

City of Homer, Alaska

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

Year Ended June 30, 2022



City of Homer
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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement Number 87, *Leases*. Our opinion is not modified with respect to this matter.



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.

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 schedules 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* 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 for the year ended June 30, 2021 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, 2021 (not presented herein), and have issued our report thereon dated September 27, 2022, 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, 2021 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 2021 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2021 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, 2021.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 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
April 8, 2024

Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

The City of Homer management offers readers financial statements, narrative overview, and analysis of the financial activities of the City of Homer for the year ending June 30, 2022. The City of Homer changed fiscal year ends from December 31 to June 30 during 2021. The comparative information presented is for the six month period ended June 30, 2021. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this *section*.

Financial Highlights

- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on June 30, 2022 by \$143,919,333 (Net Position). Of this amount, unrestricted net position of \$20,479,586 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$2,610,016 from current year activity. For the year, governmental type activities increased by \$2,807,070 and business type activities decreased by \$197,054.

As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$31,082,169, an increase of \$1,864,072 from the prior year. A combination of factors contributed to the increase, but primarily due to timing of tax collections.

- At June 30, 2022, the fund balance for the General fund was \$6,840,057. Of this amount, \$1,281,459 was unassigned and available for future use.
- At June 30, 2022, the City of Homer's outstanding governmental liabilities totaled \$22,968,253. Business-type debt outstanding was \$4,464,168. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liabilities.

Overview of the Financial Statements

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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.

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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.

- 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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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 revenues, expenditures, and changes in fund balances for all major funds. Individual fund data for each of the non-major funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to the Financial Statements

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

Please note, the following financial analysis is reported in ***thousands***.

Government-wide Financial Analysis

At the close of the 2022 fiscal year, the City's net position (assets exceeding liabilities) totaled \$143,920 (see Table A-1). Of this amount, \$114,910 or 80%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$8,530 in the governmental activities is for capital projects. The total unrestricted amount in the governmental activities totals \$20,480 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, 2022

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	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 43,405	35,903	5,983	3,553	49,388	39,456
Noncurrent assets	83,372	83,260	52,650	47,536	136,022	130,796
Total Assets	126,777	119,163	58,633	51,089	185,410	170,252
Deferred outflows	1,694	1,789	299	311	1,993	2,100
Total Assets and Deferred Outflows	128,471	120,952	58,932	51,400	187,403	172,352
Liabilities						
Noncurrent liabilities	21,008	22,770	4,464	4,859	25,472	27,629
Other liabilities	1,960	1,632	880	760	2,840	2,392
Total Liabilities	22,968	24,402	5,344	5,619	28,312	30,021
Deferred inflows	7,016	870	8,155	151	15,171	1,021
Total Liabilities and Deferred Inflows	29,984	25,272	13,499	5,770	43,483	31,042
Net Position						
Net investment in capital assets	71,964	71,148	42,946	44,634	114,910	115,782
Restricted	8,530	8,556	-	-	8,530	8,556
Unrestricted	17,993	15,976	2,487	996	20,480	16,972
Total Net Position	\$ 98,487	95,680	45,433	45,630	143,920	141,310

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for services	\$ 5,364	3,596	5,537	2,517	10,901	6,113
Operating grants and contributions	1,253	516	92	46	1,345	562
Capital grants and contributions	1,164	413	35	-	1,199	413
General Revenues						
Property taxes	3,914	28	-	-	3,914	28
Sales taxes	12,341	5,315	-	-	12,341	5,315
Other	(737)	12	5	(3)	(732)	9
Total Revenues	23,299	9,880	5,669	2,560	28,968	12,440
Expenses						
General government	4,196	2,057	-	-	4,196	2,057
Public safety	5,813	2,664	-	-	5,813	2,664
Public works	4,385	2,186	-	-	4,385	2,186
Library	1,117	528	-	-	1,117	528
Airport	292	160	-	-	292	160
Community services	94	95	-	-	94	95
Water and sewer	4,375	1,910	-	-	4,375	1,910
Unallocated interest	257	175	-	-	257	175
Port and harbor	-	-	5,829	2,823	5,829	2,823
Total Expenses	20,529	9,775	5,829	2,823	26,358	12,598
Increase (decrease) in net position before transfers	\$ 2,770	105	(160)	(263)	2,610	(158)

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Transfers	\$ 37	(176)	(37)	176	-	-
Increase (Decrease) In Net Position	2,807	(71)	(197)	(87)	2,610	(158)
Net Position, beginning	95,680	95,751	45,630	45,717	141,310	141,468
Net Position, ending	\$ 98,487	95,680	45,433	45,630	143,920	141,310

The City's net position increased by \$2,610. Revenues exceeded expenses in the governmental activities by \$2,807 and in the business-type activities expenses exceeded revenues by \$197. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased due to the change in fiscal year end shorting the collection period by six months for the period ended June 30, 2021.
- Expenses in the governmental activities increased due to the change in fiscal year end shorting period of expenditures captured by six months for the period ended June 30, 2021.
- Revenues in the business-type activities increased by \$3,109 in total and \$549 if amounts were annualized in 2021. This is mainly due to the collection cycle for charges for services.
- Expenses in the business-type activities also increased by \$3,006 in 2022 from 2021 or \$183 if amounts from 2021 were annualized.
- Sales Taxes reflect an increase from 2021 if the amounts were annualized. This breakdown shows the Sales Taxes by fund. Changes in sales tax dollars from 2021 to 2022 are as follows:

Sales Taxes	2022	2021	Change
Fund			
General	\$ 7,712	3,345	4,367
Utility (Water & Sewer – HAWSP)	1,942	814	1,128
HART Roads Capital Project	1,732	741	991
Police Station Debt Service SRF	777	325	452
Hart Trails Capital Project	178	90	88
Total	\$ 12,341	5,315	7,026

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

Financial Analysis of the Governmental Funds

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

As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$31,082 an increase of \$1,864 compared to balances at June 30, 2021. Of the ending balance, \$786, or 2.5% is unassigned. The remaining fund balance is restricted for roads and trails \$8,530, committed for police station debt service \$1,214, port expansion study \$750, Covid mitigation, and emergency use \$4,511, or assigned for future capital projects and other purposes \$14,691; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$542. The increase of total fund balance during the year is attributed to:

- General Fund decrease in fund balance of \$3,097 from transfers out of \$3,018 to nonmajor funds capital project funds.
- The Utility Special Revenue Fund's fund balance decreased by \$1,057. This is mainly due to capital outlay of \$1,547.
- HAWSP Debt Service Fund's increase of \$1,265 is due to the sales tax collections and special assessments greater than debt service payments.
- Increase of \$4,304 in nonmajor funds due to transfers to in and revenues greater than expenditures of \$632.

Government Funds (General and Utility Special Revenue) Budgetary Highlights

- General Fund Revenue: Final Budget and Original Budget excluded PERS relief revenue from the State of Alaska, and actual revenues were below Final Budget by \$830.
- General Fund Expenditures: Final Budget and Original Budget excluded PERS relief expenditures and actual expenditures were below Final Budget by \$643. Net transfers out were \$2,885 greater than the Final Budget.
- 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 less than the final budget by \$1,057.

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, 2022, totals \$129,018 (net of accumulated depreciation). This amount represents a \$1,778 decrease over the previous year.

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 11,687	11,631	15,805	15,805	27,492	27,436
Construction in progress	2,070	708	50	18	2,120	726
Buildings	59,736	59,736	16,381	16,381	76,117	76,117
Improvements other than buildings	57,117	55,699	54,592	54,556	111,709	110,255
Machinery and equipment	18,747	17,931	3,473	3,358	22,220	21,289
Infrastructure	37,056	37,056	-	-	37,056	37,056
Right-to-use leased equipment	121	-	-	-	121	-
Right-to-use leased property and buildings	239	-	-	-	239	-
Accumulated depreciation	(103,401)	(99,501)	(44,655)	(42,582)	(148,056)	(142,083)
Total Capital Assets	\$ 83,372	83,260	45,646	47,536	129,018	130,796

Major Capital Asset Events During the 2022 Fiscal Year Included

Capital Projects Completed

Governmental Funds:

- Fire Department – Self Contained Breathe Apparatus

Port & Harbor (Enterprise Fund):

- Crane 4 Rebuild

On-Going Projects

Governmental Funds:

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

Port & Harbor (Enterprise Fund):

- Float Repair

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable – utility	\$ 7,048	7,792	-	-	7,048	7,792
General obligation bond payable	3,500	3,710	2,650	2,835	6,150	6,569
Unamortized bond premium	563	610	50	67	613	653
Total	11,111	12,112	2,700	2,902	13,811	15,014
Net pension liability	8,753	9,804	1,543	1,707	10,296	11,511
Leases payable	297	-	-	-	297	-
Compensated absences	847	854	221	250	1,068	1,104
Total Long-term Liabilities	\$ 21,008	22,770	4,464	4,859	25,472	27,629

Long-term liabilities - At the end of the 2022 fiscal year, the City of Homer had total debt outstanding of \$13,811 as detailed in Table A-4. This excludes \$10,296 related to net pension liability, \$297 related to long term leases, and \$1,068 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% 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.

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2022

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

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

City of Homer, Alaska
Statement of Net Position

June 30, 2022	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 27,051,066	4,212,009	31,263,075
Receivables, net of allowance for doubtful accounts:			
Accounts	553,271	340,225	893,496
Sales and property taxes	3,630,302	-	3,630,302
State and federal grants and loans	337,875	-	337,875
Assessments	4,090,486	-	4,090,486
Leases	94,078	7,004,616	7,098,694
Internal balances	24,343	(24,343)	-
Inventory	523,791	-	523,791
Prepaid items	736,984	14,625	751,609
Restricted cash and investments	-	317,980	317,980
Net OPEB assets	6,363,114	1,122,021	7,485,135
Capital assets not being depreciated:			
Land and land improvements	11,686,635	15,804,641	27,491,276
Construction work in progress	2,070,387	50,337	2,120,724
Other capital assets, net of accumulated depreciation	69,614,870	29,790,791	99,405,661
Total Assets	126,777,202	58,632,902	185,410,104
Deferred Outflows of Resources:			
Related to pensions	1,473,687	259,859	1,733,546
Related to OPEB	219,964	38,787	258,751
Total Deferred Outflows of Resources	1,693,651	298,646	1,992,297
Total Assets and Deferred Outflows of Resources	\$ 128,470,853	58,931,548	187,402,401
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 972,010	263,310	1,235,320
Accrued payroll and related liabilities	637,334	68,450	705,784
Accrued interest payable	127,146	4,553	131,699
Prepaid rentals and deposits	71,570	427,005	498,575
Unearned revenue	138,852	18,000	156,852
Unearned grant revenue	13,095	-	13,095
Unearned lease revenue	-	99,000	99,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	509,000	93,000	602,000
Notes payable	880,380	-	880,380
Leases payable	62,885	-	62,885
General obligation bonds payable	220,000	210,000	430,000

City of Homer, Alaska

Statement of Net Position, continued

June 30, 2022	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position, continued			
Liabilities, continued			
Due in more than one year:			
Accrued leave	\$ 338,293	127,779	466,072
Notes payable	6,167,331	-	6,167,331
Leases payable	234,524	-	234,524
General obligation bonds payable including bond premium	3,843,237	2,490,024	6,333,261
Net pension liability	8,752,596	1,543,365	10,295,961
Total Liabilities	22,968,253	5,344,486	28,312,739
Deferred Inflows of Resources:			
Lease related	93,984	6,934,008	7,027,992
Pension related	3,490,341	615,459	4,105,800
OPEB related	3,431,460	605,077	4,036,537
Total Deferred Inflows of Resources	7,015,785	8,154,544	15,170,329
Net Position			
Net investment in capital assets	71,963,535	42,945,745	114,909,280
Restricted for:			
Roads and trails	8,490,005	-	8,490,005
Special service district	40,462	-	40,462
Unrestricted	17,992,813	2,486,773	20,479,586
Total Net Position	98,486,815	45,432,518	143,919,333
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 128,470,853	58,931,548	187,402,401

See accompanying notes to basic financial statements.

