,477	1,024,664	(10,183)	1,014,481	16,996
Airport	233,545	238,517	286,791	(2,627)	284,164	(45,647)
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	13,600,079	14,978,542	14,706,180	(167,686)	14,538,494	440,048
Excess of Revenues Over (under)						
Expenditures	(856,303)	(640,600)	79,234	-	79,234	719,834
Other Financing Sources (Uses)						
Transfers in	958,864	907,807	1,739,101	-	1,739,101	831,294
Transfers out	(102,561)	(267,207)	(1,156,267)	-	(1,156,267)	(889,060)
Net Change in Fund Balance	\$ -	-	662,068	-	662,068	662,068
Fund Balance, beginning			6,840,057		6,840,057	
Fund Balance, ending			\$ 7,502,125		\$ 7,502,125	

*See accompanying notes to required supplementary information.*

## City of Homer, Alaska

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

<i>Year Ended June 30, 2023</i>	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
<b>Revenues</b>						
Intergovernmental	\$ -	-	508,051	31,587	539,638	539,638
Charges for services	3,591,854	3,591,854	3,834,335	-	3,834,335	242,481
Investment income	84,500	84,500	78,997	-	78,997	(5,503)
<b>Total Revenues</b>	3,676,354	3,676,354	4,421,383	31,587	4,452,970	776,616
<b>Expenditures</b>						
Water	2,151,518	1,891,127	1,937,306	17,448	1,954,754	(63,627)
Sewer	1,756,197	1,512,928	1,647,846	14,139	1,661,985	(149,057)
Debt service:						
Interest	-	-	1,639	-	1,639	(1,639)
Capital outlay	-	-	1,317,096	-	1,317,096	(1,317,096)
<b>Total Expenditures</b>	3,907,715	3,404,055	4,903,887	31,587	4,935,474	(1,531,419)
<b>Excess of Revenues Over (Under) Expenditures</b>	(231,361)	272,299	(482,504)	-	(482,504)	(754,803)
<b>Other Financing Sources (Uses)</b>						
Loan proceeds	-	-	870,070	-	870,070	870,070
Transfers in	91,734	91,734	460,002	-	460,002	368,268
Transfers out	(23,064)	(364,033)	(23,064)	-	(23,064)	340,969
<b>Net Change in Fund Balance</b>	(162,691)	-	824,504	-	824,504	824,504
<b>Fund Balance, beginning</b>			2,629,939			
<b>Fund Balance, ending</b>			\$ 3,454,443			

*See accompanying notes to required supplementary information.*

## City of Homer, Alaska

**Schedule of the City's Information on the Net Pension Liability  
Public Employees Retirement System (PERS)**

<i>Fiscal Period</i>	Measurement Period Ended June 30,	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
Year Ended June 30,								
2023	2023	0.24195%	\$ 12,332,025	\$ 3,411,468	\$ 15,743,493	\$ 7,565,501	163.00%	67.97%
2022	2022	0.28066%	10,295,961	1,393,745	11,689,706	7,501,842	137.25%	76.46%
Six Months Ended June 30, 2021	2020	0.19507%	11,511,242	4,762,499	16,273,741	7,501,842	153.45%	61.61%
Years Ended December 31,								
2020	2020	0.19507%	11,511,242	4,762,499	16,273,741	7,101,307	162.10%	61.61%
2019	2019	0.21316%	11,668,965	4,631,725	16,300,690	6,616,896	176.35%	63.42%
2018	2018	0.22854%	11,355,996	3,289,937	14,645,933	6,635,180	171.15%	65.19%
2017	2017	0.21319%	11,020,546	4,105,937	15,126,483	6,507,827	169.34%	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	2014	*	*	*	*	*	*	*

\*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

**Schedule of the City's Information on the Net OPEB Liability (Assets)**  
**Public Employees Retirement System (PERS)**

Fiscal Period	Measurement Period Ended	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability (asset)	State of Alaska proportionate share of the net OPEB liability (asset)	Total net OPEB liability (asset)	City's covered employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (assets)
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>								
Year Ended								
June 30, 2023	2023	0.24027%	\$ (4,727,406)	\$ (1,350,544)	\$ (6,077,950)	\$ 7,565,501	-62.49%	128.15%
2022	2022	0.28174%	(7,227,633)	(946,643)	(8,174,276)	7,501,842	-96.34%	135.54%
Six Months Ended June 30, 2021	2020	0.19511%	(883,569)	-	(883,569)	7,501,842	-11.78%	106.15%
Years Ended December 31,								
2020	2020	0.19511%	(883,569)	-	(883,569)	7,101,307	-12.44%	106.15%
2019	2019	0.21309%	316,184	125,707	441,891	6,616,896	4.78%	98.13%
2018	2018	0.22850%	2,345,089	680,139	3,025,228	6,635,180	35.34%	88.12%
2014-2017	*	*	*	*	*	*	*	*
<b>Occupational Death and Disability (ODD):</b>								
Year Ended								
June 30, 2023	2023	0.38084%	\$ (166,954)	\$ -	\$ (166,954)	\$ 7,565,501	-2.21%	348.80%
2022	2022	0.37739%	(166,327)	-	(166,327)	7,501,842	-2.22%	374.22%
Six Months Ended June 30, 2021	2020	0.36393%	(99,207)	-	(99,207)	7,501,842	-1.32%	238.80%
Years Ended December 31,								
2020	2020	0.36393%	(99,207)	-	(99,207)	7,101,307	-1.40%	238.80%
2019	2019	0.33209%	(80,515)	-	(80,515)	6,616,896	-1.22%	297.43%
2018	2018	0.30999%	(60,206)	-	(60,206)	6,635,180	-0.91%	270.62%
2014-2017	*	*	*	*	*	*	*	*
<b>Retiree Medical Plan (RMP):</b>								
Year Ended								
June 30, 2023	2023	0.34257%	\$ (118,975)	\$ -	\$ (118,975)	\$ 7,565,501	-1.57%	120.08%
2022	2022	0.33967%	(91,175)	-	(91,175)	7,501,842	-1.22%	115.10%
Six Months Ended June 30, 2021	2020	0.31899%	22,626	-	22,626	7,501,842	0.30%	95.23%
Years Ended December 31,								
2020	2020	0.31899%	22,626	-	22,626	7,101,307	0.32%	95.23%
2019	2019	0.29512%	70,604	-	70,604	6,616,896	1.07%	83.17%
2018	2018	0.01854%	39,446	-	39,446	6,635,180	0.59%	88.71%
2014-2017	*	*	*	*	*	*	*	*

\*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

**Schedule of City Contributions - Pension  
Public Employees Retirement System (PERS)**

<i>Fiscal Period</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
Year Ended					
June 30,					
2023	\$ 1,271,733	\$ 1,271,733	\$ -	\$ 8,514,198	14.937%
2022	1,007,909	1,007,909	-	7,565,501	13.322%
Six Months Ended June					
30, 2021	475,167	475,167	-	3,665,330	12.964%
Years Ended					
December 31,					
2020	920,104	920,104	-	7,546,508	12.192%
2019	786,093	786,093	-	6,663,123	11.798%
2018	843,414	843,414	-	6,651,553	12.680%
2017	820,166	820,166	-	6,619,157	12.391%
2016	1,031,207	1,031,207	-	6,414,407	16.076%
2015	644,804	644,804	-	6,402,816	10.071%
2014	*	*	*	*	*

\* 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**  
**Schedule of the City Contributions - OPEB**  
**Public Employees Retirement System (PERS)**

Fiscal Period	Contractually required contribution	Contributions in relation to the contractually required contribution	Contributions over (short)	City's covered- employee payroll	Contributions as a percentage of covered- employee payroll
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>					
Year Ended					
June 30, 2023	\$ -	\$ -	\$ -	\$ 8,514,198	0.000%
2022	137,782	137,782	-	7,565,501	1.821%
Six Months					
Ended June 30,					
2021	91,917	91,917	-	3,665,330	2.508%
Years Ended					
December 31,					
2020	265,264	265,264	-	7,546,508	3.515%
2019	298,559	298,559	-	6,663,123	4.481%
2018	271,357	271,357	-	6,651,553	4.080%
2014-2017	*	*	*	*	*
<b>Occupational Death and Disability (ODD):</b>					
Year Ended					
June 30, 2023	\$ 25,735	\$ 25,735	\$ -	8,514,198	0.302%
2022	21,973	21,973	-	7,565,501	0.290%
Six Months					
Ended June 30,					
2021	9,861	9,861	-	3,665,330	0.269%
Years Ended					
December 31,					
2020	18,882	18,882	-	7,546,508	0.250%
2019	14,066	14,066	-	6,663,123	0.211%
2018	10,678	10,678	-	6,651,553	0.161%
2014-2017	*	*	*	*	*
<b>Retiree Medical Plan (RMP):</b>					
Year Ended					
June 30, 2023	\$ 70,828	\$ 70,828	\$ -	8,514,198	0.832%
2022	57,963	57,963	-	3,665,330	1.581%
Six Months					
Ended June 30,					
2021	30,839	30,839	-	3,665,330	0.841%
Years Ended					
December 31,					
2020	62,453	62,453	-	7,546,508	0.828%
2019	44,061	44,061	-	6,663,123	0.661%
2018	35,366	35,366	-	6,651,553	0.532%
2014-2017	*	*	*	*	*

\* 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

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### 1. Budgetary Comparison Schedules

An operating budget is adopted each fiscal year biennially for the General Fund and Utility Special Revenue Fund on the modified accrual basis used to reflect actual revenues and expenditures. The CARES Special Revenue Fund was outside of the normal budget cycle due to the nature of the COVID-19 pandemic and is based on appropriation approved over the fiscal year.

