

City of Homer, Alaska

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

Year Ended June 30, 2025



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, 2025 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, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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 for the year ended June 30, 2025 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 nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 year ended June 30, 2025 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 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 year ended June 30, 2025.

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, 2024 (not presented herein), and have issued our report thereon dated March 31, 2025, 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 for the year ended June 30, 2024 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 2024 financial statements. The individual fund financial statements and schedules have been subjected to the auditing 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, 2024.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, 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
March 31, 2026

Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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, 2025 by \$157,023,313 (Net Position). Of this amount, unrestricted net position of \$28,754,501 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$2,037,514 from current year activity. For the year, governmental type activities increased by \$1,404,473 and business type activities increased by \$633,401.

As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$36,379,874, an increase of \$1,144,163 from the prior year. A combination of factors contributed to the increase, but primarily due to sales tax revenues exceeding the debt service costs.

- At June 30, 2025, the fund balance for the General fund was \$7,989,954. Of this amount, \$2,629,289 was unassigned and available for future use.
- At June 30, 2025, the City of Homer's outstanding governmental noncurrent liabilities totaled \$21,022,567. Business-type debt outstanding was \$4,503,576. These figures include external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liabilities.

Overview of the Financial Statements

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

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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.

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,

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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 and 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 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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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 and 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 2025 fiscal year, the City's net position (assets exceeding liabilities) totaled \$157,023 (see Table A-1). Of this amount, \$115,450 or 73%, 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 \$11,933 in the governmental activities is for OPEB and capital projects. The total unrestricted amount in the governmental activities totals \$21,445 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, 2025

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	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 46,346	46,357	18,043	16,117	64,389	62,474
Capital assets, net	84,899	84,450	41,719	42,857	126,618	127,307
Total Assets	131,245	130,807	59,762	58,974	191,007	189,781
Deferred outflows	1,686	1,775	318	327	2,004	2,102
Total Assets and Deferred Outflows	132,931	132,582	60,080	59,301	193,011	191,883
Liabilities						
Noncurrent liabilities	21,022	21,924	4,549	4,447	25,571	26,371
Current liabilities	2,299	2,039	1,031	828	3,330	2,867
Total Liabilities	23,321	23,963	5,580	5,275	28,901	29,238
Deferred inflows	346	759	6,741	6,900	7,087	7,659
Total Liabilities and Deferred Inflows	23,667	24,722	12,321	12,175	35,988	36,897
Net Position						
Net investment in capital assets	75,886	74,131	39,564	40,657	115,450	114,788
Restricted	11,933	13,052	886	928	12,819	13,980
Unrestricted	21,445	20,677	7,309	5,541	28,754	26,218
Total Net Position	\$ 109,264	107,860	47,759	47,126	157,023	154,986

Net position may vary from year to year due to changes in the City's revenues, expenditures, and capital activities, including fluctuations in tax collections, grant funding, service demands, and operating costs. It also shifts as the City invests in or depreciates capital assets, issues or retires long-term debt, or experiences actuarial adjustments to pension and OPEB obligations, all of which directly affect government-wide financial position.

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for services	\$ 5,667	6,235	6,651	6,284	12,318	12,519
Operating grants and contributions	1,026	1,053	67	41	1,093	1,094
Capital grants and contributions	749	747	884	409	1,633	1,156
General Revenues						
Property taxes	5,358	4,611	-	-	5,358	4,611
Sales taxes	13,129	13,006	-	-	13,129	13,006
Other	1,629	1,576	554	442	2,183	2,018
Total Revenues	27,558	27,228	8,156	7,176	35,714	34,404
Expenses						
General government	5,661	4,435	-	-	5,661	4,435
Public safety	7,483	6,485	-	-	7,483	6,485
Public works	5,207	4,749	-	-	5,207	4,749
Library	1,332	1,225	-	-	1,332	1,225
Airport	285	284	-	-	285	284
Community services	179	195	-	-	179	195
Water and sewer	5,713	5,145	-	-	5,713	5,145
Unallocated interest	179	195	-	-	179	195
Port and harbor	-	-	7,638	6,740	7,638	6,740
Total Expenses	26,039	22,713	7,638	6,740	33,677	29,453
Increase in net position before transfers	\$ 1,519	4,515	518	436	2,037	4,951

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Transfers	\$ (115)	40	115	(40)	-	-
Increase (Decrease) In Net Position	1,404	4,555	633	396	2,037	4,951
Net Position, beginning	107,860	103,305	47,126	46,730	154,986	150,035
Net Position, ending	\$ 109,264	107,860	47,759	47,126	157,023	154,986

The City's net position increased by \$2,037. Revenues exceeded expenses in the governmental activities by \$1,404 and in the business-type activities revenues exceeded expenses by \$633. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased due to sales taxes and property taxes.
- Expenses in the governmental activities increased in all areas except community services and unallocated interest expenses.
- Revenues in the business-type activities increased by \$980 in total. This is mainly due to increases in charges for services of \$367 and capital grants of \$475.
- Expenses in the business-type activities also increased by \$898.