City of Homer, Alaska

Statement of Activities
Year Ended June 30, 2022

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
Governmental Activities							
General government	\$ 4,195,484	491,780	173,672	1,164,474	(2,365,558)	-	(2,365,558)
Public safety	5,813,164	481,641	765,234	-	(4,566,289)	-	(4,566,289)
Public works	4,384,709	401,592	70,439	-	(3,912,678)	-	(3,912,678)
Library	1,116,649	-	30,600	-	(1,086,049)	-	(1,086,049)
Airport	292,278	215,695	6,220	-	(70,363)	-	(70,363)
Community services	94,001	12,895	-	-	(81,106)	-	(81,106)
Water	2,639,893	1,954,781	107,428	-	(577,684)	-	(577,684)
Sewer	1,735,177	1,805,224	98,858	-	168,905	-	168,905
Unallocated interest	257,176	-	-	-	(257,176)	-	(257,176)
Total Governmental Activities	20,528,531	5,363,608	1,252,451	1,164,474	(12,747,998)	-	(12,747,998)
Business-type Activities							
Port and harbor	5,829,462	5,536,886	92,383	35,234	-	(164,959)	(164,959)
Total	\$ 26,357,993	10,900,494	1,344,834	1,199,708	(12,747,998)	(164,959)	(12,912,957)
General Revenues							
Property taxes					\$ 3,914,388	-	3,914,388
Sales taxes					12,341,130	-	12,341,130
Grants and entitlements not restricted to a specific purpose					45,427	66,865	112,292
Investment income					(782,837)	(62,000)	(844,837)
Transfers					36,960	(36,960)	-
Total General Revenues and Transfers					15,555,068	(32,095)	15,522,973
Change in Net Position					2,807,070	(197,054)	2,610,016
Beginning Net Position					95,679,745	45,629,572	141,309,317
Ending Net Position					\$ 98,486,815	45,432,518	143,919,333

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	
June 30, 2022						
Assets						
Cash and investments	\$ 4,269,337	2,256,874	4,640,246	6,159,364	9,725,245	27,051,066
Receivables, net of allowance:						
Accounts	164,853	377,837	-	-	10,581	553,271
Property taxes	88,365	-	-	-	-	88,365
Sales taxes	2,227,404	-	547,722	492,950	273,861	3,541,937
Assessments	-	-	2,317,315	-	1,773,171	4,090,486
State and federal grants	-	247,674	-	-	90,201	337,875
Leases	94,078	-	-	-	-	94,078
Due from other funds	853,143	-	-	-	-	853,143
Inventory	50,312	473,479	-	-	-	523,791
Prepaid and other assets	18,412	-	-	-	718,572	736,984
Total Assets	\$ 7,765,904	3,355,864	7,505,283	6,652,314	12,591,631	37,870,996
Liabilities						
Accounts payable	\$ 307,097	455,790	-	87,922	119,993	970,802
Accrued payroll and related liabilities	418,062	219,272	-	-	-	637,334
Unearned revenue	-	-	-	-	138,852	138,852
Unearned grant revenue	-	-	-	-	13,095	13,095
Customer deposits	20,707	50,863	-	-	-	71,570
Due to other funds	-	-	-	-	686,707	686,707
Total Liabilities	745,866	725,925	-	87,922	958,647	2,518,360
Deferred Inflows of Resources						
Deferred property taxes	85,997	-	-	-	-	85,997
Lease related	93,984	-	-	-	-	93,984
Special assessments not yet due	-	-	2,317,315	-	1,773,171	4,090,486
Total Deferred Inflows of Resources	179,981	-	2,317,315	-	1,773,171	4,270,467
Total Liabilities and Deferred Inflows of Resources	925,847	725,925	2,317,315	87,922	2,731,818	6,788,827
Fund Balances						
Nonspendable	68,724	473,479	-	-	706,606	1,248,809
Restricted	-	-	-	6,564,392	1,966,075	8,530,467
Committed	5,318,560	-	-	-	1,213,963	6,532,523
Assigned	171,314	2,156,460	5,187,968	-	6,468,323	13,984,065
Unassigned (deficit)	1,281,459	-	-	-	(495,154)	786,305
Total Fund Balances (Deficit)	6,840,057	2,629,939	5,187,968	6,564,392	9,859,813	31,082,169
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,765,904	3,355,864	7,505,283	6,652,314	12,591,631	37,870,996

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2022

Total fund balances for governmental funds		\$ 31,082,169
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	2,070,387	
Buildings	59,736,029	
Improvements other than buildings	57,116,919	
Machinery and equipment	18,747,344	
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>(103,400,776)</u>	
Total Capital Assets		83,371,892
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	85,997	
Special assessments not yet due	<u>4,090,486</u>	
Total Other Long-term Assets		4,176,483
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.		
		(143,301)
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	(7,047,711)	
Leases payable	(297,409)	
Bonds payable - Police Station, including premiums	(4,063,237)	
Accrued leave	(847,293)	
Net pension liability	(8,752,596)	
Net OPEB assets	<u>6,363,114</u>	
Total Long-term Liabilities		(14,772,278)
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	1,473,687	
Deferred outflows of resources related to OPEB	219,964	
Deferred inflows of resources related to pensions	(3,490,341)	
Deferred inflows of resources related to OPEB	<u>(3,431,460)</u>	
Total Deferred Pension Items		<u>(5,228,150)</u>
Total Net Position of Governmental Activities		<u>\$ 98,486,815</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Year Ended June 30, 2022	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	HAWSP Debt Service	HART Roads Capital Project		
Revenues						
Property taxes	\$ 3,837,033	-	-	-	31,137	3,868,170
Sales and use taxes	7,711,860	-	1,942,433	1,731,905	954,932	12,341,130
Permits and licenses	40,594	-	-	-	-	40,594
Intergovernmental	1,073,250	206,286	-	-	1,171,114	2,450,650
Charges for services	1,037,954	3,760,005	-	-	-	4,797,959
Special assessments	-	-	419,314	-	706,958	1,126,272
Investment income (loss)	(196,256)	(125,610)	(107,938)	(187,901)	(165,132)	(782,837)
Fines and forfeitures	21,246	-	-	-	-	21,246
Enstar FMA refund	-	-	-	-	91,113	91,113
Other	-	-	-	-	11,702	11,702
Total Revenues	13,525,681	3,840,681	2,253,809	1,544,004	2,801,824	23,965,999
Expenditures						
Current:						
General government	3,893,038	-	-	-	192,211	4,085,249
Public safety	5,456,787	-	-	-	18,566	5,475,353
Public works	2,995,003	-	-	-	-	2,995,003
Library	920,262	-	-	-	-	920,262
Airport	246,393	-	-	-	-	246,393
Community services	94,000	-	-	-	-	94,000
Water	-	1,756,147	-	-	-	1,756,147
Sewer	-	1,437,548	-	-	-	1,437,548
Debt service:						
Principal	-	-	872,314	-	210,000	1,082,314
Interest	-	1,729	116,885	-	185,500	304,114
Leased assets						
Capital outlay	-	1,547,400	-	757,947	1,563,804	3,869,151
Total Expenditures	13,605,483	4,742,824	989,199	757,947	2,170,081	22,265,534
Excess of Revenues Over (Under) Expenditures	(79,802)	(902,143)	1,264,610	786,057	631,743	1,700,465
Other Financing Sources (Uses)						
Loan proceeds	-	127,674	-	-	-	127,674
Transfers in	1,587,163	91,418	-	10,000	6,344,521	8,033,102
Transfers out	(4,604,742)	(374,386)	-	(977,743)	(2,040,298)	(7,997,169)
Net Other Financing Sources (Uses)	(3,017,579)	(155,294)	-	(967,743)	4,304,223	163,607
Net Change in Fund Balances	(3,097,381)	(1,057,437)	1,264,610	(181,686)	4,935,966	1,864,072
Beginning Fund Balances (Deficit)	9,937,438	3,687,376	3,923,358	6,746,078	4,923,847	29,218,097
Ending Fund Balances (Deficit)	\$ 6,840,057	2,629,939	5,187,968	6,564,392	9,859,813	31,082,169

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, 2022**

Net change in fund balances - total governmental funds		\$ 1,864,072
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation exceeded capital outlays.		
Depreciation and amortization	\$ 4,094,762	
Capital outlays	<u>3,846,861</u>	
		(247,901)
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.		
		(363,724)
Repayment of the principal of the long-term debt consumes current financial resources in governmental funds. This transaction has no effect on the net position.		
		1,063,859
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued leave	\$ 6,613	
Decrease in net pension liability and related deferred accounts	404,699	
Decrease in net OPEB liability and related deferred accounts	<u>44,832</u>	
		456,144
Internal service funds are used by management to charge the cost of health insurance and accrued leave cash-outs to individual funds. A portion of the net income of these activities is reported with governmental activities.		
		<u>34,620</u>
Change in Net Position of Governmental Activities		<u>\$ 2,807,070</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Net Position

	Major Enterprise Fund Port of Homer	Internal Service Funds
June 30, 2022		
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,212,009	\$ -
Accounts receivable, net of allowance for doubtful accounts	340,225	-
Lease receivable	318,934	-
Prepaid items	14,625	-
Total Current Assets	4,885,793	-
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	50,337	-
Other capital assets, net of accumulated depreciation	29,790,791	-
Restricted cash and investments	317,980	-
Lease receivable	6,685,682	-
Net OPEB assets	1,122,021	-
Total Noncurrent Assets	53,771,452	-
Total Assets	58,657,245	-
Deferred Outflows of Resources:		
Pension related	259,859	-
OPEB related	38,787	-
Total Deferred Outflows of Resources	298,646	-
Total Assets and Deferred Outflows of Resources	\$ 58,955,891	\$ -

See accompanying notes to basic financial statements.

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

June 30, 2022	Major Enterprise Fund Port of Homer	Internal Service Funds
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 263,310	\$ 1,208
Accrued payroll and related liabilities	68,450	-
Accrued leave	93,000	-
Accrued interest payable	4,553	-
General obligation bonds payable	210,000	-
Prepaid berth rentals and deposits	427,005	-
Unearned lease revenue	18,000	-
Due to other funds	-	166,436
Total Current Liabilities	1,084,318	167,644
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	99,000	-
Accrued leave long term	127,779	-
General obligation bonds payable including bond premium	2,490,024	-
Net pension liabilities	1,543,365	-
Total Noncurrent Liabilities	4,260,168	-
Total Liabilities	5,344,486	167,644
Deferred Inflows of Resources:		
Lease related	6,934,008	-
Pension related	615,459	-
OPEB related	605,077	-
Total Deferred Inflows of Resources	8,154,544	-
Net Position		
Net investment in capital assets	42,945,745	-
Unrestricted (deficit)	2,511,116	(167,644)
Total Net Position	45,456,861	(167,644)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 58,955,891	\$ -
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund		
	<u>(24,343)</u>	
Net Position of Business-type Activities	<u>\$ 45,432,518</u>	

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, 2022</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 5,192,952	\$ -
Interfund charges	-	2,298,258
Employee health contributions	-	192,967
Total Operating Revenues	5,192,952	2,491,225
Operating Expenses		
Operations	2,827,751	268,574
Administration	788,920	518
Depreciation	2,171,924	-
Employee incentive fees	-	120,269
Insurance premiums	-	2,062,348
Total Operating Expenses	5,788,595	2,451,709
Operating income (loss)	(595,643)	39,516
Nonoperating Revenues (Expense)		
Investment income	(62,000)	-
Interest expense	(46,790)	-
State PERS relief	92,383	-
Other income	240,337	-
Cruise ship tax	103,597	-
Fish tax	66,865	-
Total Nonoperating Revenues (Expense)	394,392	-
Income (loss) before transfers and capital contributions	(201,251)	39,516
Transfers in (out)	(36,960)	1,027
Capital contributions	35,234	-
Change in net position	(202,977)	40,543
Beginning Net Position	45,659,838	(208,187)
Ending Net Position	45,456,861	\$ (167,644)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	5,923	
Change in Net Position of Business-type Activities	\$ (197,054)	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Cash Flows

<i>Year Ended June 30, 2022</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 5,384,102	\$ -
Receipts from interfund services provided and employee contributions	-	2,491,225
Payments to suppliers	(1,808,831)	-
Payments to employees	(1,660,267)	(388,843)
Payments for insurance, claims, and administration	-	(2,063,779)
Net cash flows from (for) operating activities	1,915,004	38,603
Cash Flows from (for) Noncapital Financing Activities		
Increase in due to other funds	-	(39,630)
Transfers in (out)	(36,960)	1,027
Net cash flows from (for) noncapital financing activities	(36,960)	(38,603)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(185,000)	-
Interest paid on long-term debt	(65,526)	-
Capital contributions received	35,234	-
Cruise ship tax and fish tax received	170,462	-
Acquisition of property, plant and equipment	(282,073)	-
Increase in interfund loan	(44,973)	-
Net cash flows from (for) capital and related financing activities	(371,876)	-
Cash Flows for Investing Activities		
Investment income received	(62,000)	-
Net Increase in Cash and Investments	1,444,168	-
Beginning Cash and Investments	3,085,821	-
Ending Cash and Investments	\$ 4,529,989	\$ -
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 4,212,009	\$ -
Restricted cash and investments	317,980	-
Total Cash and Investments	\$ 4,529,989	\$ -

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2022	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating (loss) income	\$ (595,643)	\$ 39,516
Adjustments to reconcile operating loss to net cash flows		
from operating activities:		
Depreciation	2,171,924	-
Noncash expense - PERS relief	92,383	-
Increase in allowance for doubtful accounts	(5,965)	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues and expense, net	240,337	-
(Increase) decrease in assets and deferred		
outflows of resources:		
Accounts receivable	30,214	-
Prepaid items	21,301	-
Lease receivable	(7,004,616)	-
Deferred outflows of resources related to pensions	(40,661)	-
Deferred outflows of resources related to OPEB	53,491	-
Increase (decrease) in liabilities and deferred		
inflows of resources:		
Accounts payable	118,822	(913)
Accrued payroll and related liabilities	5,906	-
Accrued leave	(29,399)	-
Prepaid berth rentals and deposits	15,172	-
Net pension liability	(163,752)	-
Net OPEB assets	(979,631)	-
Deferred inflows of resources related leases	6,934,008	-
Deferred inflows of resources related to pensions	581,641	-
Deferred inflows of resources related to OPEB	487,472	-
Net Cash Flows from (for) Operating Activities	\$ 1,915,004	\$ 38,603

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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, 2022

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, 2022

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, 2022*

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022.