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

- a. By the third Friday in April of budgeting years, the City Manager presents the budget proposal for the next two 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](http://www.cityofhomer-ak.gov).

### 2. Pension/OPEB 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 and OPEB tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

#### *Schedules of City's Information on the Net Pension/OPEB Liability*

- This table is presented based on the Plan measurement date. For June 30, 2023, the Plan measurement date is June 30, 2022.
- There were no changes in benefit terms from the prior measurement period.

#### *Schedules of City Contributions – Pension/OPEB*

- 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.

## City of Homer, Alaska

### Notes to Required Supplementary Information, continued

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#### *Changes in Assumptions:*

The total pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

The total OPEB liability (asset) for each plan was determined by actuarial valuations as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

In 2019, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.

## **Supplementary Information**

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# Nonmajor Governmental Funds

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## SPECIAL REVENUE FUNDS

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

**CARES** – This fund accounts for the activities of the City’s response to COVID-19 including grants to individuals and organizations, administration of the grant program, and other costs in response to the pandemic.

**Police Station Debt Service** – This fund accounts for principal and interest payments on the bonds for the police station capital project.

**HART Assessments** – This fund accounts for assessments that have been earmarked for road improvements.

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

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

**Seawall Assessment** – This fund accounts for assessments that have been earmarked for bluff erosion control along Ocean Drive Loop.

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

**Fire Department Donations** – This fund accounts for donations made to the fire department.

**Library Donations** – This fund accounts for donations made to the library.

**Animal Shelter Donations** – This fund accounts for donations made to the animal shelter.

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

**Sustainability** – This fund accounts for donations for sustainable global warming.

**Ocean DR Loop Mill Rate Assessments** – This fund accounts for assessments that have been earmarked for seawall maintenance.

## **Nonmajor Governmental Funds, continued**

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### **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.

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

**City Facilities** – This fund accounts for all activities related to the construction of general government capital projects including issuance of bonds.

**GF Fleet Capital Asset Repair and Maintenance Allowance (CARMA)** – This fund accounts for the accumulation of capital to purchase vehicles.

**GF CARMA** – 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.

**HART Trails** – This fund accounts for improvements to City trails.

**Gas Line** – This fund accounts for all activities related to the construction of the gas line.

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

**City of Homer, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

	Special Revenue Funds										
	CARES	Police Station Debt Service	HART Assess- ments	Non- capital Projects	Retainage Reimburse- ments	Seawall Assess- ments	PERS Funding	Fire Depart- ment Donations	Library Donations	Animal Shelter Donations	Community Schools
<i>June 30, 2023</i>	119	154	155	157	159	173	615	802	803	804	805
<b>Assets</b>											
Cash and investments	\$ 9,801	1,417,359	1,131,469	40,092	228,032	294,559	38,743	41,238	170,408	335	270
Receivables, net:											
State and federal grants	7,505	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	204,407	-	-	-	-	-	-	-	-	-
Prepaid and other assets	-	-	-	3,000	-	-	-	-	10,000	-	-
Special assessments	-	-	116,085	-	-	664,092	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 17,306</b>	<b>1,621,766</b>	<b>1,247,554</b>	<b>43,092</b>	<b>228,032</b>	<b>958,651</b>	<b>38,743</b>	<b>41,238</b>	<b>180,408</b>	<b>335</b>	<b>270</b>
<b>Liabilities</b>											
Accounts payable	\$ 8,271	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	229,485	-	-	-	-	-	-
Unearned grant revenue	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
<b>Deferred Inflow of Resources</b>											
Special assessments not yet due	-	-	116,085	-	-	664,092	-	-	-	-	-
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>8,271</b>	<b>-</b>	<b>116,085</b>	<b>-</b>	<b>229,485</b>	<b>664,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>											
Nonspendable - Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Roads and trails	-	-	1,131,469	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	-	1,621,766	-	-	-	-	-	-	-	-	-
Community assistance program	-	-	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	-	180,408	-	-
Public safety	9,035	-	-	-	-	-	-	41,238	-	335	-
Community schools	-	-	-	-	-	-	-	-	-	-	270
Sustainability	-	-	-	-	-	-	-	-	-	-	-
PERS benefits	-	-	-	-	-	-	38,743	-	-	-	-
Capital and land	-	-	-	43,092	-	294,559	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(1,453)	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>9,035</b>	<b>1,621,766</b>	<b>1,131,469</b>	<b>43,092</b>	<b>(1,453)</b>	<b>294,559</b>	<b>38,743</b>	<b>41,238</b>	<b>180,408</b>	<b>335</b>	<b>270</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 17,306</b>	<b>1,621,766</b>	<b>1,247,554</b>	<b>43,092</b>	<b>228,032</b>	<b>958,651</b>	<b>38,743</b>	<b>41,238</b>	<b>180,408</b>	<b>335</b>	<b>270</b>

**City of Homer, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet, continued**

	Special Revenue Funds			Capital Project Funds							Total Capital Project Funds	Total Nonmajor Govern- mental Funds
	Sustain- ability 807	Ocean Dr Loop Assess- ments 808	Total Special Revenue Funds	Land Reserves 150	City Facilities 151	GF Fleet CARMA 152	GF CARMA 156	HART Trails 165	Gas Line 175	Energy Revolving Loan 620		
<b>June 30, 2023</b>												
<b>Assets</b>												
Cash and investments	\$ 16,155	43,734	3,432,195	971,753	-	1,303,769	2,202,498	984,673	874,747	398,910	6,736,350	10,168,545
Receivables, net:												
State and federal grants	-	-	7,505	-	123,766	-	-	-	-	-	123,766	131,271
Sales taxes	-	-	204,407	-	-	-	-	51,102	-	-	51,102	255,509
Prepaid and other assets	-	-	13,000	-	-	706,606	-	-	-	-	706,606	719,606
Special assessments	-	-	780,177	-	-	-	-	-	477,846	-	477,846	1,258,023
<b>Total Assets</b>	\$ 16,155	43,734	4,437,284	971,753	123,766	2,010,375	2,202,498	1,035,775	1,352,593	398,910	8,095,670	12,532,954
<b>Liabilities</b>												
Accounts payable	\$ -	-	8,271	253	4,801	-	36,756	-	-	-	41,810	50,081
Unearned revenue	-	-	229,485	-	-	-	-	-	-	-	-	229,485
Unearned grant revenue	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	64,038	-	-	-	-	-	64,038	64,038
<b>Deferred Inflow of Resources</b>												
Special assessments not yet due	-	-	780,177	-	-	-	-	-	477,846	-	477,846	1,258,023
<b>Total Liabilities and Deferred Inflow of Resources</b>	-	-	1,017,933	253	68,839	-	36,756	-	477,846	-	583,694	1,601,627
<b>Fund Balances</b>												
Nonspendable - Prepaid items	-	-	-	-	-	706,606	-	-	-	-	706,606	706,606
Restricted:												
Roads and trails	-	-	1,131,469	-	-	-	-	1,035,775	-	-	1,035,775	2,167,244
Special service district	-	43,734	43,734	-	-	-	-	-	-	-	-	43,734
Committed:												
Police station debt service	-	-	1,621,766	-	-	-	-	-	-	-	-	1,621,766
Community assistance program	-	-	-	-	98,714	-	-	-	-	-	98,714	98,714
Assigned:												
Library	-	-	180,408	-	-	-	-	-	-	-	-	180,408
Public safety	-	-	50,608	-	-	-	-	-	-	-	-	50,608
Community schools	-	-	270	-	-	-	-	-	-	-	-	270
Sustainability	16,155	-	16,155	-	-	-	-	-	-	-	-	16,155
PERS benefits	-	-	38,743	-	-	-	-	-	-	-	-	38,743
Capital and land	-	-	337,651	971,500	-	1,303,769	2,165,742	-	874,747	398,910	5,714,668	6,052,319
Unassigned (deficit)	-	-	(1,453)	-	(43,787)	-	-	-	-	-	(43,787)	(45,240)
<b>Total Fund Balances</b>	16,155	43,734	3,419,351	971,500	54,927	2,010,375	2,165,742	1,035,775	874,747	398,910	7,511,976	10,931,327
<b>Total Liabilities and Fund Balances</b>	\$ 16,155	43,734	4,437,284	971,753	123,766	2,010,375	2,202,498	1,035,775	1,352,593	398,910	8,095,670	12,532,954

## City of Homer, Alaska

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023	Special Revenue Funds										
	CARES 119	Police Station Debt Service 154	HART Assess- ments 155	Non- capital Projects 157	Retainage Reimburse- ments 159	Seawall Assess- ments 173	PERS Funding 615	Fire Depart- ment Donations 802	Library Donations 803	Animal Shelter Donations 804	Community Schools 805
<b>Revenues</b>											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	802,803	-	-	-	-	-	-	-	-	-
Intergovernmental	750,520	-	-	14,041	-	-	-	-	-	-	-
Investment income	-	-	19,843	476	-	-	9,190	1,655	5,459	-	-
Special assessment	-	-	64,416	-	-	26,253	-	-	-	-	-
Enstar FMA refund	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	8,237	-	-	-
<b>Total Revenues</b>	750,520	802,803	84,259	14,517	-	26,253	9,190	9,892	5,459	-	-
<b>Expenditures</b>											
Current -											
General government	-	-	-	26,350	1,453	-	-	-	-	-	-
Public safety	25,204	-	-	-	-	-	-	-	-	-	-
Debt service principal	-	220,000	-	-	-	156,718	-	-	-	-	-
Debt service interest	-	175,000	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	25,204	395,000	-	26,350	1,453	156,718	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures</b>	725,316	407,803	84,259	(11,833)	(1,453)	(130,465)	9,190	9,892	5,459	-	-
<b>Other Financing Sources (Uses)</b>											
Loan proceeds	-	-	-	-	-	722,624	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(716,686)	-	-	-	-	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	8,630	407,803	84,259	(11,833)	(1,453)	592,159	9,190	9,892	5,459	-	-
<b>Fund Balances, beginning</b>	405	1,213,963	1,047,210	54,925	-	(297,600)	29,553	31,346	174,949	335	270
<b>Fund Balances, ending</b>	\$ 9,035	1,621,766	1,131,469	43,092	(1,453)	294,559	38,743	41,238	180,408	335	270