This breakdown shows the Sales Taxes by fund. Changes in sales tax dollars from 2024 to 2025 are as follows:

Sales & Use Taxes	2025	2024	Change
Fund			
General	\$ 8,259	8,181	78
Utility (Water & Sewer – HAWSP)	2,029	2,011	18
HART Roads Capital Project	1,826	1,809	17
Police Station Debt Service SRF	812	804	8
Hart Trails Capital Project	203	201	2
Total	\$ 13,129	13,006	123

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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, 2025, the City's governmental funds reported combined ending fund balances of \$36,380 an increase of \$1,144 compared to balances at June 30, 2024. Of the ending balance, \$2,308, or 6.3% is unassigned. The remaining fund balance is restricted for roads and trails \$7,178 and special service district \$52, committed for police station debt service \$2,697, community assistance program \$99, water and sewer \$957, and emergency use \$5,212, or assigned for future capital projects and other purposes \$17,086; and non-spendable in the form of inventory and prepaid items \$791. The increase of total fund balance during the year is attributed to:

- General Fund increase in fund balance of \$6 from increased revenues of \$539 mainly from taxes and charges for service.
- HAWSP Debt Service Fund's increase of \$1,838 is due to the sales tax collections and special assessments exceeding debt service payments.
- HART Roads Capital Projects Fund's decrease of \$446 is due to transfers out of \$1,091.
- A increase of \$389 in nonmajor funds was due to an increase in investment income of \$475.

Governmental 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 greater than Final Budget by \$378.
- General Fund Expenditures: Final Budget and Original Budget excluded PERS relief expenditures and actual expenditures were below Final Budget by \$1,368.
- 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 \$643 due to capital outlay.

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, 2025, totals \$126,618 (net of accumulated depreciation and amortization). This amount represents a \$689 decrease over the previous year.

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 11,873	11,747	15,805	15,805	27,678	27,552
Construction in progress	2,816	1,861	102	1,305	2,918	3,166
Buildings	59,736	59,736	17,025	16,381	76,761	76,117
Improvements other than buildings	66,985	64,522	56,036	54,761	123,021	119,283
Machinery and equipment	22,215	20,865	3,859	3,813	26,074	24,678
Infrastructure	37,056	37,056	-	-	37,056	37,056
Right-to-use leased equipment	121	121	-	-	121	121
Right-to-use leased property and buildings	239	239	-	-	239	239
Accumulated depreciation	(116,142)	(111,697)	(51,108)	(49,208)	(167,250)	(160,905)
Total Capital Assets	\$ 84,899	84,450	41,719	42,857	126,618	127,307

Major Capital Asset Events During the 2025 Fiscal Year Included

Capital Projects Completed

Governmental Funds:

- Water & Sewer - Ben Walters Pressure Reducing Station
- Water & Sewer - Beluga Lift Station
- Water & Sewer - Lift Station Electrical Controls Replacement
- Public Works - Bayview Park Renovation
- Public Works - Airport Terminal Sidewalk Repairs
- Public Works - Jack Gist Electric/Parking

Port & Harbor (Enterprise Fund):

- Fish Grinder Building
- Crane 8 Control System Replacement
- Deep Water Dock North Dolphin
- Harbor Basin Survey

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

On-Going Projects

Governmental Funds:

- Water & Sewer - Ohlson/Bunnell Reconstruction
- Water & Sewer - Raw Water Transmission Line & Communications Upgrade
- Water & Sewer - Paint Booster Station
- Public Works - Fuel Island

Port & Harbor (Enterprise Fund):

- Ice Metering System
- Float Replacement Design
- Deep Water Dock Fender Repair
- Large Vessel Study

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

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes payable – utility	\$ 5,678	6,629	-	-	5,678	6,629
General obligation bond payable	2,805	3,050	2,155	2,200	4,960	5,250
Unamortized bond premium	422	469	-	-	422	469
Total	8,905	10,148	2,155	2,200	11,060	12,348
Net pension liability	10,812	10,647	2,036	1,959	12,848	12,606
Leases payable	107	171	-	-	107	171
Compensated absences	1,199	957	312	288	1,511	1,245
Total Long-term Liabilities	\$ 21,023	21,923	4,503	4,447	25,526	26,370

Long-term liabilities - At the end of the 2025 fiscal year, the City of Homer had total debt outstanding of \$11,060 as detailed in Table A-4. This excludes \$12,848 related to net pension liability, \$107 related to long term leases, and \$1,511 related to the compensated absences.