Bank deposits	\$ 1,976,737
Investments	29,604,318
Total Cash and Investments	\$ 31,581,055
Cash and investments	\$ 31,263,075
Restricted cash and investments	317,980
Total Cash and Investments	\$ 31,581,055

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, 2022

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, 2022 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	\$ 567,670	567,670	-	-
Federal Home Loan Mortgage Bonds	828,908	-	828,908	-
Federal National MTG Assn. Bonds	849,640	-	849,640	-
US Treasury	1,424,777		1,424,777	-
Certificates of deposit	12,282,472	1,527,097	10,755,375	-
Total Subject to Interest Rate Risk	15,953,467	2,094,767	13,858,700	-
Pooled investments (AMLIP)	13,068,024	-	-	-
Money market	582,827	-	-	-
Total Investments	\$ 29,604,318	2,094,767	13,858,700	-

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, 2022, 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, 2022, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$720,188 was subject to a collateral agreement. The uninsured and uncollateralized amount was \$1,181,873 at June 30, 2022.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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 and certificates of deposits totaling \$2,596,899 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2022. The City's investment in AMLIP is measured at net asset value, as of June 30, 2022. 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, 2022, the City's funds that included an applicable allowances for doubtful accounts, are as follows:

	General Fund	Utility Special Revenue Fund	Gas Line Capital Project Fund	Port of Homer Enterprise Fund	Totals
Accounts receivable	\$ 186,659	386,578	10,581	358,966	942,784
Allowance for doubtful accounts	(21,806)	(8,741)	-	(18,741)	(63,371)
Accounts Receivable, net	\$ 164,853	377,837	10,581	340,225	879,413

Additionally, the General Fund property taxes receivable amount shown has an allowance for uncollectible accounts of \$14,083 on the outstanding balance of \$102,448 for net amount of \$88,365.

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City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended June 30, 2022

At June 30, 2022, the various components of *deferred inflows of resources and unearned revenue* reported in the governmental funds were as follows:

Deferred Inflows of Resources

Delinquent property taxes receivable – General Fund	\$ 85,997
Lease related	89,585
Special assessments not yet due:	
HAWSP Debt Service Special Revenue Fund	2,317,315
Nonmajor Seawall Assessment Special Revenue Fund	685,048
Nonmajor Gas Line Capital Project Fund	912,232
Nonmajor HART Assessment Special Revenue Fund	175,891
Total Deferred Inflows of Resources	\$ 4,266,068

Unearned Grant Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
Nonmajor Funds	\$ 13,095

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

4. Interfund Balances and Transfers

A schedule of transfers for the year ended June 30, 2022 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 91,418
Internal Service Fund	687
Nonmajor governmental funds	4,512,637
From Utility Special Revenue Fund to:	
HART Roads Capital Project Fund	10,000
General Fund	10,000
Internal Service Fund	164
Nonmajor Governmental Funds	354,222
From HART Roads Capital Project Fund to:	
General Fund	807,065
Nonmajor Governmental Funds	170,678
From Nonmajor Governmental Funds to:	
General Fund	770,098
Nonmajor Governmental Funds	1,270,200
From Port of Homer Enterprise Fund to:	
Internal Service Fund	176
Nonmajor Governmental Funds	36,784
Total Transfers to Other Funds	\$ 8,034,129

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

At June 30, 2022, an interfund balance of \$389,107 was owed from the nonmajor governmental funds for assessments and short term operation funding to the General Fund.

At June 30, 2022, the Seawall assessment special revenue fund owed the General Fund an interfund balance of \$297,600 for assessments.

At June 30, 2022, an interfund balance of \$166,436 was owed from the internal service fund for short term operating funding to the General Fund.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

5. Capital Assets

Capital asset activity for the year ended June 30, 2022 follows:

Governmental Activities	Beginning Balance	Additions and Reclass- ifications	Deletions and Reclass- ifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,631,170	55,465	-	11,686,635
Construction in progress	707,608	1,362,779	-	2,070,387
Total capital assets not being depreciated	12,338,778	1,418,244	-	13,757,022
<i>Capital assets being depreciated and amortized:</i>				
Buildings	59,736,029	-	-	59,736,029
Improvements other than buildings	55,699,366	1,417,553	-	57,116,919
Machinery and equipment	17,930,731	1,011,064	(194,451)	18,747,344
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	170,421,790	2,788,307	(194,451)	173,015,646
Less accumulated depreciation and amortization for:				
Buildings	34,338,739	1,005,225	-	35,343,964
Improvements other than buildings	30,997,555	1,473,035	-	32,470,590
Machinery and equipment	12,138,291	597,274	(194,451)	12,541,114
Right-to-use leased equipment	-	27,831	-	27,831
Right-to-use leased property and buildings	-	36,101	-	36,101
Infrastructure	22,025,880	955,296	-	22,981,176
Total accumulated depreciation and amortization	99,500,465	4,094,762	(194,451)	103,400,776
Total assets being depreciated and amortized, net	70,921,325	(1,306,455)	-	69,614,870
Governmental Activities Capital Assets, net	\$ 83,260,103	111,789	-	83,371,892

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Business-type Activities	Beginning Balance	Additions and Reclass- ifications	Deletions and Reclass- ifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	30,713	32,632	(13,008)	50,337
Total capital assets not being depreciated	15,835,354	32,632	(13,008)	15,854,978
<i>Capital assets being depreciated and amortized:</i>				
Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	54,543,678	48,975	-	54,592,653
Machinery and equipment	3,357,752	213,474	(98,437)	3,472,789
Total capital assets being depreciated and amortized	74,282,078	262,449	(98,437)	74,446,090
<i>Less accumulated depreciation and amortization for:</i>				
Buildings	11,112,703	379,261	-	11,491,964
Improvements other than buildings	28,448,897	1,723,379	-	30,172,276
Machinery and equipment	3,020,212	69,284	(98,437)	2,991,059
Total accumulated depreciation and amortization	42,581,812	2,171,924	(98,437)	44,655,299
Total capital assets being depreciated and amortized, net	31,700,266	(1,909,475)	-	29,790,791
Business-Type Activities Capital Assets, net	\$ 47,535,620	(1,876,843)	(13,008)	45,645,769

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Depreciation and amortization expense was charged to the functions as follows for the year ended June 30, 2022:

Governmental Activities

General government	\$ 220,708
Public safety	543,256
Public works	1,471,576
Library	220,427
Airport	77,881
Water utility	1,086,103
Sewer utility	474,811

Total Depreciation and Amortization Expense – Governmental Activities

\$ 4,094,762

Business-type Activities

Port and harbor	\$ 2,171,924
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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:

Original cost assigned to building	\$ 630,000
Revenue recognized on cumulative basis	(513,000)
	\$ 117,000

Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	99,000

Total Unearned Lease Revenue	\$ 117,000
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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2022:

Governmental Activities	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
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	\$ 609,854	-	121,973	487,881	121,972
\$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	715,392	-	143,077	572,315	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	795,852	-	67,356	728,496	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	706,465	-	54,343	652,122	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	1,285,248	-	98,554	1,186,694	100,031

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Governmental Activities, continued	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
\$6,188,025 2006 Water Utility ADW loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	\$ 3,276,013	-	364,001	2,912,012	364,002
\$190,926 Water Utility ADW due in annual principal installments of \$9,546 plus interest at 1.5% through October 1, 2037	162,287	-	9,546	152,741	9,547
\$81,989 Water Utility ADW loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	67,314	-	3,766	63,548	3,822
\$221,315 Water Utility ADW loan, due in annual installments of \$12,308 including interest at 1.5% through March 1, 2037	173,927	-	9,699	164,228	9,845
\$127,674 Water Utility ADW loan, due in annual installments of \$6,384 including interest at 1.5% through June 8, 2042	-	127,674	-	127,674	6,384
\$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.	3,710,000	-	210,000	3,500,000	220,000
Unamortized bond premium	610,174	-	46,937	563,237	-

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Governmental Activities, continued	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Leases payable	-	357,326	59,917	297,409	62,885
Accrued leave	853,906	535,117	541,730	847,293	509,000
Total Governmental Activities Long-Term Liabilities	\$ 12,966,432	1,020,117	1,730,899	12,255,650	1,672,265

Business-type Activities	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.	\$ 535,000	-	165,000	370,000	170,000
\$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.	2,300,000	-	20,000	2,280,000	40,000
Unamortized bond premium	66,699	-	16,675	50,024	-
Accrued leave	250,178	71,326	100,725	220,779	93,000
Total Business-type Activities Long-Term Liabilities	\$ 3,151,877	71,326	302,400	2,920,803	303,000

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 and sales tax revenue has been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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

Fund	Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirement		
				Principal	Interest	Total
HAWSP	\$ 2,361,747	-	2,361,747	872,314	116,885	989,199
Police Station	\$ 776,974	-	776,974	210,000	185,500	395,500

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:

Governmental Activities Year Ending June 30,	Notes Payable		
	Principal	Interest	Total
2023	\$ 880,380	105,901	986,281
2024	882,085	92,696	974,781
2025	883,815	79,465	963,280
2026	885,567	66,202	951,769
2027	622,306	52,923	675,229
2028-2032	2,411,227	129,514	2,540,741
2033-2037	440,730	15,587	456,317
2038-2042	41,601	1,579	43,180
	<u>\$ 7,047,711</u>	<u>543,867</u>	<u>7,591,578</u>

Annual debt service requirements to maturity for the bonds follow:

Governmental Activities Year Ending June 30,	G. O. Bonds Payable		
	Principal	Interest	Total
2023	\$ 220,000	175,000	395,000
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
2028-2032	1,550,000	423,750	1,973,750
2033-2034	735,000	55,500	790,500
	<u>\$ 3,500,000</u>	<u>1,238,500</u>	<u>4,738,500</u>

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Business-type Activities Year Ending June 30,	G. O. Bonds Payable		
	Principal	Interest	Total
2023	\$ 210,000	53,173	263,173
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
2028-2032	1,205,000	119,295	1,324,295
2033-2034	510,000	11,950	521,950
	<u>\$ 2,650,000</u>	<u>343,221</u>	<u>2,993,221</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, 2022.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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	\$ 50,312	473,479	-	-
Prepaid items	18,412	-	-	-
Total Nonspendable	68,724	473,479	-	-
Restricted:				
Roads and trails	-	-	-	6,564,392
Special service district	-	-	-	-
Total Restricted	-	-	-	6,564,392
Committed:				
Emergency use	4,508,560	-	-	-
Port expansion study	750,000	-	-	-
COVID-19 mitigation	60,000	-	-	-
Police station debt service	-	-	-	-
Total Committed	5,318,560	-	-	-
Assigned:				
Library	-	-	-	-
Public safety	-	-	-	-
Community schools	-	-	-	-
Sustainability	-	-	-	-
Water and sewer	-	2,156,460	5,187,968	-
PERS benefits	171,314	-	-	-
Capital and land	-	-	-	-
Total Assigned	171,314	2,156,460	5,187,968	-
Unassigned (deficit)	1,281,459	-	-	-
Total Fund Balances	\$ 6,840,057	2,629,939	5,187,968	6,564,392

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

<i>Continued</i>	Nonmajor Funds	Totals
Nonspendable:		
Inventory	\$ -	523,791
Prepaid items	706,606	725,018
Total Nonspendable	706,606	1,248,809
Restricted:		
Roads and trails	1,925,613	8,490,005
Special service district	40,462	40,462
Total Restricted	1,966,075	8,530,467
Committed:		
Emergency use	-	4,508,560
Port expansion study	-	750,000
COVID-19 mitigation	-	60,000
Police station debt service	1,213,963	1,213,963
Total Committed	1,213,963	6,532,523
Assigned:		
Library	174,949	174,949
Public safety	32,086	32,086
Community schools	270	270
Sustainability	15,638	15,638
Water and sewer	-	7,344,428
PERS benefits	29,553	200,867
Capital and land	6,215,827	6,215,827
Total Assigned	6,468,323	13,984,065
Unassigned (deficit)	(495,154)	786,305
Total Fund Balances	\$ 9,859,813	31,082,169

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, 2022, 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, 2022

As of June 30, 2022, the balance of the deferred inflow of resources is listed below.