## City of Homer, Alaska

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued

Year Ended June 30, 2023	Special Revenue Funds			Capital Project Funds							Total Capital Project Funds	Total Nonmajor Govern- mental Funds
	Sustain- ability 807	Ocean Dr Loop Assess- ments 808	Total Special Revenue Funds	Land Reserves 150	City Facilities 151	GF Fleet CARMA 152	GF CARMA 156	HART Trails 165	Gas Line 175	Energy Revolving Loan 620		
<b>Revenues</b>												
Property taxes	\$ -	3,272	3,272	-	-	-	-	-	-	-	-	3,272
Sales taxes	-	-	802,803	-	-	-	-	200,701	-	-	200,701	1,003,504
Intergovernmental	-	-	764,561	-	155,274	-	-	-	-	-	155,274	919,835
Investment income	517	-	37,140	-	2,962	24,939	40,448	18,032	11,846	-	98,227	135,367
Special assessment	-	-	90,669	-	-	-	-	-	482,260	-	482,260	572,929
Enstar FMA refund	-	-	-	-	-	-	-	-	69,509	-	69,509	69,509
Other	-	-	8,237	-	-	-	-	-	-	-	-	8,237
<b>Total Revenues</b>	517	3,272	1,706,682	-	158,236	24,939	40,448	218,733	563,615	-	1,005,971	2,712,653
<b>Expenditures</b>												
Current -												
General government	-	-	27,803	-	-	-	-	-	84	-	84	27,887
Public safety	-	-	25,204	-	-	-	-	-	-	-	-	25,204
Debt service principal	-	-	376,718	-	-	-	-	-	-	-	-	376,718
Debt service interest	-	-	175,000	-	-	-	-	-	-	-	-	175,000
Capital outlay	-	-	-	69,764	324,514	730,481	380,547	19,655	-	-	1,524,961	1,524,961
<b>Total Expenditures</b>	-	-	604,725	69,764	324,514	730,481	380,547	19,655	84	-	1,525,045	2,129,770
<b>Excess of Revenues Over (Under) Expenditures</b>	517	3,272	1,101,957	(69,764)	(166,278)	(705,542)	(340,099)	199,078	563,531	-	(519,074)	582,883
<b>Other Financing Sources (Uses)</b>												
Loan proceeds	-	-	722,624	-	-	-	-	-	-	-	-	722,624
Transfers in	-	-	-	-	418,759	99,570	12,058	-	-	12,867	543,254	543,254
Transfers out	-	-	(716,686)	-	-	(18,855)	-	(41,706)	-	-	(60,561)	(777,247)
<b>Net Change in Fund Balances</b>	517	3,272	1,107,895	(69,764)	252,481	(624,827)	(328,041)	157,372	563,531	12,867	(36,381)	1,071,514
<b>Fund Balances, beginning</b>	15,638	40,462	2,311,456	1,041,264	(197,554)	2,635,202	2,493,783	878,403	311,216	386,043	7,548,357	9,859,813
<b>Fund Balances, ending</b>	\$ 16,155	43,734	3,419,351	971,500	54,927	2,010,375	2,165,742	1,035,775	874,747	398,910	7,511,976	10,931,327

## **General Fund**

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

## City of Homer, Alaska

100 - General Fund  
Balance Sheets

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and investments	\$ 5,612,963	\$ 4,269,337
<b>Receivables</b>		
Property taxes - delinquent, net of allowance for doubtful accounts of \$2,412 (\$14,083 in 2022)	44,394	88,365
Sales taxes	2,230,094	2,227,404
Accounts receivable, net of allowance for doubtful accounts of \$18,934 (\$21,806 in 2022)	174,895	164,853
Leases	-	94,078
<b>Total Receivables</b>	<b>2,449,383</b>	<b>2,574,700</b>
Due from other funds	206,919	853,143
Inventory	5,135	50,312
Prepaid items	64,645	18,412
<b>Total Assets</b>	<b>\$ 8,339,045</b>	<b>\$ 7,765,904</b>
<b>Liabilities</b>		
Accounts payable	\$ 315,393	\$ 307,097
Accrued payroll and related liabilities	458,042	418,062
Customer deposits	25,265	20,707
<b>Total Liabilities</b>	<b>798,700</b>	<b>745,866</b>
<b>Deferred Inflows of Resources</b>		
Lease related	-	93,984
Deferred property taxes	38,220	85,997
<b>Total Deferred Inflows of Resources</b>	<b>38,220</b>	<b>179,981</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>836,920</b>	<b>925,847</b>
<b>Fund Balance</b>		
Nonspendable	69,780	68,724
Committed	4,928,471	5,318,560
Assigned - PERS benefits	171,314	171,314
Unassigned	2,332,560	1,281,459
<b>Total Fund Balance</b>	<b>7,502,125</b>	<b>6,840,057</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 8,339,045</b>	<b>\$ 7,765,904</b>

## City of Homer, Alaska

## 100 - General Fund

Schedules of Revenues, Expenditures, and  
Changes in Fund Balance - with 2022 Budget and Actual

	Year Ended June 30, 2023					2022
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
<b>Revenues</b>						
Taxes:						
Property taxes	\$ 3,883,897	4,077,288	-	4,077,288	193,391	\$ 3,837,033
Sales and use taxes	8,911,049	8,292,059	-	8,292,059	(618,990)	7,711,860
Total taxes	12,794,946	12,369,347	-	12,369,347	(425,599)	11,548,893
Permits and licenses	44,262	42,973	-	42,973	(1,289)	40,594
Intergovernmental:						
State PERS relief	-	167,686	(167,686)	-	-	437,745
Utility cooperative	24,458	24,752	-	24,752	294	23,877
Alcohol beverage tax	26,883	-	-	-	(26,883)	21,550
Public safety	528,866	1,035,952	-	1,035,952	507,086	558,248
Public works	34,000	34,000	-	34,000	-	34,000
Total intergovernmental	614,207	1,262,390	(167,686)	1,094,704	480,497	1,075,420
Charges for services:						
Administrative services	-	-	-	-	-	5,467
Ambulance services	165,082	283,609	-	283,609	118,527	357,367
Fire contracts	90,100	112,513	-	112,513	22,413	103,028
Camping fees	170,294	136,533	-	136,533	(33,761)	150,219
Airport services	194,642	231,685	-	231,685	37,043	215,695
Community school fees	27,191	38,821	-	38,821	11,630	12,895
Miscellaneous services	66,326	175,426	-	175,426	109,100	191,113
Total charges for services	713,635	978,587	-	978,587	264,952	1,035,784
Investment income (loss)	153,499	118,721	-	118,721	(34,778)	(196,256)
Fines and forfeitures	17,393	13,396	-	13,396	(3,997)	21,246
<b>Total Revenues</b>	<b>\$ 14,337,942</b>	<b>14,785,414</b>	<b>(167,686)</b>	<b>14,617,728</b>	<b>279,786</b>	<b>\$ 13,525,681</b>

**City of Homer, Alaska**  
**100 - General Fund**  
**Schedules of Revenues, Expenditures, and**  
**Changes in Fund Balance - with 2022 Budget and Actual, continued**

	Year Ended June 30, 2023					2022
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
<b>Expenditures</b>						
<b>General government:</b>						
City council/mayor:						
Salaries and benefits	\$ 14,056	8,744	-	8,744	5,312	\$ 13,114
Maintenance and operations	456,900	338,613	-	338,613	118,287	549,444
Total city council/mayor	470,956	347,357	-	347,357	123,599	562,558
City clerk:						
Salaries and benefits	389,965	404,630	(7,344)	397,286	(7,321)	383,073
Maintenance and operations	62,452	48,855	-	48,855	13,597	54,406
Total city clerk	452,417	453,485	(7,344)	446,141	6,276	437,479
City manager:						
Salaries and benefits	741,598	516,212	(7,967)	508,245	233,353	295,248
Maintenance and operations	114,209	89,027	-	89,027	25,182	43,233
Total city manager	855,807	605,239	(7,967)	597,272	258,535	338,481
Personnel:						
Salaries and benefits	162,218	171,738	(3,023)	168,715	(6,497)	159,230
Maintenance and operations	59,970	51,578	-	51,578	8,392	65,406
Total personnel	222,188	223,316	(3,023)	220,293	1,895	224,636
Economic development:						
Salaries and benefits	-	184,747	(3,316)	181,431	(181,431)	151,299
Maintenance and operations	-	-	-	-	-	55,090
Total economic development	-	184,747	(3,316)	181,431	(181,431)	206,389
Information technology:						
Salaries and benefits	412,256	369,423	(6,200)	363,223	49,033	268,315
Maintenance and operations	139,526	156,837	-	156,837	(17,311)	122,916
Total information technology	551,782	526,260	(6,200)	520,060	31,722	391,231
HERC Building -						
Maintenance and operations	62,244	43,087	-	43,087	19,157	26,916
Community recreation:						
Salaries and benefits	157,949	158,164	(2,450)	155,714	2,235	138,336
Maintenance and operations	34,998	31,654	-	31,654	3,344	11,398
Total community recreation	192,947	189,818	(2,450)	187,368	5,579	149,734
Finance:						
Salaries and benefits	852,526	814,898	(13,553)	801,345	51,181	759,803
Maintenance and operations	97,758	67,688	-	67,688	30,070	70,365
Total Finance	950,284	882,586	(13,553)	869,033	81,251	830,168
Planning and zoning:						
Salaries and benefits	405,949	403,726	(6,512)	397,214	8,735	396,308
Maintenance and operations	45,815	45,502	-	45,502	313	26,967
Total planning and zoning	451,764	449,228	(6,512)	442,716	9,048	423,275