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2025

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 the Alaska Department of Environmental Conservation for 20-year periods at 1.5-1.9% interest. The majority of the loans are repaid by the property owner through "SAD" (Special Assessment District). The remaining portion of the loans are paid back by the City of Homer with designated sales tax revenues.

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 as costs continue to rise due to inflation from spending related to novel coronavirus pandemic. This has caused increased uncertainty in the City of Homer's future revenue and expenditure activities. However, the City of Homer will continue to take a conservative approach on forecasting revenues due to the uncertainty of the revenue source, particularly State revenues.

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 has 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, 2025	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 32,748,129	9,041,156	41,789,285
Receivables, net of allowance for doubtful accounts:			
Accounts	870,440	465,062	1,335,502
Sales and property taxes	3,604,559	-	3,604,559
State and federal grants and loans	254,448	340,027	594,475
Assessments	3,154,619	-	3,154,619
Leases	169,339	7,018,445	7,187,784
Internal balances	50,948	(50,948)	-
Inventory	538,503	-	538,503
Prepaid items	252,776	25,985	278,761
Restricted cash and investments	-	317,980	317,980
Net OPEB assets	4,702,806	885,793	5,588,599
Capital assets not being depreciated:			
Land and land improvements	11,873,377	15,804,641	27,678,018
Construction work in progress	2,815,894	101,807	2,917,701
Other capital assets, net of accumulated depreciation	70,209,359	25,812,450	96,021,809
Total Assets	131,245,197	59,762,398	191,007,595
Deferred Outflows of Resources:			
Related to pensions	1,333,960	251,257	1,585,217
Related to OPEB	352,008	66,301	418,309
Total Deferred Outflows of Resources	1,685,968	317,558	2,003,526
Total Assets and Deferred Outflows of Resources	\$ 132,931,165	60,079,956	193,011,121

Liabilities, Deferred Inflows of Resources, and Net Position**Liabilities**

Accounts payable	\$ 1,583,844	382,069	1,965,913
Accrued payroll and related liabilities	394,379	107,857	502,236
Accrued interest payable	90,094	3,208	93,302
Prepaid rentals and deposits	80,273	519,912	600,185
Unearned revenue	136,870	18,000	154,870
Unearned grant revenue	13,083	-	13,083
Noncurrent liabilities:			
Due within one year:			
Accrued leave	651,219	125,027	776,246
Notes payable	945,459	-	945,459
Leases payable	46,059	-	46,059
General obligation bonds payable	255,000	210,000	465,000

City of Homer, Alaska
Statement of Net Position, continued

June 30, 2025	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	\$ 547,296	187,097	734,393
Notes payable	4,732,699	-	4,732,699
Leases payable	60,582	-	60,582
Unearned lease revenue	-	45,000	45,000
General obligation bonds payable including bond premium	2,972,426	1,945,000	4,917,426
Net pension liability	10,811,827	2,036,452	12,848,279
Total Liabilities	23,321,110	5,579,622	28,900,732
Deferred Inflows of Resources:			
Lease related	169,339	6,707,913	6,877,252
OPEB related	176,567	33,257	209,824
Total Deferred Inflows of Resources	345,906	6,741,170	7,087,076
Net Position			
Net investment in capital assets	75,886,405	39,563,898	115,450,303
Restricted for:			
Net OPEB assets	4,702,806	885,793	5,588,599
Roads and trails	7,178,291	-	7,178,291
Special service district	51,619	-	51,619
Unrestricted	21,445,028	7,309,473	28,754,501
Total Net Position	109,264,149	47,759,164	157,023,313
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 132,931,165	60,079,956	193,011,121