	Payment Amount	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflow
General Fund	\$ 119,696	119,447	249	94,078	93,984
Port of Homer	\$ 449,199	379,829	69,370	7,004,616	6,934,008

Lease Payable – General Fund

The City has a lease agreement for multiple printers and copiers for five years. The City also lease property and buildings with agreements original agreements between 6 and 19 years. An initial lease liability was recorded in the amount of \$357,326 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$297,409. The City is required to make monthly and annual payments totaling \$66,231. The leases has an 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 \$63,932.

The future principal and interest lease payments for the General Fund as of June 30, 2022 are as follows:

<i>Year Ended June 30,</i>	Principal	Interest	Total
2023	\$ 62,885	3,346	66,231
2024	63,587	2,644	66,231
2025	64,297	1,934	66,231
2026	46,059	1,265	47,324
2027	37,096	775	37,871
Thereafter	23,485	539	24,024
Totals	\$ 297,409	10,503	307,912

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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 which statutorily capped the employer contribution rate, established a state funded "on-behalf"

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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, 2022 was determined in the June 30, 2020 actuarial valuations.

City contribution rates were as follows:

<i>July 1, 2021 to June 30, 2022</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.54%	26.99%	8.11%
Postemployment healthcare	6.46%	3.12%	-%
Total Contribution Rates	22.00%	30.11%	8.11%

In 2022, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2020 to June 30, 2021	City Fiscal Period July 1, 2021 to June 30, 2022
Employer contributions pension (including DBUL)	\$ 973,043	\$ 1,007,909
Employer contributions OPEB	271,748	217,718
Nonemployer contributions (on-behalf pension)	653,868	616,414
Total Contributions	\$ 1,898,659	\$ 1,842,041

In addition, employee contributions to the Plan for pension totaled \$151,191 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, 2022, 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, 2022

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	\$ 10,295,961
State's proportionate share associated with the City	1,393,745
Total Net Pension Liability	\$ 11,689,706

Net OPEB (Asset) - ARHCT

City proportionate share	\$ (7,227,633)
State's proportionate share associated with the City	(946,643)
Total Net OPEB (Asset) - ARHCT	\$ (8,174,276)

Net OPEB (Asset) - ODD

City proportionate share	\$ (166,327)
State's proportionate share associated with the City	-
Total Net OPEB (Asset) - ODD	\$ (166,327)

Net OPEB (Asset) - RMP

City proportionate share	\$ (91,175)
State's proportionate share associated with the City	-
Total Net OPEB (Asset) - RMP	\$ (91,175)

The total pension/OPEB liabilities were measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021. 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, 2022

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2021 was as follows:

City's proportionate share	Measurement Period June 30, 2021	Measurement Period June 30, 2020	Change
Net Pension Liability	0.28066%	0.19507%	0.08559%
Net OPEB Liability - ARHCT	0.28174%	0.19511%	0.08663%
Net OPEB Liability (Asset) - ODD	0.37739%	0.36393%	0.01346%
Net OPEB Liability - RMP	0.33967%	0.31899%	0.02068%

For the year ended June 30, 2022, the City recognized pension and OPEB expense (benefit) of \$2,407,005 and \$(2,917,976), respectively for PERS in the Statement of Activities.

At June 30, 2022, 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
Deferred Outflows/Inflows of Resources:				
Difference between expected and actual experience	\$ -	(45,614)	6,779	(125,666)
Change in assumptions	-	-	28,339	(328,583)
Net difference between projected and actual earnings on pension plan investments	-	(4,060,186)	-	(3,490,384)
Change in proportion and differences in proportional share	725,637	-	5,915	(91,904)
City contributions subsequent to the measurement date	1,007,909	-	217,718	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 1,733,546	(4,105,800)	258,751	(4,036,537)

The \$1,007,909 and \$217,718 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, 2022.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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
2023	\$ (263,510)	(1,261,380)	(1,524,890)
2024	(930,029)	(816,152)	(1,746,181)
2025	(1,006,035)	(874,732)	(1,880,767)
2026	(1,180,589)	(1,016,392)	(2,196,981)
2027	-	(11,479)	(11,479)
Thereafter	-	(15,369)	(15,369)
Total Amortization	\$ (3,380,163)	(3,995,504)	(7,375,667)

Actuarial Assumptions

The total pension/OPEB liability for the measurement year ended June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2021. The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board in January 2020 to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2023-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	7.38% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation – 2.50% per year Productivity – 0.25% per year Peace Officer/Firefighter – graded by years of service from 7.75% to 2.75% All others – graded by years of service from 6.75% to 2.75%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 2.50% annually.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

Mortality	Pre-termination – Based on the 2013-2017 actual mortality experience. 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement. Post-termination – 91% of male and 96% of female rates of RP-2014 healthy annuitant table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.
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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>Long-term Expected Real Rate of Return</i>
Domestic equity	6.63%
Global equity (non-US)	5.41%
Aggregate bonds	0.76%
Opportunistic	4.39%
Real assets	3.16%
Private equity	9.29%
Cash equivalents	0.13%

Discount Rate

The discount rate used to measure the total pension/OPEB liability was 7.38%. 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 7.38%, 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 (6.38%) or 1-percentage point higher (8.38%) than the current rate:

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
PERS				
Net Pension Liability	0.28066%	\$ 15,249,753	10,295,961	6,134,141
Net OPEB Liability (Asset)- ARHCT	0.28174%	\$ (4,726,763)	(7,227,633)	(9,304,419)
Net OPEB Liability (Asset) - ODD	0.37739%	\$ (159,266)	(166,327)	(171,950)
Net OPEB Liability (Asset) - RMP	0.33967%	\$ 59,507	(91,175)	(204,985)

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
PERS				
Net OPEB Liability (Asset) - ARHCT	0.28174%	\$ (9,547,532)	(7,227,633)	(4,428,119)
Net OPEB Liability (Asset) - ODD	0.37739%	\$ n/a	n/a	n/a
Net OPEB Liability (Asset) - RMP	0.33967%	\$ (221,276)	(91,175)	86,097

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2022, 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, 2022 were \$121,413 and \$194,260, 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 \$16,054.

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, 2022 were as follows:

	Other Tier IV	Police/Fire Tier IV
Alaska retiree healthcare trust	6.46%	6.46%
Retiree medical plan	1.07%	1.07%
Occupational death and disability benefits	0.31%	0.68%
Total Contribution Rates	7.84%	8.21%

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

per pay period and approximates \$2,168 per year for each full-time employee, and \$1.39 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2022, the City contributed \$77,393 in DC OPEB costs. This amount has been recognized as expense/expenditures.

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:

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%

Total Sales Tax Percentage	7.85%
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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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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.

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. Significant and Subsequent Events

COVID-19

The American Rescue Plan Act of 2021 (ARPA) was signed into law by the President in March of 2021. ARPA established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund (together the Fiscal Recovery Funds). The Fiscal Recovery Funds amounted to \$350 billion. The funds provide flexibility for each government to meet local needs in responding to the impacts of COVID-19. Eligible spending includes support for households, small businesses, impacted industries, essential workers, and the community. These funds can also be used to make investments in water, sewer, and broadband infrastructure. In August 2021, the City received \$714,762 in recovery funds from the Department of Treasury. The City received another \$714,762 in August 2022.

Settlement

Subsequent to the year end, the City and its insurance company settled a lawsuit related to alleged property damages for \$550,000. The insurance company and City split the settlement payment.

18. 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 2022 reporting.

GASB 87 – Leases – Effective for year-end June 30, 2022, with earlier application encouraged – This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 - Accounting for Interest Cost incurred before the End of a Construction Period - Effective for year-end June 30, 2022, with earlier application encouraged - This statement requires that

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90 – *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61 – Effective for year-end June 30, 2022. This Statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria. At present, the City does not hold any majority equity interest in legally separate organizations.

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:

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.

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).

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).

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.

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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2022

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 are 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

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

Year Ended June 30, 2022	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Property taxes	\$ 3,794,793	3,794,793	3,837,033	-	3,837,033	42,240
Sales and use taxes	6,048,628	8,496,772	7,711,860	-	7,711,860	(784,912)
Permits and licenses	46,596	46,596	40,594	-	40,594	(6,002)
Intergovernmental	614,207	614,207	1,073,250	(437,745)	635,505	21,298
Charges for services	1,838,077	796,325	1,037,954	-	1,037,954	241,629
Interest Income	146,718	146,718	(196,256)	-	(196,256)	(342,974)
Fines and forfeitures	22,930	22,930	21,246	-	21,246	(1,684)
Total Revenues	12,511,949	13,918,341	13,525,681	(437,745)	13,087,936	(830,405)
Expenditures						
General government	3,770,075	3,920,619	3,893,038	(126,894)	3,766,144	154,475
Public safety	5,171,391	5,318,891	5,456,787	(209,156)	5,247,631	71,260
Public works	3,020,353	3,272,911	2,995,003	(70,439)	2,924,564	348,347
Library	949,036	952,536	920,262	(25,036)	895,226	57,310
Airport	226,517	226,517	246,393	(6,220)	240,173	(13,656)
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	13,231,372	13,785,474	13,605,483	(437,745)	13,167,738	617,736
Excess of Revenues Over (under)						
Expenditures	(719,423)	132,867	(79,802)	-	(79,802)	(212,669)
Other Financing Sources (Uses)						
Transfers in	864,165	864,165	1,587,163	-	1,587,163	722,998
Transfers out	(144,742)	(997,032)	(4,604,742)	-	(4,604,742)	(3,607,710)
Net Change in Fund Balance	\$ -	-	(3,097,381)	-	(3,097,381)	(3,097,381)
Fund Balance, beginning			9,937,438		9,937,438	
Fund Balance, ending			\$ 6,840,057		\$ 6,840,057	

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

Year Ended June 30, 2022	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Intergovernmental	\$ -	-	206,286	(86,286)	120,000	120,000
Charges for services	3,595,693	3,595,693	3,760,005	-	3,760,005	164,312
Investment income	89,573	89,573	(125,610)	-	(125,610)	(215,183)
Total Revenues	3,685,266	3,685,266	3,840,681	(86,286)	3,754,395	69,129
Expenditures						
Water	2,050,595	1,751,420	1,756,147	(47,428)	1,708,719	42,701
Sewer	1,732,600	1,457,208	1,437,548	(38,858)	1,398,690	58,518
Debt service:						
Interest	-	-	1,729	-	1,729	(1,729)
Capital outlay	-	-	1,547,400	-	1,547,400	(1,547,400)
Total Expenditures	3,783,195	3,208,628	4,742,824	(86,286)	4,656,538	(1,447,910)
Excess of Revenues Over (Under) Expenditures	(97,929)	476,638	(902,143)	-	(902,143)	(1,378,781)
Other Financing Sources (Uses)						
Loan proceeds	-	-	127,674	-	127,674	127,674
Transfers in	120,959	91,418	91,418	-	91,418	-
Transfers out	(23,030)	(568,056)	(374,386)	-	(374,386)	193,670
Net Change in Fund Balance	\$ -	-	(1,057,437)	-	(1,057,437)	(1,057,437)
Fund Balance, beginning			3,687,376			
Fund Balance, ending			\$ 2,629,939			

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, 2022	2021	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	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*

*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 June 30,	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)
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>								
Year Ended								
June 30, 2022	2021	0.28174%	\$ (7,227,633)	\$ (946,643)	\$ (8,174,276)	\$ 7,501,842	-96.34%	0.00%
Six Months Ended June 30, 2021	2020	0.19511%	(883,569)	-	(883,569)	7,501,842	-11.78%	0.00%
Years Ended December 31,								
2020	2020	0.19511%	(883,569)	-	(883,569)	7,101,307	-12.44%	0.00%
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%
2013-2017	*	*	*	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>								
Year Ended								
June 30, 2022	2021	0.37739%	\$ (166,327)	\$ -	\$ (166,327)	\$ 7,501,842	-2.22%	0.00%
Six Months Ended June 30, 2021	2020	0.36393%	(99,207)	-	(99,207)	7,501,842	-1.32%	0.00%
Years Ended December 31,								
2020	2020	0.36393%	(99,207)	-	(99,207)	7,101,307	-1.40%	0.00%
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%
2013-2017	*	*	*	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>								
Year Ended								
June 30, 2022	2021	0.33967%	\$ (91,175)	\$ -	\$ (91,175)	\$ 7,501,842	-1.22%	0.00%
Six Months Ended June 30, 2021	2020	0.31899%	22,626	-	22,626	7,501,842	0.30%	0.00%
Years Ended December 31,								
2020	2020	0.31899%	22,626	-	22,626	7,101,307	0.32%	0.00%
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%
2013-2017	*	*	*	*	*	*	*	*

*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, 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	*	*	*	*	*
2013	*	*	*	*	*

* 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
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>					
Year Ended					
June 30, 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%
2013-2017	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>					
Year Ended					
June 30, 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%
2013-2017	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>					
Year Ended					
June 30, 2022	\$ 57,963	\$ 57,963	\$ -	7,565,501	0.766%
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%
2013-2017	*	*	*	*	*

* 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

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.