**City of Homer, Alaska**  
**100 - General Fund**  
**Schedules of Revenues, Expenditures, and**  
**Changes in Fund Balance - with 2022 Budget and Actual, continued**

	Year Ended June 30, 2023					2022
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
<b>Expenditures, continued</b>						
<b>General government, continued:</b>						
City hall complex -						
Maintenance and operations	\$ 132,804	121,128	-	121,128	11,676	\$ 141,045
Leave cash out -						
Salaries and benefits	122,629	122,629	-	122,629	-	136,126
<b>Total general government</b>	<b>4,465,822</b>	<b>4,148,880</b>	<b>(50,365)</b>	<b>4,098,515</b>	<b>367,307</b>	<b>3,868,038</b>
<b>Public safety:</b>						
<b>Emergency services:</b>						
Fire - administration:						
Salaries and benefits	388,234	387,280	(6,478)	380,802	7,432	302,222
Maintenance and operations	237,349	213,138	-	213,138	24,211	216,832
Total fire - administration	625,583	600,418	(6,478)	593,940	31,643	519,054
Fire services:						
Salaries and benefits	429,191	378,224	(5,866)	372,358	56,833	373,289
Maintenance and operations	90,500	88,812	-	88,812	1,688	48,953
Total fire services	519,691	467,036	(5,866)	461,170	58,521	422,242
Emergency medical services:						
Salaries and benefits	423,421	432,813	(6,932)	425,881	(2,460)	419,652
Maintenance and operations	50,750	42,972	-	42,972	7,778	44,880
Total emergency medical services	474,171	475,785	(6,932)	468,853	5,318	464,532
<b>Total emergency services</b>	<b>1,619,445</b>	<b>1,543,239</b>	<b>(19,276)</b>	<b>1,523,963</b>	<b>95,482</b>	<b>1,405,828</b>
<b>Police department:</b>						
Police administration:						
Salaries and benefits	149,992	160,044	(3,199)	156,845	(6,853)	156,118
Maintenance and operations	341,804	401,906	-	401,906	(60,102)	381,098
Total police administration	491,796	561,950	(3,199)	558,751	(66,955)	537,216
Police dispatch:						
Salaries and benefits	686,319	665,548	(11,021)	654,527	31,792	633,759
Maintenance and operations	35,500	22,685	-	22,685	12,815	25,342
Total police dispatch	721,819	688,233	(11,021)	677,212	44,607	659,101
Police investigation:						
Salaries and benefits	196,762	242,477	(4,314)	238,163	(41,401)	253,511
Maintenance and operations	28,100	32,472	-	32,472	(4,372)	22,703
Total police investigation	224,862	274,949	(4,314)	270,635	(45,773)	276,214
Police patrol:						
Salaries and benefits	1,585,859	1,815,946	(31,376)	1,784,570	(198,711)	1,568,443
Maintenance and operations	7,500	5,847	-	5,847	1,653	1,416
Total police patrol	1,593,359	1,821,793	(31,376)	1,790,417	(197,058)	1,569,859

**City of Homer, Alaska**  
**100 - General Fund**  
**Schedules of Revenues, Expenditures, and**  
**Changes in Fund Balance - with 2022 Budget and Actual, continued**

	Year Ended June 30, 2023					2022
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
<b>Expenditures, continued</b>						
<b>Public safety, continued</b>						
<b>Police department, continued</b>						
Jail:						
Salaries and benefits	\$ 702,383	660,777	(10,689)	650,088	52,295	\$ 661,177
Maintenance and operations	129,962	130,392	-	130,392	(430)	124,163
Total jail	832,345	791,169	(10,689)	780,480	51,865	785,340
Animal control -						
Maintenance and operations	238,894	303,512	-	303,512	(64,618)	223,229
Total animal control	238,894	303,512	-	303,512	(64,618)	223,229
<b>Total police department</b>	<b>4,103,075</b>	<b>4,441,606</b>	<b>(60,599)</b>	<b>4,381,007</b>	<b>(277,932)</b>	<b>4,050,959</b>
<b>Total public safety</b>	<b>5,722,520</b>	<b>5,984,845</b>	<b>(79,875)</b>	<b>5,904,970</b>	<b>(182,450)</b>	<b>5,456,787</b>
<b>Public works:</b>						
Administration:						
Salaries and benefits	119,491	102,721	(1,633)	101,088	18,403	101,325
Maintenance and operations	83,747	85,281	-	85,281	(1,534)	73,161
Total administration	203,238	188,002	(1,633)	186,369	16,869	174,486
Maintenance:						
Salaries and benefits	280,632	261,813	(3,714)	258,099	22,533	225,386
Maintenance and operations	172,790	196,930	-	196,930	(24,140)	196,454
Total maintenance	453,422	458,743	(3,714)	455,029	(1,607)	421,840
Roads:						
Salaries and benefits	549,028	498,888	(7,946)	490,942	58,086	505,142
Maintenance and operations	432,567	411,335	-	411,335	21,232	329,393
Total roads	981,595	910,223	(7,946)	902,277	79,318	834,535
Parks:						
Salaries and benefits	317,558	229,781	(2,134)	227,647	89,911	282,980
Maintenance and operations	339,022	310,974	-	310,974	28,048	267,481
Total parks	656,580	540,755	(2,134)	538,621	117,959	550,461
Motor pool:						
Salaries and benefits	221,933	194,186	(2,915)	191,271	30,662	186,597
Maintenance and operations	428,720	389,202	-	389,202	39,518	401,448
Total motor pool	650,653	583,388	(2,915)	580,473	70,180	588,045
Engineer inspection:						
Salaries and benefits	176,814	170,775	(2,749)	168,026	8,788	159,353
Maintenance and operations	23,530	23,115	-	23,115	415	31,076
Total engineer inspection	200,344	193,890	(2,749)	191,141	9,203	190,429

## City of Homer, Alaska

## 100 - General Fund

## Schedules of Revenues, Expenditures, and

## Changes in Fund Balance - with 2022 Budget and Actual, continued

	Year Ended June 30, 2023					2022
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
<b>Expenditures, continued</b>						
<b>Public works, continued:</b>						
Janitorial:						
Salaries and benefits	\$ 229,724	256,982	(3,545)	253,437	(23,713)	\$ 209,644
Maintenance and operations	50,650	25,017	-	25,017	25,633	25,563
<b>Total Janitorial</b>	<b>280,374</b>	<b>281,999</b>	<b>(3,545)</b>	<b>278,454</b>	<b>1,920</b>	<b>235,207</b>
<b>Total public works</b>	<b>3,426,206</b>	<b>3,157,000</b>	<b>(24,636)</b>	<b>3,132,364</b>	<b>293,842</b>	<b>2,995,003</b>
<b>Library:</b>						
Salaries and benefits	782,805	780,320	(10,183)	770,137	12,668	693,390
Maintenance and operations	248,672	244,344	-	244,344	4,328	226,872
<b>Total library</b>	<b>1,031,477</b>	<b>1,024,664</b>	<b>(10,183)</b>	<b>1,014,481</b>	<b>16,996</b>	<b>920,262</b>
<b>Airport:</b>						
Salaries and benefits	108,952	158,538	(2,627)	155,911	(46,959)	143,796
Maintenance and operations	129,565	128,253	-	128,253	1,312	102,597
<b>Total airport</b>	<b>238,517</b>	<b>286,791</b>	<b>(2,627)</b>	<b>284,164</b>	<b>(45,647)</b>	<b>246,393</b>
<b>Non-Departmental:</b>						
Settlement	-	10,000	-	10,000	(10,000)	25,000
Museum	69,000	69,000	-	69,000	-	69,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	25,000
<b>Total non-departmental</b>	<b>94,000</b>	<b>104,000</b>	<b>-</b>	<b>104,000</b>	<b>(10,000)</b>	<b>119,000</b>
<b>Total Expenditures</b>	<b>14,978,542</b>	<b>14,706,180</b>	<b>(167,686)</b>	<b>14,538,494</b>	<b>440,048</b>	<b>13,605,483</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>(640,600)</b>	<b>79,234</b>	<b>-</b>	<b>79,234</b>	<b>719,834</b>	<b>(79,802)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	907,807	1,739,101	-	1,739,101	831,294	1,587,163
Transfers out	(267,207)	(1,156,267)	-	(1,156,267)	(889,060)	(4,604,742)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>662,068</b>	<b>-</b>	<b>662,068</b>	<b>662,068</b>	<b>(3,097,381)</b>
<b>Fund Balance, beginning</b>		<b>6,840,057</b>		<b>6,840,057</b>		<b>9,937,438</b>
<b>Fund Balance, ending</b>		<b>\$ 7,502,125</b>		<b>7,502,125</b>		<b>\$ 6,840,057</b>