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Year Ended June 30, 2025

<i>Function/Program</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 5,661,121	214,607	125,398	535,855	(4,785,261)	-	(4,785,261)
Public safety	7,483,021	521,689	830,914	-	(6,130,418)	-	(6,130,418)
Public works	5,206,972	34,785	48,631	-	(5,123,556)	-	(5,123,556)
Library	1,331,843	-	18,521	-	(1,313,322)	-	(1,313,322)
Airport	284,653	201,582	2,117	-	(80,954)	-	(80,954)
Community services	179,000	50,102	-	-	(128,898)	-	(128,898)
Water	3,288,783	2,573,618	-	213,341	(501,824)	-	(501,824)
Sewer	2,424,521	2,070,986	-	-	(353,535)	-	(353,535)
Unallocated interest	178,640	-	-	-	(178,640)	-	(178,640)
Total Governmental Activities	26,038,554	5,667,369	1,025,581	749,196	(18,596,408)	-	(18,596,408)
Business-type Activities							
Port and harbor	7,638,133	6,651,529	66,614	884,096	-	(35,894)	(35,894)
Total	\$ 33,676,687	12,318,898	1,092,195	1,633,292	(18,596,408)	(35,894)	(18,632,302)
General Revenues							
Property taxes					\$ 5,358,246	-	5,358,246
Sales taxes					13,128,639	-	13,128,639
Grants and entitlements not restricted to a specific purpose					24,743	122,599	147,342
Investment income					1,604,201	431,388	2,035,589
Transfers					(114,948)	114,948	-
Total General Revenues and Transfers					20,000,881	668,935	20,669,816
Change in Net Position					1,404,473	633,041	2,037,514
Beginning Net Position					107,859,676	47,126,123	154,985,799
Ending Net Position					\$ 109,264,149	47,759,164	157,023,313

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, 2025						
Assets						
Cash and investments	\$ 5,150,686	2,583,878	8,689,221	5,194,097	11,130,247	32,748,129
Receivables, net of allowance:						
Accounts	428,227	442,213	-	-	-	870,440
Property taxes	66,630	-	-	-	-	66,630
Sales taxes	2,222,501	-	546,340	495,921	273,167	3,537,929
Assessments	-	-	2,341,103	-	813,516	3,154,619
State and federal grants and loans	-	5,726	-	-	248,722	254,448
Leases	169,339	-	-	-	-	169,339
Due from other funds	725,075	-	-	-	-	725,075
Inventory	-	538,503	-	-	-	538,503
Prepaid and other assets	148,493	101,842	2,441	-	-	252,776
Total Assets	\$ 8,910,951	3,672,162	11,579,105	5,690,018	12,465,652	42,317,888
Liabilities						
Accounts payable	\$ 422,773	656,319	-	437,187	67,565	1,583,844
Accrued payroll and related liabilities	294,213	77,698	-	-	-	371,911
Unearned revenue	-	-	-	-	136,870	136,870
Unearned grant revenue	-	-	-	-	13,083	13,083
Customer deposits	34,672	45,601	-	-	-	80,273
Due to other funds	-	-	-	-	428,075	428,075
Total Liabilities	751,658	779,618	-	437,187	645,593	2,614,056
Deferred Inflows of Resources						
Lease related	169,339	-	-	-	-	169,339
Special assessments not yet due	-	-	2,341,103	-	813,516	3,154,619
Total Deferred Inflows of Resources	169,339	-	2,341,103	-	813,516	3,323,958
Total Liabilities and Deferred Inflows of Resources	920,997	779,618	2,341,103	437,187	1,459,109	5,938,014
Fund Balances						
Nonspendable	148,493	640,345	2,441	-	-	791,279
Restricted	-	-	-	5,252,831	1,977,079	7,229,910
Committed	5,212,172	956,755	-	-	2,795,540	8,964,467
Assigned	-	1,295,444	9,235,561	-	6,554,891	17,085,896
Unassigned	2,629,289	-	-	-	(320,967)	2,308,322
Total Fund Balances	7,989,954	2,892,544	9,238,002	5,252,831	11,006,543	36,379,874
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,910,951	3,672,162	11,579,105	5,690,018	12,465,652	42,317,888

See accompanying notes to basic financial statements.