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, 2022, the Plan measurement date is June 30, 2021.
- 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

Changes in Assumptions:

1. 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.
2. Based on recent experience, the healthcare cost trend assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8% to 7.38% in 2020.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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, 2022</i>	119	154	155	157	159	173	615	802	803	804	805
Assets											
Cash and investments	\$ 61,513	994,874	1,047,210	64,613	139,097	-	29,553	53,351	164,949	335	270
Receivables, net:											
State and federal grants	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	219,089	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-	-	-	-
Prepaid and other assets	-	-	-	1,966	-	-	-	-	10,000	-	-
Special assessments	-	-	175,891	-	-	685,048	-	-	-	-	-
Total Assets	\$ 61,513	1,213,963	1,223,101	66,579	139,097	685,048	29,553	53,351	174,949	335	270
Liabilities											
Accounts payable	\$ 61,108	-	-	-	245	-	-	22,005	-	-	-
Unearned revenue	-	-	-	-	138,852	-	-	-	-	-	-
Unearned grant revenue	-	-	-	11,654	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	297,600	-	-	-	-	-
Deferred Inflow of Resources											
Special assessments not yet due	-	-	175,891	-	-	685,048	-	-	-	-	-
Total Liabilities and Deferred Inflow of Resources	61,108	-	175,891	11,654	139,097	982,648	-	22,005	-	-	-
Fund Balances											
Nonspendable - Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Roads and trails	-	-	1,047,210	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	-	1,213,963	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	-	174,949	-	-
Public safety	405	-	-	-	-	-	-	31,346	-	335	-
Community schools	-	-	-	-	-	-	-	-	-	-	270
Sustainability	-	-	-	-	-	-	-	-	-	-	-
PERS benefits	-	-	-	-	-	-	29,553	-	-	-	-
Capital and land	-	-	-	54,925	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	(297,600)	-	-	-	-	-
Total Fund Balances	405	1,213,963	1,047,210	54,925	-	(297,600)	29,553	31,346	174,949	335	270
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 61,513	1,213,963	1,223,101	66,579	139,097	685,048	29,553	53,351	174,949	335	270

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

	Special Revenue Funds			Capital Project Funds								Total Nonmajor
	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	Total Capital Project Funds	Govern- mental Funds
June 30, 2022												
Assets												
Cash and investments	\$ 15,638	40,462	2,611,865	1,041,264	102,793	1,928,596	2,527,555	826,494	300,635	386,043	7,113,380	9,725,245
Receivables, net:												
State and federal grants	-	-	-	-	90,201	-	-	-	-	-	90,201	90,201
Sales taxes	-	-	219,089	-	-	-	-	54,772	-	-	54,772	273,861
Other	-	-	-	-	-	-	-	-	10,581	-	10,581	10,581
Prepaid and other assets	-	-	11,966	-	-	706,606	-	-	-	-	706,606	718,572
Special assessments	-	-	860,939	-	-	-	-	-	912,232	-	912,232	1,773,171
Total Assets	\$ 15,638	40,462	3,703,859	1,041,264	192,994	2,635,202	2,527,555	881,266	1,223,448	386,043	8,887,772	12,591,631
Liabilities												
Accounts payable	\$ -	-	83,358	-	-	-	33,772	2,863	-	-	36,635	119,993
Unearned revenue	-	-	138,852	-	-	-	-	-	-	-	-	138,852
Unearned grant revenue	-	-	11,654	-	1,441	-	-	-	-	-	1,441	13,095
Due to other funds	-	-	297,600	-	389,107	-	-	-	-	-	389,107	686,707
Deferred Inflow of Resources												
Special assessments not yet due	-	-	860,939	-	-	-	-	-	912,232	-	912,232	1,773,171
Total Liabilities and Deferred Inflow of Resources	-	-	1,392,403	-	390,548	-	33,772	2,863	912,232	-	1,339,415	2,731,818
Fund Balances												
Nonspendable - Prepaid items	-	-	-	-	-	706,606	-	-	-	-	706,606	706,606
Restricted:												
Roads and trails	-	-	1,047,210	-	-	-	-	878,403	-	-	878,403	1,925,613
Special service district	-	40,462	40,462	-	-	-	-	-	-	-	-	40,462
Committed:												
Police station debt service	-	-	1,213,963	-	-	-	-	-	-	-	-	1,213,963
Assigned:												
Library	-	-	174,949	-	-	-	-	-	-	-	-	174,949
Public safety	-	-	32,086	-	-	-	-	-	-	-	-	32,086
Community schools	-	-	270	-	-	-	-	-	-	-	-	270
Sustainability	15,638	-	15,638	-	-	-	-	-	-	-	-	15,638
PERS benefits	-	-	29,553	-	-	-	-	-	-	-	-	29,553
Capital and land	-	-	54,925.00	1,041,264	-	1,928,596	2,493,783	-	311,216	386,043	6,160,902	6,215,827
Unassigned (deficit)	-	-	(297,600)	-	(197,554)	-	-	-	-	-	(197,554)	(495,154)
Total Fund Balances	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
Total Liabilities and Fund Balances	\$ 15,638	40,462	3,703,859	1,041,264	192,994	2,635,202	2,527,555	881,266	1,223,448	386,043	8,887,772	12,591,631

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended June 30, 2022	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
	119	154	155	157	159	173	615	802	803	804	805
Revenues											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	776,974	-	-	-	-	-	-	-	-	-
Intergovernmental	716,685	-	-	306,406	-	-	-	-	-	-	-
Investment income	-	-	(26,935)	(1,847)	-	-	167	29	95	-	-
Special assessment	-	-	72,836	-	-	66,090	-	-	-	-	-
Enstar FMA refund	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	7,025	3,657	-	-	-	-	-	-
Total Revenues	716,685	776,974	45,901	311,584	3,657	66,090	167	29	95	-	-
Expenditures											
Current -											
General government	-	-	-	188,189	2,515	-	-	-	137	-	-
Public safety	-	-	-	-	-	-	-	18,566	-	-	-
Debt service principal	-	210,000	-	-	-	-	-	-	-	-	-
Debt service interest	-	185,500	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	7,025	1,142	-	-	150	-	-	-
Total Expenditures	-	395,500	-	195,214	3,657	-	-	18,716	137	-	-
Excess of Revenues Over (Under) Expenditures	716,685	381,474	45,901	116,370	-	66,090	167	(18,687)	(42)	-	-
Other Financing Sources (Uses)											
Issuance of bonds	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(714,762)	-	-	(16,310)	-	-	-	-	-	-	-
Net Change in Fund Balances	1,923	381,474	45,901	100,060	-	66,090	167	(18,687)	(42)	-	-
Fund Balances, beginning	(1,518)	832,489	1,001,309	(45,135)	-	(363,690)	29,386	50,033	174,991	335	270
Fund Balances, ending	\$ 405	1,213,963	1,047,210	54,925	-	(297,600)	29,553	31,346	174,949	335	270

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended <i>June 30, 2022</i>	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		
Revenues												
Property taxes	\$ -	31,137	31,137	-	-	-	-	-	-	-	-	31,137
Sales taxes	-	-	776,974	-	-	-	-	177,958	-	-	177,958	954,932
Intergovernmental	-	-	1,023,091	-	148,023	-	-	-	-	-	148,023	1,171,114
Investment income	8	-	(28,483)	-	-	(50,978)	(67,443)	(23,078)	4,850	-	(136,649)	(165,132)
Special assessment	-	-	138,926	-	-	-	-	-	568,032	-	568,032	706,958
Enstar FMA refund	-	-	-	-	-	-	-	-	91,113	-	91,113	91,113
Other	-	-	10,682	-	1,020	-	-	-	-	-	1,020	11,702
Total Revenues	8	31,137	1,952,327	-	149,043	(50,978)	(67,443)	154,880	663,995	-	849,497	2,801,824
Expenditures												
Current -												
General government	-	-	190,841	-	-	-	-	-	1,370	-	1,370	192,211
Public safety	-	-	18,566	-	-	-	-	-	-	-	-	18,566
Debt service principal	-	-	210,000	-	-	-	-	-	-	-	-	210,000
Debt service interest	-	-	185,500	-	-	-	-	-	-	-	-	185,500
Capital outlay	-	738	9,055	55,465	185,431	697,126	580,683	35,744	-	300	1,554,749	1,563,804
Total Expenditures	-	738	613,962	55,465	185,431	697,126	580,683	35,744	1,370	300	1,556,119	2,170,081
Excess of Revenues Over (Under) Expenditures	8	30,399	1,338,365	(55,465)	(36,388)	(748,104)	(648,126)	119,136	662,625	(300)	(706,622)	631,743
Other Financing Sources (Uses)												
Transfers in	-	-	-	1,000,000	333,604	2,670,636	2,304,356	-	-	35,925	6,344,521	6,344,521
Transfers out	-	-	(731,072)	-	-	(321,631)	(948,569)	(39,026)	-	-	(1,309,226)	(2,040,298)
Net Change in Fund Balances	8	30,399	607,293	944,535	297,216	1,600,901	707,661	80,110	662,625	35,625	4,328,673	4,935,966
Fund Balances, beginning	15,630	10,063	1,704,163	96,729	(494,770)	1,034,301	1,786,122	798,293	(351,409)	350,418	3,219,684	4,923,847
Fund Balances, ending	\$ 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

General Fund

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

City of Homer, Alaska

100 - General Fund
Balance Sheets

<i>June 30,</i>	2022	2021
Assets		
Cash and investments	\$ 4,269,337	\$ 7,127,321
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$14,083 (\$17,154 in 2021)	88,365	23,578
Sales taxes	2,227,404	2,121,938
Accounts receivable, net of allowance for doubtful accounts of \$21,806 (\$16,063 in 2021)	164,853	86,654
Leases	94,078	-
Total Receivables	2,574,700	2,232,170
Due from other funds	853,143	1,478,199
Interfund loan receivable	-	44,973
Inventory	50,312	35,052
Prepaid items	18,412	-
Total Assets	\$ 7,765,904	\$ 10,917,715
Liabilities		
Accounts payable	\$ 307,097	\$ 556,572
Accrued payroll and related liabilities	418,062	363,038
Customer deposits	20,707	20,888
Total Liabilities	745,866	940,498
Deferred Inflows of Resources		
Lease related	93,984	-
Deferred property taxes	85,997	39,779
Total Deferred Inflows of Resources	179,981	39,779
Total Liabilities and Deferred Inflows of Resources	925,847	980,277
Fund Balance		
Nonspendable	68,724	80,025
Committed	5,318,560	3,035,921
Assigned - PERS benefits	171,314	171,314
Unassigned	1,281,459	6,650,178
Total Fund Balance	6,840,057	9,937,438
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,765,904	\$ 10,917,715