## **Utility Special Revenue Fund**

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

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

	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
<b><i>June 30, 2023</i></b>				
<b>Assets</b>				
Cash and investments	\$ (144,588)	(2,249,048)	4,163,087	1,769,451
Receivables				
Accounts receivable	375,630	-	-	375,630
State and Federal grants and loans	-	1,346,534	-	1,346,534
<b>Total Receivables</b>	<b>375,630</b>	<b>1,346,534</b>	<b>-</b>	<b>1,722,164</b>
Inventory	538,542	-	-	538,542
<b>Total Assets</b>	<b>\$ 769,584</b>	<b>(902,514)</b>	<b>4,163,087</b>	<b>4,030,157</b>
<b>Liabilities</b>				
Accounts payable	\$ 89,870	345,672	16,901	452,443
Accrued payroll and related liabilities	68,064	-	-	68,064
Customer deposits	55,207	-	-	55,207
<b>Total Liabilities</b>	<b>213,141</b>	<b>345,672</b>	<b>16,901</b>	<b>575,714</b>
<b>Fund Balances (Deficits)</b>				
Nonspendable - inventory	538,542	-	-	538,542
Assigned - water and sewer	17,901	(1,248,186)	4,146,186	2,915,901
<b>Total Fund Balances (Deficits)</b>	<b>556,443</b>	<b>(1,248,186)</b>	<b>4,146,186</b>	<b>3,454,443</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 769,584</b>	<b>(902,514)</b>	<b>4,163,087</b>	<b>4,030,157</b>

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

<i>Year Ended June 30, 2023</i>	Budget	Actual	Variance
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 508,051	\$ 508,051
Charges for services:			
Water charges and connection fees	1,837,172	1,972,511	135,339
Sewer charges and connection fees	1,754,682	1,861,824	107,142
Total charges for services	3,591,854	3,834,335	242,481
Investment income	84,500	78,997	(5,503)
<b>Total Revenues</b>	3,676,354	4,421,383	745,029
<b>Expenditures</b>			
Water:			
Administration	281,718	295,538	(13,820)
Treatment plant	666,884	672,710	(5,826)
Water system testing	28,750	27,106	1,644
Pumping stations	101,020	98,608	2,412
Distribution system	371,410	356,414	14,996
Water reservoir	30,197	21,198	8,999
Water meters	190,760	261,428	(70,668)
Water hydrants	220,388	204,304	16,084
Total water	1,891,127	1,937,306	(46,179)
Sewer:			
Administration	215,734	230,114	(14,380)
Sewer plant operations	753,303	804,700	(51,397)
Sewer system testing	15,240	13,950	1,290
Sewer lift stations	225,231	198,270	26,961
Collection system	303,420	400,812	(97,392)
Total Sewer	1,512,928	1,647,846	(134,918)
Debt service:			
Interest	-	1,639	(1,639)
Capital outlay	-	1,317,096	(1,317,096)
<b>Total Expenditures</b>	3,404,055	4,903,887	(1,499,832)
<b>Excess of Expenditures Over Revenues</b>	272,299	(482,504)	(754,803)
<b>Other Financing Sources (Uses)</b>			
Loan proceeds	-	870,070	870,070
Transfers in	91,734	460,002	368,268
Transfers out	(364,033)	(23,064)	340,969
<b>Net Change in Fund Balance</b>	<u>-</u>	824,504	<u>\$ 824,504</u>
<b>Fund Balance, beginning</b>		<u>2,629,939</u>	
<b>Fund Balance, ending</b>		<u>\$ 3,454,443</u>	

## City of Homer, Alaska

## Utility Special Revenue Fund

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
<i>Year Ended June 30, 2023</i>				
<b>Revenues</b>				
Intergovernmental	\$ 31,587	476,464	-	508,051
Charges for services:				
Water charges and connection fees	1,972,511	-	-	1,972,511
Sewer charges and connection fees	1,861,824	-	-	1,861,824
Total charges for services	3,834,335	-	-	3,834,335
Investment income	(1,235)	-	80,232	78,997
<b>Total Revenues</b>	3,864,687	476,464	80,232	4,421,383
<b>Expenditures</b>				
Water:				
Administration	295,538	-	-	295,538
Treatment plant	672,710	-	-	672,710
Water system testing	27,106	-	-	27,106
Pumping stations	98,608	-	-	98,608
Distribution system	356,414	-	-	356,414
Water reservoir	21,198	-	-	21,198
Water meters	261,428	-	-	261,428
Water hydrants	204,304	-	-	204,304
Total water	1,937,306	-	-	1,937,306
Sewer:				
Administration	230,114	-	-	230,114
Sewer plant operations	804,700	-	-	804,700
Sewer system testing	13,950	-	-	13,950
Sewer lift stations	198,270	-	-	198,270
Collection system	400,812	-	-	400,812
Total Sewer	1,647,846	-	-	1,647,846
Debt service:				
Interest	1,639	-	-	1,639
Capital outlay	-	1,023,522	293,574	1,317,096
<b>Total Expenditures</b>	3,586,791	1,023,522	293,574	4,903,887
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	277,896	(547,058)	(213,342)	(482,504)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	870,070	-	870,070
Transfers in	-	460,002	-	460,002
Transfers out	(850,562)	1,382	826,116	(23,064)
<b>Net Change in Fund Balances</b>	(572,666)	784,396	612,774	824,504
<b>Fund Balances (Deficits), beginning</b>	1,129,109	(2,032,582)	3,533,412	2,629,939
<b>Fund Balances (Deficits), ending</b>	556,443	(1,248,186)	4,146,186	3,454,443

## **Port of Homer Enterprise Fund**

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

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

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Statements of Net Position**

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 5,210,665	\$ 4,212,009
Receivables:		
Accounts, net of allowance for doubtful accounts of \$19,789 (\$18,741 in 2022)	479,271	340,225
State and federal grants	526,470	-
Lease receivable	302,029	318,934
Prepaid items	223,014	14,625
<b>Total Current Assets</b>	<b>6,741,449</b>	<b>4,885,793</b>
<b>Noncurrent Assets</b>		
Restricted cash and investments - bond reserves	317,980	317,980
Lease receivable	7,095,394	6,685,682
Net OPEB assets	708,885	1,122,021
<b>Property, Plant and Equipment</b>		
Property, plant and equipment in service	74,706,340	74,446,090
Land and land improvements	15,804,641	15,804,641
Construction work in progress	792,916	50,337
Less accumulated depreciation	(46,828,714)	(44,655,299)
<b>Net Property, Plant and Equipment</b>	<b>44,475,183</b>	<b>45,645,769</b>
<b>Total Noncurrent Assets</b>	<b>52,597,442</b>	<b>53,771,452</b>
<b>Total Assets</b>	<b>59,338,891</b>	<b>58,657,245</b>
<b>Deferred Outflows of Resources:</b>		
Pension related	229,677	259,859
OPEB related	75,775	38,787
<b>Total Deferred Outflows of Resources</b>	<b>305,452</b>	<b>298,646</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 59,644,343</b>	<b>\$ 58,955,891</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Statements of Net Position, continued**

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 498,625	\$ 263,310
Accrued payroll and related liabilities	85,195	68,450
Accrued leave	96,000	93,000
Accrued interest payable	4,425	4,553
General obligation bonds payable	220,000	210,000
Prepaid berth rentals and deposits	449,481	427,005
Unearned lease revenue	18,000	18,000
Unearned grant revenue	-	-
<b>Total Current Liabilities</b>	<b>1,371,726</b>	<b>1,084,318</b>
<b>Noncurrent Liabilities, net of current portion:</b>		
Unearned lease revenue	81,000	99,000
Accrued leave long term	149,559	127,779
General obligation bonds payable including bond premium	2,253,349	2,490,024
Net pension liabilities	1,743,748	1,543,365
<b>Total Noncurrent Liabilities</b>	<b>4,227,656</b>	<b>4,260,168</b>
<b>Total Liabilities</b>	<b>5,599,382</b>	<b>5,344,486</b>
<b>Deferred Inflows of Resources:</b>		
Lease related	7,233,457	6,934,008
Pension related	-	615,459
OPEB related	65,314	605,077
<b>Total Deferred Inflows of Resources</b>	<b>7,298,771</b>	<b>8,154,544</b>
<b>Net Position</b>		
Net investment in capital assets	42,001,834	42,945,745
Unrestricted (deficit)	4,744,356	2,511,116
<b>Total Net Position</b>	<b>46,746,190</b>	<b>45,456,861</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 59,644,343</b>	<b>\$ 58,955,891</b>

## City of Homer, Alaska

## Port of Homer Enterprise Fund

## Statements of Revenues, Expenses, and Changes in Net Position

<i>Year Ended June 30</i>	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>		
Harbor	\$ 3,802,202	\$ 3,675,098
Main dock	247,935	259,694
Fish dock	506,754	523,294
Deep water dock	365,311	157,434
Rents, leases and storage	862,798	570,414
Fish grinder	6,803	7,018
<b>Total Operating Revenues</b>	<b>5,791,803</b>	<b>5,192,952</b>
<b>Operating Expenses</b>		
Harbor	2,186,376	1,833,959
Main dock	124,313	140,588
Fish dock	518,763	603,730
Deep water dock	225,225	227,655
Fish grinder	22,015	21,819
Administration	729,256	788,920
Depreciation	2,173,415	2,171,924
<b>Total Operating Expenses</b>	<b>5,979,363</b>	<b>5,788,595</b>
<b>Operating Loss</b>	<b>(187,560)</b>	<b>(595,643)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income (loss)	73,471	(62,000)
Interest expense	(39,773)	(46,790)
State PERS relief	32,821	92,383
Other income	100,892	240,337
Cruise ship tax	38,535	103,597
Fish tax	116,236	66,865
<b>Net Nonoperating Revenues (Expenses)</b>	<b>322,182</b>	<b>394,392</b>
<b>Loss Before Transfers and Capital Contributions</b>	<b>134,622</b>	<b>(201,251)</b>
Transfers in	750,000	-
Transfers out	(121,763)	(36,960)
Capital contributions	526,470	35,234
<b>Change in Net Position</b>	<b>1,289,329</b>	<b>(202,977)</b>
<b>Beginning Net Position</b>	<b>45,456,861</b>	<b>45,659,838</b>
<b>Ending Net Position</b>	<b>\$ 46,746,190</b>	<b>\$ 45,456,861</b>