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual

	Year Ended June 30, 2022					2021
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 3,794,793	3,837,033	-	3,837,033	42,240	\$ 131,810
Sales and use taxes	8,496,772	7,711,860	-	7,711,860	(784,912)	3,344,652
Total taxes	12,291,565	11,548,893	-	11,548,893	(742,672)	3,476,462
Permits and licenses	46,596	40,594	-	40,594	(6,002)	23,381
Intergovernmental:						
State PERS relief	-	437,745	(437,745)	-	-	224,297
Utility cooperative	24,458	23,877	-	23,877	(581)	-
Alcohol beverage tax	26,883	21,550	-	21,550	(5,333)	25,750
Public safety	528,866	556,078	-	556,078	27,212	241,344
Public works	34,000	34,000	-	34,000	-	-
Total intergovernmental	614,207	1,073,250	(437,745)	635,505	21,298	491,391
Charges for services:						
Administrative services	-	5,467	-	5,467	5,467	303,634
Ambulance services	201,847	357,367	-	357,367	155,520	1,424
Fire contracts	90,356	103,028	-	103,028	12,672	48,796
Camping fees	177,303	152,389	-	152,389	(24,914)	29,453
Airport services	198,729	215,695	-	215,695	16,966	85,959
Community school fees	37,654	12,895	-	12,895	(24,759)	3,772
Miscellaneous services	90,436	191,113	-	191,113	100,677	85,306
Total charges for services	796,325	1,037,954	-	1,037,954	241,629	558,344
Investment income (loss)	146,718	(196,256)	-	(196,256)	(342,974)	418
Fines and forfeitures	22,930	21,246	-	21,246	(1,684)	3,886
Total Revenues	\$13,918,341	13,525,681	(437,745)	13,087,936	(830,405)	\$ 4,553,882

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2021 Budget and Actual, continued

	Year Ended June 30, 2022					2021
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures						
General government:						
City council/mayor:						
Salaries and benefits	\$ 14,056	13,114	-	13,114	942	\$ 9,552
Maintenance and operations	450,451	549,444	-	549,444	(98,993)	206,487
Total city council/mayor	464,507	562,558	-	562,558	(98,051)	216,039
City clerk:						
Salaries and benefits	357,058	383,073	(20,005)	363,068	(6,010)	175,424
Maintenance and operations	58,618	54,406	-	54,406	4,212	14,177
Total city clerk	415,676	437,479	(20,005)	417,474	(1,798)	189,601
City manager:						
Salaries and benefits	484,251	295,248	(14,928)	280,320	203,931	102,602
Maintenance and operations	115,305	43,233	-	43,233	72,072	7,517
Total city manager	599,556	338,481	(14,928)	323,553	276,003	110,119
Personnel:						
Salaries and benefits	147,758	159,230	(8,092)	151,138	(3,380)	75,099
Maintenance and operations	62,527	65,406	-	65,406	(2,879)	23,197
Total personnel	210,285	224,636	(8,092)	216,544	(6,259)	98,296
Economic development:						
Salaries and benefits	-	151,299	(7,672)	143,627	(143,627)	68,075
Maintenance and operations	800	55,090	-	55,090	(54,290)	53,205
Total economic development	800	206,389	(7,672)	198,717	(197,917)	121,280
Information technology:						
Salaries and benefits	283,335	268,315	(13,309)	255,006	28,329	127,528
Maintenance and operations	132,450	122,916	-	122,916	9,534	40,836
Total information technology	415,785	391,231	(13,309)	377,922	37,863	168,364
HERC Building -						
Maintenance and operations	58,651	26,916	-	26,916	31,735	26,094
Community recreation:						
Salaries and benefits	147,634	138,336	(6,879)	131,457	16,177	67,715
Maintenance and operations	35,960	11,398	-	11,398	24,562	8,945
Total community recreation	183,594	149,734	(6,879)	142,855	40,739	76,660
Finance:						
Salaries and benefits	778,585	759,803	(36,346)	723,457	55,128	371,425
Maintenance and operations	110,089	70,365	-	70,365	39,724	21,416
Total Finance	888,674	830,168	(36,346)	793,822	94,852	392,841
Planning and zoning:						
Salaries and benefits	374,258	396,308	(19,663)	376,645	(2,387)	188,022
Maintenance and operations	42,271	26,967	-	26,967	15,304	4,049
Total planning and zoning	416,529	423,275	(19,663)	403,612	12,917	192,071

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual, continued

	Year Ended June 30, 2022					2021
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
General government, continued:						
City hall complex -						
Maintenance and operations	\$ 130,436	141,045	-	141,045	(10,609)	\$ 67,764
Leave cash out -						
Salaries and benefits	136,126	136,126	-	136,126	-	58,222
Total general government	3,920,619	3,868,038	(126,894)	3,741,144	179,475	1,717,351
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	353,228	302,222	(14,173)	288,049	65,179	145,722
Maintenance and operations	248,350	216,832	-	216,832	31,518	73,651
Total fire - administration	601,578	519,054	(14,173)	504,881	96,697	219,373
Fire services:						
Salaries and benefits	366,695	373,289	(15,788)	357,501	9,194	166,249
Maintenance and operations	88,500	48,953	-	48,953	39,547	29,397
Total fire services	455,195	422,242	(15,788)	406,454	48,741	195,646
Emergency medical services:						
Salaries and benefits	362,160	419,652	(18,533)	401,119	(38,959)	201,924
Maintenance and operations	62,750	44,880	-	44,880	17,870	13,699
Total emergency medical serv	424,910	464,532	(18,533)	445,999	(21,089)	215,623
Total emergency services	1,481,683	1,405,828	(48,494)	1,357,334	124,349	630,642
Police department:						
Police administration:						
Salaries and benefits	140,211	156,118	(9,004)	147,114	(6,903)	76,645
Maintenance and operations	325,560	381,098	-	381,098	(55,538)	185,042
Total police administration	465,771	537,216	(9,004)	528,212	(62,441)	261,687
Police dispatch:						
Salaries and benefits	631,514	633,759	(30,375)	603,384	28,130	320,238
Maintenance and operations	35,250	25,342	-	25,342	9,908	7,667
Total police dispatch	666,764	659,101	(30,375)	628,726	38,038	327,905
Police investigation:						
Salaries and benefits	179,280	253,511	(11,559)	241,952	(62,672)	52,283
Maintenance and operations	28,100	22,703	-	22,703	5,397	11,791
Total police investigation	207,380	276,214	(11,559)	264,655	(57,275)	64,074
Police patrol:						
Salaries and benefits	1,485,554	1,568,443	(77,919)	1,490,524	(4,970)	731,834
Maintenance and operations	7,500	1,416	-	1,416	6,084	619
Total police patrol	1,493,054	1,569,859	(77,919)	1,491,940	1,114	732,453

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2021 Budget and Actual, continued

	Year Ended June 30, 2022					2021
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public safety, continued						
Police department, continued						
Jail:						
Salaries and benefits	\$ 651,478	661,177	(31,805)	629,372	22,106	\$ 325,692
Maintenance and operations	122,870	124,163	-	124,163	(1,293)	47,640
Total jail	774,348	785,340	(31,805)	753,535	20,813	373,332
Animal control -						
Maintenance and operations	229,891	223,229	-	223,229	6,662	111,239
Total animal control	229,891	223,229	-	223,229	6,662	111,239
Total police department	3,837,208	4,050,959	(160,662)	3,890,297	(53,089)	1,870,690
Total public safety	5,318,891	5,456,787	(209,156)	5,247,631	71,260	2,501,332
Public works:						
Administration:						
Salaries and benefits	107,872	101,325	(4,406)	96,919	10,953	49,123
Maintenance and operations	80,498	73,161	-	73,161	7,337	34,057
Total administration	188,370	174,486	(4,406)	170,080	18,290	83,180
Maintenance:						
Salaries and benefits	259,476	225,386	(9,696)	215,690	43,786	140,955
Maintenance and operations	186,590	196,454	-	196,454	(9,864)	57,488
Total maintenance	446,066	421,840	(9,696)	412,144	33,922	198,443
Roads:						
Salaries and benefits	531,943	505,142	(23,999)	481,143	50,800	243,062
Maintenance and operations	390,467	329,393	-	329,393	61,074	193,649
Total roads	922,410	834,535	(23,999)	810,536	111,874	436,711
Parks:						
Salaries and benefits	293,863	282,980	(7,189)	275,791	18,072	121,791
Maintenance and operations	337,894	267,481	-	267,481	70,413	100,627
Total parks	631,757	550,461	(7,189)	543,272	88,485	222,418
Motor pool:						
Salaries and benefits	204,832	186,597	(8,542)	178,055	26,777	99,858
Maintenance and operations	429,760	401,448	-	401,448	28,312	160,618
Total motor pool	634,592	588,045	(8,542)	579,503	55,089	260,476
Engineer inspection:						
Salaries and benefits	160,802	159,353	(7,363)	151,990	8,812	71,574
Maintenance and operations	25,684	31,076	-	31,076	(5,392)	6,067
Total engineer inspection	186,486	190,429	(7,363)	183,066	3,420	77,641

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2021 Budget and Actual, continued

	Year Ended June 30, 2022					2021
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Janitorial:						
Salaries and benefits	\$ 212,580	209,644	(9,244)	200,400	12,180	\$ 126,849
Maintenance and operations	50,650	25,563	-	25,563	25,087	13,572
Total Janitorial	263,230	235,207	(9,244)	225,963	37,267	140,421
Total public works	3,272,911	2,995,003	(70,439)	2,924,564	348,347	1,419,290
Library:						
Salaries and benefits	712,970	693,390	(25,036)	668,354	44,616	324,791
Maintenance and operations	239,566	226,872	-	226,872	12,694	101,125
Total library	952,536	920,262	(25,036)	895,226	57,310	425,916
Airport:						
Salaries and benefits	101,048	143,796	(6,220)	137,576	(36,528)	52,694
Maintenance and operations	125,469	102,597	-	102,597	22,872	71,754
Total airport	226,517	246,393	(6,220)	240,173	(13,656)	124,448
Non-Departmental:						
Settlement	-	25,000	-	25,000	(25,000)	275,000
Museum	69,000	69,000	-	69,000	-	69,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	25,000
Total non-departmental	94,000	119,000	-	119,000	(25,000)	369,000
Total Expenditures	13,785,474	13,605,483	(437,745)	13,167,738	617,736	6,557,337
Excess of Revenues Over (Under)						
Expenditures	132,867	(79,802)	-	(79,802)	(212,669)	(2,003,455)
Other Financing Sources (Uses):						
Transfers in	864,165	1,587,163	-	1,587,163	722,998	13,356
Transfers out	(997,032)	(4,604,742)	-	(4,604,742)	(3,607,710)	(79,860)
Net Change in Fund Balance	\$ -	(3,097,381)	-	(3,097,381)	(3,097,381)	(2,069,959)
Fund Balance, beginning		9,937,438		9,937,438		12,007,397
Fund Balance, ending		\$ 6,840,057		6,840,057		\$ 9,937,438

Utility Special Revenue Fund

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

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

	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
<i>June 30, 2022</i>				
Assets				
Cash and investments	\$ 526,079	(2,100,339)	3,831,134	2,256,874
Receivables				
Accounts receivable	377,837	-	-	377,837
State and Federal grants and loans	-	247,674	-	247,674
Total Receivables	377,837	247,674	-	625,511
Inventory	473,479	-	-	473,479
Total Assets	\$ 1,377,395	(1,852,665)	3,831,134	3,355,864
Liabilities				
Accounts payable	\$ 142,862	15,206	297,722	455,790
Accrued payroll and related liabilities	54,561	164,711	-	219,272
Customer deposits	50,863	-	-	50,863
Total Liabilities	248,286	179,917	297,722	725,925
Fund Balances (Deficits)				
Nonspendable - inventory and prepaid	473,479	-	-	473,479
Assigned - water and sewer	655,630	(2,032,582)	3,533,412	2,156,460
Total Fund Balances (Deficits)	1,129,109	(2,032,582)	3,533,412	2,629,939
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,377,395	(1,852,665)	3,831,134	3,355,864

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, 2022</i>	Budget	Actual	Variance
Revenues			
Intergovernmental	\$ -	\$ 206,286	\$ 206,286
Charges for services:			
Water charges and connection fees	1,833,429	1,954,781	121,352
Sewer charges and connection fees	1,762,264	1,805,224	42,960
Total charges for services	3,595,693	3,760,005	164,312
Investment income	89,573	(125,610)	(215,183)
Total Revenues	3,685,266	3,840,681	155,415
Expenditures			
Water:			
Administration	262,315	273,491	(11,176)
Treatment plant	616,638	637,144	(20,506)
Water system testing	28,610	33,152	(4,542)
Pumping stations	93,118	107,345	(14,227)
Distribution system	348,073	383,388	(35,315)
Water reservoir	17,325	10,585	6,740
Water meters	181,862	122,868	58,994
Water hydrants	203,479	188,174	15,305
Total water	1,751,420	1,756,147	(4,727)
Sewer:			
Administration	203,359	220,674	(17,315)
Sewer plant operations	701,814	759,194	(57,380)
Sewer system testing	15,160	11,194	3,966
Sewer lift stations	210,080	190,335	19,745
Collection system	326,795	256,151	70,644
Total Sewer	1,457,208	1,437,548	19,660
Debt service:			
Interest	-	1,729	(1,729)
Capital outlay	-	1,547,400	(1,547,400)
Total Expenditures	3,208,628	4,742,824	(1,534,196)
Excess of Expenditures Over Revenues	476,638	(902,143)	(1,378,781)
Other Financing Sources (Uses)			
Loan proceeds	-	127,674	127,674
Transfers in	91,418	91,418	-
Transfers out	(568,056)	(374,386)	193,670
Net Change in Fund Balance	<u>-</u>	(1,057,437)	<u>\$ (1,057,437)</u>
Fund Balance, beginning		<u>3,687,376</u>	
Fund Balance, ending		<u>\$ 2,629,939</u>	

City of Homer, Alaska

Utility Special Revenue Fund

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

<i>Year Ended June 30, 2022</i>	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Revenues				
Intergovernmental	\$ 86,286	120,000	-	206,286
Charges for services:				
Water charges and connection fees	1,954,781	-	-	1,954,781
Sewer charges and connection fees	1,805,224	-	-	1,805,224
Total charges for services	3,760,005	-	-	3,760,005
Investment income	(24,136)	-	(101,474)	(125,610)
Total Revenues	3,822,155	120,000	(101,474)	3,840,681
Expenditures				
Water:				
Administration	273,491	-	-	273,491
Treatment plant	637,144	-	-	637,144
Water system testing	33,152	-	-	33,152
Pumping stations	107,345	-	-	107,345
Distribution system	383,388	-	-	383,388
Water reservoir	10,585	-	-	10,585
Water meters	122,868	-	-	122,868
Water hydrants	188,174	-	-	188,174
Total water	1,756,147	-	-	1,756,147
Sewer:				
Administration	220,674	-	-	220,674
Sewer plant operations	759,194	-	-	759,194
Sewer system testing	11,194	-	-	11,194
Sewer lift stations	190,335	-	-	190,335
Collection system	256,151	-	-	256,151
Total Sewer	1,437,548	-	-	1,437,548
Debt service:				
Interest	1,729	-	-	1,729
Capital outlay	-	805,177	742,223	1,547,400
Total Expenditures	3,195,424	805,177	742,223	4,742,824
Excess of Revenues Over (Under) Expenditures	626,731	(685,177)	(843,697)	(902,143)
Other Financing Sources (Uses)				
Loan proceeds	-	127,674	-	127,674
Transfers in	91,418	-	-	91,418
Transfers out	(568,056)	-	193,670	(374,386)
Net Change in Fund Balances	150,093	(557,503)	(650,027)	(1,057,437)
Fund Balances (Deficits), beginning	979,016	(1,475,079)	4,183,439	3,687,376
Fund Balances (Deficits), ending	1,129,109	(2,032,582)	3,533,412	2,629,939

Port of Homer Enterprise Fund

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

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

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

<i>June 30,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,212,009	\$ 2,767,841
Receivables:		
Accounts, net of allowance for doubtful accounts of \$18,741 (\$24,706 in 2021)	340,225	364,474
Lease receivable	318,934	-
Prepaid items	14,625	35,926
Total Current Assets	4,885,793	3,168,241
Noncurrent Assets		
Restricted cash and investments - bond reserves	317,980	317,980
Lease receivable	6,685,682	-
Net OPEB assets	1,122,021	142,390
Property, Plant and Equipment		
Property, plant and equipment in service	74,446,090	74,282,078
Land and land improvements	15,804,641	15,804,641
Construction work in progress	50,337	30,713
Less accumulated depreciation	(44,655,299)	(42,581,812)
Net Property, Plant and Equipment	45,645,769	47,535,620
Total Noncurrent Assets	53,771,452	47,995,990
Total Assets	58,657,245	51,164,231
Deferred Outflows of Resources:		
Pension related	259,859	219,198
OPEB related	38,787	92,278
Total Deferred Outflows of Resources	298,646	311,476
Total Assets and Deferred Outflows of Resources	\$ 58,955,891	\$ 51,475,707

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

<i>June 30,</i>	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 263,310	\$ 144,488
Accrued payroll and related liabilities	68,450	62,544
Accrued leave	93,000	92,000
Accrued interest payable	4,553	6,614
General obligation bonds payable	210,000	185,000
Prepaid berth rentals and deposits	427,005	411,833
Unearned lease revenue	18,000	18,000
Interfund loan	-	36,255
Total Current Liabilities	1,084,318	956,734
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	99,000	117,000
Interfund loan	-	8,718
Accrued leave long term	127,779	158,178
General obligation bonds payable including bond premium	2,490,024	2,716,699
Net pension liabilities	1,543,365	1,707,117
Total Noncurrent Liabilities	4,260,168	4,707,712
Total Liabilities	5,344,486	5,664,446
Deferred Inflows of Resources:		
Lease related	6,934,008	-
Pension related	615,459	33,818
OPEB related	605,077	117,605
Total Deferred Inflows of Resources	8,154,544	151,423
Net Position		
Net investment in capital assets	42,945,745	44,633,921
Unrestricted (deficit)	2,511,116	1,025,917
Total Net Position	45,456,861	45,659,838
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 58,955,891	\$ 51,475,707

City of Homer, Alaska

Port of Homer Enterprise Fund

Statements of Revenues, Expenses, and Changes in Net Position

	<i>Year Ended June 30, 2022</i>	<i>Six Months Ended June 30, 2021</i>
Operating Revenues		
Harbor	\$ 3,675,098	\$ 1,762,249
Main dock	259,694	105,535
Fish dock	523,294	201,431
Deep water dock	157,434	100,782
Rents, leases and storage	570,414	289,604
Fish grinder	7,018	1,040
Total Operating Revenues	5,192,952	2,460,641
Operating Expenses		
Harbor	1,833,959	866,920
Main dock	140,588	59,845
Fish dock	603,730	259,734
Deep water dock	227,655	91,038
Fish grinder	21,819	6,133
Administration	788,920	338,949
Depreciation	2,171,924	1,083,463
Total Operating Expenses	5,788,595	2,706,082
Operating Loss	(595,643)	(245,441)
Nonoperating Revenues (Expenses)		
Investment income (loss)	(62,000)	(3,078)
Interest expense	(46,790)	(72,970)
State PERS relief	92,383	46,050
Other income	240,337	56,135
Cruise ship tax	103,597	-
Fish tax	66,865	-
Net Nonoperating Revenues (Expenses)	394,392	26,137
Loss Before Transfers and Capital Contributions	(201,251)	(219,304)
Transfers in (out)	(36,960)	176,147
Capital contributions	35,234	(68)
Change in Net Position	(202,977)	(43,225)
Beginning Net Position	45,659,838	45,703,063
Ending Net Position	\$ 45,456,861	\$ 45,659,838

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

	<i>Year Ended June 30, 2022</i>	<i>Six Months Ended June 30, 2021</i>
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 5,384,102	\$ 1,635,033
Payments to suppliers	(1,808,831)	(730,068)
Payments to employees	(1,660,267)	(840,368)
Net cash flows from (for) operating activities	1,915,004	64,597
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	(36,960)	176,147
Net cash flows from (for) noncapital financing activities	(36,960)	176,147
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(185,000)	(135,274)
Interest paid on long-term debt	(65,526)	(101,924)
Capital contributions received	35,234	-
Cruise ship tax and fish tax received	170,462	-
Acquisition of property, plant and equipment	(282,073)	(189,161)
Decrease in interfund loan	(44,973)	(59,791)
Net cash flows from (for) capital and related financing activities	(371,876)	(486,150)
Cash Flows from Investing Activities		
Investment income received	(62,000)	(3,078)
Net (Decrease) Increase in Cash and Investments	1,444,168	(248,484)
Beginning Cash and Investments	3,085,821	3,334,305
Ending Cash and Investments	\$ 4,529,989	\$ 3,085,821

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

	<i>Year Ended June 30, 2022</i>	<i>Six Months Ended June 30, 2021</i>
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (595,643)	\$ (245,441)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,171,924	1,083,463
Noncash expense - PERS relief	92,383	46,050
Increase (decrease) in allowance for doubtful accounts	(5,965)	(75,559)
Amortization of deferred lease revenue	(18,000)	(9,000)
Miscellaneous nonoperating revenues and expense, net	240,337	56,135
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	30,214	(43,171)
Lease receivable	(7,004,616)	
Prepaid items	21,301	64,479
Deferred outflows of resources related to pensions	(40,661)	(70,468)
Deferred outflows of resources related to OPEB	53,491	(6,036)
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	118,822	36,321
Accrued payroll and related liabilities	5,906	17,223
Accrued leave	(29,399)	(35,386)
Prepaid berth rentals and deposits	15,172	(754,013)
Net pension liability	(163,752)	-
Net OPEB (assets) liabilities	(979,631)	-
Deferred inflows of resources related leases	6,934,008	-
Deferred inflows of resources related to pensions	581,641	-
Deferred inflows of resources related to OPEB	487,472	-
 Net Cash Flows from (for) Operating Activities	 \$ 1,915,004	 \$ 64,597

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	Total Port Fund
June 30, 2022							
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and investments	\$ 76,737	276,957	154,394	3,723,842	(19,921)	-	4,212,009
Receivables:							
Trade, net of allowance for doubtful accounts	307,518	-	-	-	-	32,707	340,225
Lease receivable	318,934	-	-	-	-	-	318,934
Prepaid items	14,625	-	-	-	-	-	14,625
Total Current Assets	717,814	276,957	154,394	3,723,842	(19,921)	32,707	4,885,793
Noncurrent Assets							
Restricted cash and investments - bond reserves	317,980	-	-	-	-	-	317,980
Lease receivable	6,685,682	-	-	-	-	-	6,685,682
Net OPEB assets	1,122,021	-	-	-	-	-	1,122,021
Property, plant and equipment:							
Property, plant and equipment in service	74,446,090	-	-	-	-	-	74,446,090
Land and land improvements	15,804,641	-	-	-	-	-	15,804,641
Construction work in progress	50,337	-	-	-	-	-	50,337
Less accumulated depreciation	(44,655,299)	-	-	-	-	-	(44,655,299)
Net Property, Plant and Equipment	45,645,769	-	-	-	-	-	45,645,769
Total Noncurrent Assets	53,771,452	-	-	-	-	-	53,771,452
Total Assets	54,489,266	276,957	154,394	3,723,842	(19,921)	32,707	58,657,245
Deferred Outflows of Resources:							
Pension related	259,859	-	-	-	-	-	259,859
OPEB related	38,787	-	-	-	-	-	38,787
Total Deferred Outflows of Resources	298,646	-	-	-	-	-	298,646
Total Assets and Deferred Outflows of Resources	\$ 54,787,912	276,957	154,394	3,723,842	(19,921)	32,707	58,955,891

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	Total Port Fund
June 30, 2022							
Liabilities, Deferred Inflows of Resources, and Net Position							
Liabilities							
Current Liabilities							
Accounts payable	\$ 237,110	3,750	-	22,450	-	-	263,310
Accrued payroll and related liabilities	68,450	-	-	-	-	-	68,450
Accrued leave	93,000	-	-	-	-	-	93,000
Accrued interest payable	4,553	-	-	-	-	-	4,553
General obligation bonds payable	170,000	-	-	-	40,000	-	210,000
Prepaid berth rentals and deposits	427,005	-	-	-	-	-	427,005
Unearned lease revenue	18,000	-	-	-	-	-	18,000
Total Current Liabilities	1,018,118	3,750	-	22,450	40,000	-	1,084,318
Noncurrent Liabilities , net of current portion:							
Unearned lease revenue	99,000	-	-	-	-	-	99,000
Accrued leave long term	127,779	-	-	-	-	-	127,779
General obligation bonds payable including bond premium	250,024	-	-	-	2,240,000	-	2,490,024
Net pension liabilities	1,543,365	-	-	-	-	-	1,543,365
Total Noncurrent Liabilities	2,020,168	-	-	-	2,240,000	-	4,260,168
Total Liabilities	3,038,286	3,750	-	22,450	2,280,000	-	5,344,486
Deferred Inflows of Resources:							
Lease related	6,934,008	-	-	-	-	-	6,934,008
Pension related	615,459	-	-	-	-	-	615,459
OPEB related	605,077	-	-	-	-	-	605,077
Total Deferred Inflows of Resources	8,154,544	-	-	-	-	-	8,154,544
Net Position							
Net investment in capital assets	45,225,745	-	-	-	(2,280,000)	-	42,945,745
Unrestricted (deficit)	(1,630,663)	273,207	154,394	3,701,392	(19,921)	32,707	2,511,116
Total Net Position	43,595,082	273,207	154,394	3,701,392	(2,299,921)	32,707	45,456,861
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 54,787,912	276,957	154,394	3,723,842	(19,921)	32,707	58,955,891