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

<b><i>Year Ended June 30</i></b>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 5,664,767	\$ 5,384,102
Payments to suppliers	(2,111,305)	(1,808,831)
Payments to employees	(2,141,880)	(1,660,267)
<b>Net cash flows from (for) operating activities</b>	<b>1,411,582</b>	<b>1,915,004</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in (out)	628,237	(36,960)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>628,237</b>	<b>(36,960)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(210,000)	(185,000)
Interest paid on long-term debt	(56,576)	(65,526)
Capital contributions received	-	35,234
Cruise ship tax and fish tax received	154,771	170,462
Acquisition of property, plant and equipment	(1,002,829)	(282,073)
Decrease in interfund loan	-	(44,973)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,114,634)</b>	<b>(371,876)</b>
<b>Cash Flows from (for) Investing Activities</b>		
Investment income received	73,471	(62,000)
<b>Net Increase in Cash and Investments</b>	<b>998,656</b>	<b>1,444,168</b>
<b>Beginning Cash and Investments</b>	<b>4,529,989</b>	<b>3,085,821</b>
<b>Ending Cash and Investments</b>	<b>\$ 5,528,645</b>	<b>\$ 4,529,989</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Statements of Cash Flows, continued**

<b>Year Ended June 30</b>	<b>2023</b>	<b>2022</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Flows from (for) Operating Activities</b>		
Operating loss	\$ (187,560)	\$ (595,643)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,173,415	2,171,924
Noncash expense - PERS relief	32,821	92,383
Increase (decrease) in allowance for doubtful accounts	1,048	(5,965)
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	100,892	240,337
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(140,094)	30,214
Lease receivable	(392,807)	(7,004,616)
Prepaid items	(208,389)	21,301
Deferred outflows of resources related to pensions	30,182	(40,661)
Deferred outflows of resources related to OPEB	(36,988)	53,491
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	235,315	118,822
Accrued payroll and related liabilities	16,745	5,906
Accrued leave	24,780	(29,399)
Prepaid berth rentals and deposits	22,476	15,172
Net pension liability	200,383	(163,752)
Net OPEB (assets) liabilities	413,136	(979,631)
Deferred inflows of resources related leases	299,449	6,934,008
Deferred inflows of resources related to pensions	(615,459)	581,641.00
Deferred inflows of resources related to OPEB	(539,763)	487,472
 <b>Net Cash Flows from (for) Operating Activities</b>	 <b>\$ 1,411,582</b>	 <b>\$ 1,915,004</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Combining Schedule of Net Position**

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Bonds 457	Cruise Ship Landing Tax 460	<b>Total Port Fund</b>
<b>June 30, 2023</b>							
<b>Assets and Deferred Outflows of Resources</b>							
<b>Current Assets</b>							
Cash and investments	\$ 1,451,388	242,328	169,514	3,481,063	(60,000)	(73,628)	5,210,665
Receivables:							
Trade, net of allowance for doubtful accounts	441,089	-	-	-	-	38,182	479,271
State and federal grants	-	526,470	-	-	-	-	526,470
Lease receivable	302,029	-	-	-	-	-	302,029
Prepaid items	18,956	204,058	-	-	-	-	223,014
<b>Total Current Assets</b>	<b>2,213,462</b>	<b>972,856</b>	<b>169,514</b>	<b>3,481,063</b>	<b>(60,000)</b>	<b>(35,446)</b>	<b>6,741,449</b>
<b>Noncurrent Assets</b>							
Restricted cash and investments - bond reserves	317,980	-	-	-	-	-	317,980
Lease receivable	7,095,394	-	-	-	-	-	7,095,394
Net OPEB assets	708,885	-	-	-	-	-	708,885
Property, plant and equipment:							
Property, plant and equipment in service	74,706,340	-	-	-	-	-	74,706,340
Land and land improvements	15,804,641	-	-	-	-	-	15,804,641
Construction work in progress	792,916	-	-	-	-	-	792,916
Less accumulated depreciation	(46,828,714)	-	-	-	-	-	(46,828,714)
<b>Net Property, Plant and Equipment</b>	<b>44,475,183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,475,183</b>
<b>Total Noncurrent Assets</b>	<b>52,597,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,597,442</b>
<b>Total Assets</b>	<b>54,810,904</b>	<b>972,856</b>	<b>169,514</b>	<b>3,481,063</b>	<b>(60,000)</b>	<b>(35,446)</b>	<b>59,338,891</b>
<b>Deferred Outflows of Resources:</b>							
Pension related	229,677	-	-	-	-	-	229,677
OPEB related	75,775	-	-	-	-	-	75,775
<b>Total Deferred Outflows of Resources</b>	<b>305,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>305,452</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 55,116,356</b>	<b>972,856</b>	<b>169,514</b>	<b>3,481,063</b>	<b>(60,000)</b>	<b>(35,446)</b>	<b>59,644,343</b>

**City of Homer, Alaska**  
**Port of Homer Enterprise Fund**  
**Combining Schedule of Net Position, continued**

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Bonds 457	Cruise Ship Landing Tax 460	<b>Total Port Fund</b>
<b>June 30, 2023</b>							
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>							
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 301,395	129,701	-	67,529	-	-	498,625
Accrued payroll and related liabilities	84,759	436	-	-	-	-	85,195
Accrued leave	96,000	-	-	-	-	-	96,000
Accrued interest payable	4,425	-	-	-	-	-	4,425
General obligation bonds payable	180,000	-	-	-	40,000	-	220,000
Prepaid berth rentals and deposits	449,481	-	-	-	-	-	449,481
Unearned lease revenue	18,000	-	-	-	-	-	18,000
Unearned grant revenue	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	1,134,060	130,137	-	67,529	40,000	-	1,371,726
<b>Noncurrent Liabilities</b> , net of current portion:							
Unearned lease revenue	81,000	-	-	-	-	-	81,000
Accrued leave long term	149,559	-	-	-	-	-	149,559
General obligation bonds payable including bond premium	53,349	-	-	-	2,200,000	-	2,253,349
Net pension liabilities	1,743,748	-	-	-	-	-	1,743,748
<b>Total Noncurrent Liabilities</b>	2,027,656	-	-	-	2,200,000	-	4,227,656
<b>Total Liabilities</b>	3,161,716	130,137	-	67,529	2,240,000	-	5,599,382
<b>Deferred Inflows of Resources:</b>							
Lease related	7,233,457	-	-	-	-	-	7,233,457
OPEB related	65,314	-	-	-	-	-	65,314
<b>Total Deferred Inflows of Resources</b>	7,298,771	-	-	-	-	-	7,298,771
<b>Net Position</b>							
Net investment in capital assets	44,241,834	-	-	-	(2,240,000)	-	42,001,834
Unrestricted (deficit)	414,035	842,719	169,514	3,413,534	(60,000)	(35,446)	4,744,356
<b>Total Net Position</b>	44,655,869	842,719	169,514	3,413,534	(2,300,000)	(35,446)	46,746,190
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	\$ 55,116,356	972,856	169,514	3,481,063	(60,000)	(35,446)	59,644,343

## City of Homer, Alaska

## Port of Homer Enterprise Fund

## Combining Schedule of Revenues, Expenses and Changes in Net Position (Deficits)

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Bonds 457	Cruise Ship Landing Tax 460	Total Port Fund
<b>Year Ended June 30, 2023</b>							
<b>Operating Revenues</b>							
Harbor	\$ 3,802,202	-	-	-	-	-	3,802,202
Main dock	247,935	-	-	-	-	-	247,935
Fish dock	506,754	-	-	-	-	-	506,754
Deep water dock	365,311	-	-	-	-	-	365,311
Rents, leases and storage	862,798	-	-	-	-	-	862,798
Fish grinder	6,803	-	-	-	-	-	6,803
<b>Total Operating Revenues</b>	<b>5,791,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,791,803</b>
<b>Operating Expenses</b>							
Harbor	1,700,297	254,115	-	231,964	-	-	2,186,376
Main dock	124,313	-	-	-	-	-	124,313
Fish dock	518,763	-	-	-	-	-	518,763
Deep water dock	225,225	-	-	-	-	-	225,225
Fish grinder	22,015	-	-	-	-	-	22,015
Administration	729,256	-	-	-	-	-	729,256
Depreciation	2,173,415	-	-	-	-	-	2,173,415
<b>Total Operating Expenses</b>	<b>5,493,284</b>	<b>254,115</b>	<b>-</b>	<b>231,964</b>	<b>-</b>	<b>-</b>	<b>5,979,363</b>
<b>Operating Income (Loss)</b>	<b>298,519</b>	<b>(254,115)</b>	<b>-</b>	<b>(231,964)</b>	<b>-</b>	<b>-</b>	<b>(187,560)</b>
<b>Nonoperating Revenues (Expenses)</b>							
Investment income	73,471	-	-	-	-	-	73,471
Interest expense	-	-	-	-	(39,773)	-	(39,773)
State PERS relief	32,821	-	-	-	-	-	32,821
Other income	92,916	7,650	-	326	-	-	100,892
Cruise ship tax	-	-	-	-	-	38,535	38,535
Fish tax	116,236	-	-	-	-	-	116,236
<b>Net Nonoperating Revenues (Expenses)</b>	<b>315,444</b>	<b>7,650</b>	<b>-</b>	<b>326</b>	<b>(39,773)</b>	<b>38,535</b>	<b>322,182</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>613,963</b>	<b>(246,465)</b>	<b>-</b>	<b>(231,638)</b>	<b>(39,773)</b>	<b>38,535</b>	<b>134,622</b>
Transfers in	568,587	289,507	15,120	(56,220)	39,694	(106,688)	750,000
Transfers out	(121,763)	-	-	-	-	-	(121,763)
Capital contributions	-	526,470	-	-	-	-	526,470
<b>Change in Net Position</b>	<b>1,060,787</b>	<b>569,512</b>	<b>15,120</b>	<b>(287,858)</b>	<b>(79)</b>	<b>(68,153)</b>	<b>1,289,329</b>
<b>Beginning Net Position</b>	<b>43,595,082</b>	<b>273,207</b>	<b>154,394</b>	<b>3,701,392</b>	<b>(2,299,921)</b>	<b>32,707</b>	<b>45,456,861</b>
<b>Ending Net Position</b>	<b>\$ 44,655,869</b>	<b>842,719</b>	<b>169,514</b>	<b>3,413,534</b>	<b>(2,300,000)</b>	<b>(35,446)</b>	<b>46,746,190</b>