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
Year Ended June 30, 2022							
Operating Revenues							
Harbor	\$ 3,675,098	-	-	-	-	-	3,675,098
Main dock	259,694	-	-	-	-	-	259,694
Fish dock	523,294	-	-	-	-	-	523,294
Deep water dock	157,434	-	-	-	-	-	157,434
Rents, leases and storage	570,414	-	-	-	-	-	570,414
Fish grinder	7,018	-	-	-	-	-	7,018
Total Operating Revenues	5,192,952	-	-	-	-	-	5,192,952
Operating Expenses							
Harbor	1,816,377	14,399	(391)	3,574	-	-	1,833,959
Main dock	140,588	-	-	-	-	-	140,588
Fish dock	603,730	-	-	-	-	-	603,730
Deep water dock	227,655	-	-	-	-	-	227,655
Fish grinder	21,819	-	-	-	-	-	21,819
Administration	788,920	-	-	-	-	-	788,920
Depreciation	2,171,924	-	-	-	-	-	2,171,924
Total Operating Expenses	5,771,013	14,399	(391)	3,574	-	-	5,788,595
Operating Income (Loss)	(578,061)	(14,399)	391	(3,574)	-	-	(595,643)
Nonoperating Revenues (Expenses)							
Investment income (expense)	(62,000)	-	-	-	-	-	(62,000)
Interest expense	(8,586)	-	-	-	(38,204)	-	(46,790)
State PERS relief	92,383	-	-	-	-	-	92,383
Other income	228,638	11,400	-	299	-	-	240,337
Cruise ship tax	-	-	-	-	-	103,597	103,597
Fish tax	66,865	-	-	-	-	-	66,865
Net Nonoperating Revenues (Expenses)	317,300	11,400	-	299	(38,204)	103,597	394,392
Income (Loss) Before Transfers and Capital Contributions	(260,761)	(2,999)	391	(3,275)	(38,204)	103,597	(201,251)
Transfers in (out)	1,334,488	211	(60,391)	1,021,339	(2,261,717)	(70,890)	(36,960)
Capital contributions	-	35,234	-	-	-	-	35,234
Change in Net Position	1,073,727	32,446	(60,000)	1,018,064	(2,299,921)	32,707	(202,977)
Beginning Net Position	42,521,355	240,761	214,394	2,683,328	-	-	45,659,838
Ending Net Position	\$ 43,595,082	273,207	154,394	3,701,392	(2,299,921)	32,707	45,456,861

Internal Service Funds

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

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

<i>June 30, 2022</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ -	\$ -	\$ -
Liabilities and Net Position			
Current Liabilities			
Accounts payable	1,208	-	1,208
Due to other funds	75,460	90,976	166,436
Total Current Liabilities	76,668	90,976	167,644
Net Position			
Unrestricted (deficit)	(76,668)	(90,976)	(167,644)
Total Liabilities and Net Position	\$ -	\$ -	\$ -

City of Homer, Alaska

Internal Service Funds

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

<i>Year Ended June 30, 2022</i>	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 2,023,864	\$ 274,394	\$ 2,298,258
Employee health contributions	192,967	-	192,967
Total Operating Revenues	2,216,831	274,394	2,491,225
Operating Expenses			
Salaries and benefits	-	268,574	268,574
Insurance premiums	2,062,348	-	2,062,348
Administration	518	-	518
Employee incentive fees	120,269	-	120,269
Total Operating Expenses	2,183,135	268,574	2,451,709
Transfers in	1,027	-	1,027
Change in Net Position	34,723	5,820	40,543
Beginning Net Position	(111,391)	(96,796)	(208,187)
Ending Net Position	\$ (76,668)	\$ (90,976)	\$ (167,644)

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

<i>Year Ended June 30, 2022</i>	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 2,216,831	\$ 274,394	\$ 2,491,225
Payments to employees	(120,269)	(268,574)	(388,843)
Payments for insurance, claims, and administration	(2,063,779)	-	(2,063,779)
Net cash flows from (for) operating activities	32,783	5,820	38,603
Cash Flows from (for) Noncapital Financing Activities			
Increase in due to other funds	(33,810)	(5,820)	(39,630)
Transfers in (out)	1,027	-	1,027
Net cash flows from (for) noncapital financing activities	(32,783)	(5,820)	(38,603)
Net Decrease in Cash and Investments	-	-	-
Cash and Investments, beginning	-	-	-
Cash and Investments, ending	\$ -	\$ -	\$ -
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities			
Operating income (loss)	\$ 33,696	\$ 5,820	\$ 39,516
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	(913)	-	(913)
Net Cash Flows from (for) Operating Activities	\$ 32,783	\$ 5,820	\$ 38,603

City of Homer, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
DEPARTMENT OF AGRICULTURE				
Passed through the State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	n/a	\$ 4,718	-
DEPARTMENT OF JUSTICE				
Passed through the State of Alaska Department of Public Safety - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0214	27,902	-
DEPARTMENT OF THE TREASURY				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - Coronavirus State and Local Fiscal Recovery Funds	21.027	AK0049	716,685	-
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through the State of Alaska Department of Education and Early Development:				
Grants to States	45.310	EASY22-031	5,950	-
Grants to States	45.310	ARPA25	7,487	-
Total Grants to States			13,437	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the State of Alaska Department of Health and Social Services - Covid-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C0621-570-C	188,201	154,057
DEPARTMENT OF HOMELAND SECURITY				
Passed through the State of Alaska Division of Homeland Security and Emergency Management - Homeland Security Grant Program:				
2021 State Homeland Security Program	97.067	21SHSP-GY21	90,201	
2018 State Homeland Security Program	97.067	20SHSP-GY18	6,094	
2019 State Homeland Security Grant	97.067	20SHSP-GY19	17,346	-
Total Homeland Security Grant Program			113,641	-
Total Federal Financial Assistance			\$ 1,064,584	154,057

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, 2022

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, 2022. 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, 2022.

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.

Single Audit Reports



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 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 2022-001, 2022-002, and 2022-003 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 no 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
April 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, 2022. 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, 2022.

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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. 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.



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 and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a material weakness.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

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
April 8, 2024

City of Homer, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

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 X no
Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? X yes no
Significant deficiency(ies) identified? X 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)? X yes no

Identification of major federal programs:

Assistance Listing

<i>Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
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 X no

City of Homer, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

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

<u>Finding 2022-001</u>	Grant Revenue Reconciliations - Significant Deficiency in Internal Control Over Financial Reporting
<i>Criteria</i>	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.
<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>Cause</i>	Internal controls were not established to ensure that grant revenue was recorded and reconciled based on expenditures during the year.
<i>Effect or potential effect</i>	The delay in reconciliation of grant schedules caused an overall delay in completing the audit. Variance between revenue recorded per the accounting system and the reconciliation was additionally identified in the grant reconciliations.
<i>Recommendation</i>	Management should prepare a close schedule and perform timely reconciliations with appropriate grant revenue agrees to the reconciliations. Management should ensure reconciliations are performed accurately and reviewed in a timely manner. Applicable accounts should be reconciled, and necessary adjusting entries recorded, at least quarterly.
<i>Views of responsible officials and planned corrective actions</i>	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 Year Ended June 30, 2022

<u>Finding 2022-002</u>	Governmental Accounting Standards Board Statement 87 (GASBS 87) - Significant Deficiency in Internal Control Over Financial Reporting
<i>Criteria</i>	GASBS 87 states that a lessor should measure the lease receivable at the present value of payments expected to be received during the lease term. A lessor additionally should measure a lease related deferred inflow of resources as the sum of, among other criteria, the amount of the initial measurement of the lease receivable (GASBS 87, paragraphs 44 and 53). Leases should be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation (GASBS 87, paragraph 94).
<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>Cause</i>	Internal controls were not established to ensure that lease amortization schedules were accurate and reflected up-to-date inputs to initially measure the lease receivable and lease related deferred inflows of resources of the Port of Homer Enterprise Fund.
<i>Effect or potential Effect</i>	BDO identified adjustments to the initial measurement of lease receivables and lease related deferred inflows of resources recorded in the Port of Homer Enterprise Fund. These adjustments resulted from management's incorrect application of facts and circumstances that existed at the beginning of the period of implementation.
<i>Recommendation</i>	Management should prepare a close schedule and perform reconciliations with appropriate lease amortization schedules that agree to the lease agreements. Management should ensure reconciliations are performed accurately and reviewed in a timely manner. Applicable schedules should be reconciled, and necessary adjusting entries recorded, at least quarterly.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding and has developed appropriate reconciling spreadsheets to maintain going forward.

City of Homer, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

Finding 2022-003 **Significant Deficiency over Controls Pertaining to the Retention of Personal Identifiable Information and Personal Health Information**

<i>Criteria</i>	<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. 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.
<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 Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

<u>Finding 2022-004</u>	Deadline for Federal Single Audit - Reporting - Noncompliance and Material Weakness in Internal Control Over Compliance
<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 2022
<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 shall 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, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit, and any extensions granted by the Office of Management and Budget.
<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>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>	Not a repeat finding.
<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.

City of Homer, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2022

<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.
<u>Finding 2022-005</u>	Review of Reporting - Significant Deficiency in Internal Control Over Compliance
<i>Agency</i>	U.S. Department of Treasury
<i>ALN</i>	21.027
<i>Program</i>	COVID-19 - Coronavirus Local Fiscal Recovery Fund
<i>Award Year</i>	FY 2022
<i>Pass-Through Agency</i>	State of Alaska Department of Commerce, Community, and Economic Development
<i>Pass-Through Entity Identifying Number(s)</i>	AK0049
<i>Criteria</i>	2 CFR 200.303, <i>Internal Controls</i> , requires that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award.
<i>Condition</i>	During our testing of the reporting requirements, we noted the one report tested did not have evidence of review before submission.
<i>Cause</i>	The City's internal controls over reporting are not designed appropriately to ensure reports required to be submitted to federal agencies are reviewed for accuracy before submission.
<i>Effect or potential effect</i>	Information submitted to the granting agency may be inaccurate or late.
<i>Questioned costs</i>	Not applicable.
<i>Context</i>	During our testwork of the one report required for submission, we identified that the report was submitted timely, but no internal controls were established to document the review and approval of the report before submission.
<i>Identification as a repeat finding</i>	Not a repeat finding.
<i>Recommendation</i>	Management should review report due dates and ensure that accurate reports are submitted before they are due.
<i>Views of responsible officials</i>	Management agrees with the finding. All reporting will be reviewed by at least one other staff member to ensure accuracy prior to submission.

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City of Homer

www.cityofhomer-ak.gov

Finance Department

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finance@cityofhomer-ak.gov

(p) 907-235-8121

(f) 907-235-3140

Corrective Action Plan Year Ended June 30, 2022

Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2022-001

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:

Grant reconciliation work will be timelier in FY23 and management has established internal requirements that grant reconciliation work be performed quarterly going forward. Procedures will be in place effective immediately. This has been completed.

Finding 2022-002

Governmental Accounting Standards Board Statement 87 (GASB 87) - Significant Deficiency in Internal Control over Financial Reporting

Planned Corrective Actions:

The Finance Department is in the process of ensuring that appropriate City staff are aware of the new GASB 87 reporting requirements and workflows are being adjusted to ensure accurate information is collected.

The department developed appropriate reconciling spreadsheets through the FY22 audit work and is being maintained going forward.

Individual(s) Responsible for Corrective Action Plan

Elizabeth Fischer (Finance Director)
Jenna deLumeau (Controller)

Anticipated Completion Date:

This has been completed.

Finding 2022-003

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.



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*Individual(s)
Responsible for
Corrective Action Plan*

City Manager
Currently Melissa Jacobsen, Acting City Manager

*Anticipated
Completion Date:*

In process, anticipating Council approval by May 13, 2024

Federal Award Findings and Questioned Costs

Finding 2022-004

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

*Planned Corrective
Actions:*

The Finance Department is working to establish internal deadlines to ensure the financial statements are audited within the appropriate reporting deadlines.

The department is aware that the FY23 financial statements will also be faced with this finding, but is shifting 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.

Finding 2022-005

Review of Reporting - Significant Deficiency in Internal Control over Compliance

*Planned Corrective
Actions:*

All reporting will be reviewed by at least one other staff member to ensure accuracy prior to submission.

*Individual(s)
Responsible for
Corrective Action Plan*

Elizabeth Fischer (Finance Director)
Jenna deLumeau (Controller)

*Anticipated
Completion Date:*

This has been completed.