## Internal Service Funds

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

**Health Insurance Fund** – This fund accounts for the cost of medical, dental, and 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**

<b><i>June 30, 2023</i></b>	Health Insurance	Leave Cash-out	Total
<b>Current Assets</b>			
Cash and investments	\$ 49,532	\$ -	\$ 49,532
<b>Liabilities and Net Position</b>			
<b>Current Liabilities</b>			
Accrued payroll and related liabilities	12,617	276	12,893
Due to other funds	-	142,881	142,881
<b>Total Current Liabilities</b>	12,617	143,157	155,774
<b>Net Position</b>			
Unrestricted (deficit)	36,915	(143,157)	(106,242)
<b>Total Liabilities and Net Position</b>	\$ 49,532	\$ -	\$ 49,532

## City of Homer, Alaska

## Internal Service Funds

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

<b><i>Year Ended June 30, 2023</i></b>	Health Insurance	Leave Cash-out	Total
<b>Operating Revenues</b>			
Interfund charges	\$ 2,223,068	\$ 261,313	\$ 2,484,381
Employee health contributions	193,146	-	193,146
<b>Total Operating Revenues</b>	<b>2,416,214</b>	<b>261,313</b>	<b>2,677,527</b>
<b>Operating Expenses</b>			
Salaries and benefits	-	313,494	313,494
Insurance premiums	2,147,264	-	2,147,264
Administration	535	-	535
Employee incentive fees	156,067	-	156,067
<b>Total Operating Expenses</b>	<b>2,303,866</b>	<b>313,494</b>	<b>2,617,360</b>
Transfers in	1,235	-	1,235
<b>Change in Net Position</b>	<b>113,583</b>	<b>(52,181)</b>	<b>61,402</b>
<b>Beginning Net Position</b>	<b>(76,668)</b>	<b>(90,976)</b>	<b>(167,644)</b>
<b>Ending Net Position</b>	<b>\$ 36,915</b>	<b>\$ (143,157)</b>	<b>\$ (106,242)</b>



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

<b><i>Year Ended June 30, 2023</i></b>	Health Insurance	Leave Cash-out	Total
<b>Cash Flows from (for) Operating Activities</b>			
Receipts from interfund services provided and employee contributions	\$ 2,416,214	\$ 261,313	\$ 2,677,527
Payments to employees	(143,450)	(313,218)	(456,668)
Payments for insurance, claims, and administration	(2,149,007)	-	(2,149,007)
<b>Net cash flows from (for) operating activities</b>	<b>123,757</b>	<b>(51,905)</b>	<b>71,852</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>			
Increase in due to other funds	(75,460)	51,905	(23,555)
Transfers in	1,235	-	1,235
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(74,225)</b>	<b>51,905</b>	<b>(22,320)</b>
<b>Net Increase in Cash and Investments</b>	<b>49,532</b>	<b>-</b>	<b>49,532</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ 49,532</b>	<b>\$ -</b>	<b>\$ 49,532</b>

**Reconciliation of Operating Income to Net Cash**

<b>Flows from (for) Operating Activities</b>			
Operating income (loss)	\$ 112,348	\$ (52,181)	\$ 60,167
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	(1,208)	-	(1,208)
Accrued payroll and related liabilities	12,617	276	12,893
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 123,757</b>	<b>\$ (51,905)</b>	<b>\$ 71,852</b>

**City of Homer, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>DEPARTMENT OF THE TREASURY</b>			
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	AK0049	\$ 716,685
<b>THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
Passed through the State of Alaska Department of Education and Early Development: COVID-19 Grants to States	45.310	ARPA25	11,204
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through the State of Alaska Department of Environmental Conservation - Sewer Overflow and Stormwater Reuse Municipal Grant Program	66.447	ACWA2313	24,796
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the State of Alaska Division of Homeland Security and Emergency Management - Homeland Security Grant Program:			
2022 State Homeland Security Program	97.067	21SHSP-GY21	39,327
2019 State Homeland Security Grant	97.067	Homer	20,179
Total Homeland Security Grant Program			59,506
<b>Total Federal Financial Assistance</b>			<b>\$ 812,191</b>

*See accompanying notes to schedule of expenditures of federal awards.*

# City of Homer, Alaska

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

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### 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 June 30, 2023. 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 June 30, 2023.

### 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 the 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.

**City of Homer, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended June 30, 2023**

State Agency / Program Title	Award Number	Total Award Amount	State Expenditures
<b>Department of Environmental Conservation</b>			
Drinking Water State Revolving Fund	409321-S	\$ 112,229	112,229
Drinking Water State Revolving Fund	409331-S	138,545	138,545
Drinking Water State Revolving Fund	409351-S	225,690	225,690
Total Drinking Water State Revolving Fund		<u>476,464</u>	<u>476,464</u>
CWA Section 221 Sewer Overflow and Stormwater Reuse Municipal Grant Program	ACWA2312	<u>15,959</u>	<u>2,881</u>
<b>Total Department of Environmental Conservation</b>		<u>492,423</u>	<u>479,345</u>
<b>Department of Commerce, Community, and Economic Development</b>			
* Homer Harbor Cathodic Protection Project	23-DC-041	<u>750,000</u>	<u>221,341</u>
<b>Department of Corrections</b>			
Prisoner Transport	220001265	<u>66,650</u>	<u>66,650</u>
<b>Department of Education and Early Development</b>			
Interlibrary Cooperation Grant	ILC23-013	8,058	8,058
Public Library Assistance	PLA-21-Homer	<u>7,000</u>	<u>7,000</u>
<b>Total Department of Education and Early Development</b>		<u>15,058</u>	<u>15,058</u>
<b>Department of Transportation and Public Facilities</b>			
* Homer Harbor Cathodic Protection Project	23-HG-005	<u>366,000</u>	<u>305,129</u>
<b>Total State Financial Assistance</b>			<u>\$ 1,087,523</u>

Note 1. Major Program Notation

\* Denotes Major State Program

Note 2. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City of Homer under programs of the State of Alaska for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City of Homer, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Homer.

Note 3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Note 4. Awards to Subrecipients

No state expenditures presented in the Schedule were from awards passed through to

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## **Single Audit Report**

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 8, 2024.

### **Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

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

*BDO USA, P.C.*

Anchorage, Alaska  
October 8, 2024





## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

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

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

We have audited the compliance of the City of Homer, Alaska (the City) with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

#### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.



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

*BDO USA, P.C.*

Anchorage, Alaska  
October 8, 2024



**Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Honorable Mayor and City Council  
City of Homer, Alaska

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

***Opinion on Compliance for Each Major State Program***

We have audited the City of Homer, Alaska's (the City) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplements* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2023. The City's major state programs are identified in the accompanying Schedule of State Financial Assistance.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of *State of Alaska Audit Guide*. Our responsibilities under those standards and the *State of Alaska Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the types of compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide* requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State of Alaska* requirements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *State of Alaska Audit Guide* and which is described in the accompanying schedule of findings and questioned costs as items 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response



## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*BDO USA, P.C.*

Anchorage, Alaska  
October 8, 2024

# City of Homer, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2023

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no  
Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☒ yes ☐ no  
Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of major federal programs:

#### Assistance Listing

Number	Name of Federal Program or Cluster	Agency
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

#### State Financial Assistance

Type of auditor's report issued on compliance for major state programs: Unmodified

Internal control over major state programs:

Material weakness(es) identified? ☒ yes ☐ no  
Significant deficiency(ies) identified? ☐ yes ☒ (none reported)

Dollar threshold used to determine a state major program: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ No



# City of Homer, Alaska

## Schedule of Findings and Questioned Costs, continued

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

<b><u>Finding 2023-001</u></b>	<b>Significant Deficiency over Controls Pertaining to the Retention of Personal Identifiable Information and Personal Health Information</b>
<i>Criteria</i>	<p><i>Governmental Auditing Standards</i> states that management is responsible to ensure the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.</p> <p>Per the U.S. Department of Health and Human Services, the Health Insurance Portability and Accountability Act ("HIPPA") Privacy Rule located at 45 CFR Part 160 establishes national standards to protect individuals' medical records and other individually identifiable health information. The HIPPA Privacy Rule requires appropriate safeguards to protect the privacy of protected health information and sets limits and conditions on the uses and disclosures that may be made of such information without an individual's authorization.</p>
<i>Condition</i>	A portable storage device containing personally protected health information and related personally identifiable information for the affected individuals was removed from a secured location and misplaced.
<i>Cause</i>	There were insufficient safeguards in place over the secured location to ensure that removable devices were appropriately logged by personnel.
<i>Effect or potential Effect</i>	BDO identified the resulting impacts and potential future impacts related to misplaced portable storage devices. BDO determined the impacts to be significant to the entity due to the nature of the data that was misplaced. Future impacts could result in costly remediation by the City to alleviate the burden of identity theft.
<i>Recommendation</i>	Management should update policies and procedures pertaining to protected health information, personally identifiable information, secured storage facilities, and portable storage devices.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding. Management has obtained professional services to ensure compliance with any State and Federal Laws including, but not limited to HIPAA requirements. Management is implementing policies and procedures to ensure loss of data risk is low.

## City of Homer, Alaska

### Schedule of Findings and Questioned Costs, continued

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**Finding 2023-002**     **Grant Revenue Reconciliations - Significant Deficiency in Internal Control Over Financial Reporting**

*Criteria*                      Government Accounting Standards Board Statement of Principles, Section 1100.101 states that a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the government in conformity with generally accepted accounting principles (GAAP) and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

*Condition*                    Reconciliations and related details provided on grant revenue contained amounts that were classified as unearned revenue, when the City had already met the criteria to record the amounts as grant revenue.

*Cause*                           Internal controls were not established to ensure that grant revenue was recorded and reconciled based on the modified accrual basis of accounting during the year.

*Effect or potential Effect*     An adjustment of \$303,706 was posted during the audit to record revenue and reduce unearned revenue.

*Recommendation*        Review process should be put in place to ensure revenue is recorded in the correct period once the criteria for revenue recognition is met.

*Views of responsible officials and planned corrective actions*     Management agrees with the finding and plans to institute an internal requirement that grant reconciliations and necessary adjustment entries are completed on a quarterly basis to ensure financial reporting is timely and accurate.

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# City of Homer, Alaska

## Schedule of Findings and Questioned Costs, continued

Section III - Federal Award Findings and Questioned Costs	
<b><u>Finding 2023-003</u></b>	<b>Deadline for Federal Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control Over Compliance</b>
<i>Agency</i>	U.S. Department of the Treasury
<i>Assistance Listing Numbers (ALN)</i>	21.027
<i>Program Name</i>	COVID-19 - Coronavirus Local Fiscal Recovery Fund
<i>Award Year</i>	FY 2023
<i>Pass-Through Agency</i>	State of Alaska Department of Commerce, Community, and Economic Development
<i>Pass-Through Entity Identifying Number</i>	AK0049
<i>Criteria or Specific Requirement</i>	2 CFR 200.512, Report Submission, establishes that the audit must be completed and the data collection form and reporting package submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or 9 months after the end of the audit period.
<i>Condition</i>	The City did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended June 30, 2023.
<i>Cause</i>	The City did not have controls in place to ensure the audit was completed timely so that the reporting package could be submitted to the FAC within the required timeframe.
<i>Effect or Potential Effect</i>	The City is not compliant with 2 CFR 200.512. The City could be exposed to a reduction or elimination of funds by the Federal awarding agencies.
<i>Questioned costs</i>	Not applicable.
<i>Context</i>	This is a condition identified per review of the City's compliance with the specified requirements.
<i>Identification as a repeat finding</i>	Yes. Finding 2022-004 Noncompliance and Material Weakness in Internal Control over Compliance.
<i>Recommendation</i>	We recommend the City establish controls to ensure the audit is completed timely and the reporting package is submitted to the FAC within the required timeframe.
<i>Views of Responsible Officials</i>	Management agrees with this finding. Management has developed internal deadlines to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines.

# City of Homer, Alaska

## Schedule of Findings and Questioned Costs, continued

Section IV - State Award Findings and Questioned Costs	
<b><u>Finding 2023-004</u></b>	<b>Deadline for State Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control Over Compliance</b>
<i>State Agency</i>	Department of Environmental Conservation Department of Transportation and Public Facilities
<i>Grant Name, Award Number, and Award Year</i>	Homer Harbor Cathodic Protection Project, 23-DC-041, 2023 Homer Harbor Cathodic Protection Project, 23-HG-005, 2023
<i>Criteria or Specific Requirement</i>	2 AAC 45.010(b) states an entity that expends a cumulative total of \$750,000 or more shall submit an audit report for the audit period by “the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period” or a later date agreed upon in writing and advance of the date in this section.
<i>Condition</i>	The City did not provide the necessary information to complete the audit related to state programs subject to audit in a timely manner resulting in the audit not being completed by the State deadline.
<i>Cause</i>	The City did not have controls in place to reconcile and provide the information necessary to complete the audit by the required time.
<i>Effect</i>	The City is not in compliance with 2 AAC 45.010 (b)(1).
<i>Questioned costs</i>	Not applicable.
<i>Context</i>	This is a condition identified per review of the City's compliance with the specified requirements.
<i>Identification as a repeat finding</i>	No
<i>Recommendation</i>	We recommend the City establish controls to ensure the audit is completed timely and the reporting package is submitted to the State within the required timeframe.
<i>Views of Responsible Officials</i>	Management agrees with this finding. Management has developed internal deadlines to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines.

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**City of Homer, Alaska**  
**Responses to Single Audit (Unaudited)**

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## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

## Finance Department

491 East Pioneer Avenue  
Homer, Alaska 99603

[finance@cityofhomer-ak.gov](mailto:finance@cityofhomer-ak.gov)

(p) 907-235-8121

(f) 907-235-3140

### Summary Schedule of Prior Audit Findings Year Ended June 30, 2023

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<b><u>Finding 2022-001</u></b>	<b>Grant Revenue Reconciliations - Significant Deficiency in Internal Control Over Financial Reporting</b>
<i>Condition</i>	Reconciliations and related details provided on grant revenue were not completed until 16 months after year-end. In addition, the reconciliations indicated that grant receivable and revenue from the prior year were not recorded until the current fiscal year.
<i>Status</i>	This Finding was carried forward as Finding 2023-002.
<b><u>Finding 2022-002</u></b>	<b>Governmental Accounting Standards Board Statement 87 (GASBS 87) - Significant Deficiency in Internal Control Over Financial Reporting</b>
<i>Condition</i>	As part of its initial implementation of GASBS 87, management failed to measure the lease receivables and lease related deferred inflows of resources using the facts and circumstances that existed at the beginning of the period of implementation of GASBS 87. This resulted in adjustments to the lease receivables and lease related deferred inflows of resources recorded in the Port of Homer Enterprise Fund.
<i>Status</i>	This finding has been corrected in the current year.
<b><u>Finding 2022-003</u></b>	<b>Significant Deficiency over Controls Pertaining to the Retention of Personal Identifiable Information and Personal Health Information</b>
<i>Condition</i>	A portable storage device containing personally protected health information and related personally identifiable information for the affected individuals was removed from a secured location and misplaced.
<i>Status</i>	This Finding was carried forward as Finding 2023-001.
<b><u>Finding 2022-004</u></b>	<b>Deadline for Federal Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control Over Compliance</b>
<i>Condition</i>	The City did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended June 30, 2022.
<i>Status</i>	This Finding was carried forward as Finding 2023-003.



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## Summary Schedule of Prior Audit Findings, continued

### Year Ended June 30, 2023

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**Finding 2022-005**

**Review of Reporting - Significant Deficiency in Internal Control Over Compliance**

*Condition*

During our testing of the reporting requirements, we noted the one report tested did not have evidence of review before submission.

*Status*

This Finding has been corrected in the current year.

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## Corrective Action Plan Year Ended June 30, 2023

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

#### Finding 2023-001

#### **Significant Deficiency over Controls Pertaining to the Retention of Personal Identifiable Information and Personal Health Information**

##### *Planned Corrective Actions:*

Management has obtained professional services to ensure compliance with any State and Federal Laws including, but not limited to HPPA requirements. Management is implementing policies and procedures to ensure loss of data risk is low.

##### *Individual(s) Responsible for Corrective Action Plan*

Bill Jirsa (Chief Technology Officer)  
Mark Kirko (Fire Chief)  
Melissa Jacobsen (City Manager)

##### *Anticipated Completion Date:*

This has been completed.

#### Finding 2023-002

#### **Grant Revenue Reconciliations - Significant Deficiency in Internal Control Over Financial Reporting**

##### *Planned Corrective Actions:*

The Finance Department is in the process of reorganization and management is working to ensure staff duties are more appropriately allocated amongst the department.

The Department will institute an internal requirement that grant reconciliations and necessary adjustment entries are completed on a quarterly basis to ensure financial reporting is timely and accurate.

##### *Individual(s) Responsible for Corrective Action Plan*

Elizabeth Fischer (Finance Director)  
Jenna deLumeau (Controller)

##### *Anticipated Completion Date:*

This has been completed.



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### Corrective Action Plan, continued Year Ended June 30, 2023

#### Section III - Federal Award Findings and Questioned Costs

##### Finding 2023-003

##### **Deadline for Federal Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control over Compliance**

##### *Planned Corrective Actions:*

The Finance Department is continuing its efforts in establishing and enforcing internal deadlines to ensure the financial statements are audited within the appropriate reporting deadlines.

The department has shifted staff duties to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines.

##### *Individual(s) Responsible for Corrective Action Plan*

Elizabeth Fischer (Finance Director)  
Jenna deLumeau (Controller)

##### *Anticipated Completion Date:*

The department has developed internal deadlines to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines. This has been completed.

#### Section IV - State Award Findings and Questioned Costs

##### Finding 2023-004

##### **Deadline for State Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control over Compliance**

##### *Planned Corrective Actions:*

The Finance Department is continuing its efforts in establishing and enforcing internal deadlines to ensure the financial statements are audited within the appropriate reporting deadlines.

The department has shifted staff duties to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines.

##### *Individual(s) Responsible for Corrective Action Plan*

Elizabeth Fischer (Finance Director)  
Jenna deLumeau (Controller)

##### *Anticipated Completion Date:*

The department has developed internal deadlines to ensure the FY24 financial statements will be completed within the appropriate reporting deadlines. This has been completed.