City of Homer, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
June 30, 2025

Total fund balances for governmental funds		\$ 36,379,874
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.		
Assets, net of accumulated depreciation and amortization consist of:		
Land and land improvements	\$ 11,873,377	
Construction in progress	2,815,894	
Buildings	59,736,029	
Improvements other than buildings	66,985,382	
Machinery and equipment	22,214,608	
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>(116,142,014)</u>	
Total Capital Assets		84,898,630
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Special assessments not yet due		3,154,619
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.		
		(268,520)
Certain other postemployment benefits plans have been funded in excess of the required contributions. These assets are not financial resources and therefore are not reported in the funds.		
Net OPEB assets		4,702,806
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	(90,094)	
Notes payable - Utility	(5,678,158)	
Leases payable	(106,641)	
Bonds payable - Police Station, including premiums	(3,227,426)	
Accrued leave	(1,198,515)	
Net pension liability	<u>(10,811,827)</u>	
Total Long-term Liabilities		(21,112,661)
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	1,333,960	
Deferred outflows of resources related to OPEB	352,008	
Deferred inflows of resources related to OPEB	<u>(176,567)</u>	
Total Deferred Pension Items		<u>1,509,401</u>
Total Net Position of Governmental Activities		<u>\$ 109,264,149</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2025	Major Funds					Total Governmental Funds
	General	Utility Special Revenue	HAWSP Debt Service	HART Roads Capital Project	Nonmajor Funds	
Revenues						
Property taxes	\$ 5,353,992	-	-	-	4,254	5,358,246
Sales and use taxes	8,258,009	-	2,029,429	1,826,487	1,014,714	13,128,639
Permits and licenses	47,637	-	-	-	-	47,637
Intergovernmental	1,042,572	213,341	-	-	535,855	1,791,768
Charges for services	944,223	4,644,604	-	-	-	5,588,827
Special assessments	-	-	248,112	-	190,973	439,085
Investment income (loss)	(13,018)	111,299	388,786	343,639	773,495	1,604,201
Fines and forfeitures	3,102	-	-	-	-	3,102
Other	-	-	-	-	7,752	7,752
Total Revenues	15,636,517	4,969,244	2,666,327	2,170,126	2,527,043	27,969,257
Expenditures						
Current:						
General government	4,378,736	-	-	10,297	622,444	5,011,477
Public safety	6,350,335	-	-	-	-	6,350,335
Public works	3,266,490	-	-	-	-	3,266,490
Library	1,066,476	-	-	-	-	1,066,476
Airport	212,658	-	-	-	-	212,658
Community services	179,000	-	-	-	-	179,000
Water	-	2,059,034	-	-	-	2,059,034
Sewer	-	1,767,984	-	-	-	1,767,984
Debt service:						
Principal	-	58,988	862,724	-	264,514	1,186,226
Interest	-	1,785	83,255	-	160,696	245,736
Capital outlay	-	1,808,435	14,000	1,568,356	1,970,593	5,361,384
Total Expenditures	15,453,695	5,696,226	959,979	1,578,653	3,018,247	26,706,800
Excess of Revenues Over (Under)						
Expenditures	182,822	(726,982)	1,706,348	591,473	(491,204)	1,262,457
Other Financing Sources (Uses)						
Transfers in	967,590	223,528	158,595	53,191	1,782,749	3,185,653
Transfers out	(1,144,071)	(139,737)	(27,318)	(1,090,602)	(902,219)	(3,303,947)
Net Other Financing Sources (Uses)	(176,481)	83,791	131,277	(1,037,411)	880,530	(118,294)
Net Change in Fund Balances	6,341	(643,191)	1,837,625	(445,938)	389,326	1,144,163
Beginning Fund Balances	7,983,613	3,535,735	7,400,377	5,698,769	10,617,217	35,235,711
Ending Fund Balances	\$ 7,989,954	2,892,544	9,238,002	5,252,831	11,006,543	36,379,874

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, 2025**

Net change in fund balances - total governmental funds \$ 1,144,163

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation and amortization expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation.

Depreciation and amortization	\$ (4,668,014)	
Capital outlays	<u>5,116,510</u>	448,496

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 increase in other long-term assets. (411,282)

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

Principal payments of the long-term debt	1,186,226	
Decrease in unamortized bond premium	<u>46,937</u>	1,233,163

Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the decrease in accrued interest payable. 20,159

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

Increase in accrued leave	(240,964)	
Decrease in lease payable	64,297	
Increase in net pension liability and related deferred accounts	(255,650)	
Increase in net OPEB asset and related deferred accounts	<u>(228,037)</u>	(660,354)

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. (369,872)

Change in Net Position of Governmental Activities \$ 1,404,473

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2025	Major Enterprise Fund <hr/> Port of Homer	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 9,041,156	\$ -
Accounts receivable, net of allowance for doubtful accounts	465,062	-
State and federal grants receivable	340,027	-
Lease receivable	432,666	-
Prepaid items	25,985	-
Total Current Assets	10,304,896	-
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	101,807	-
Other capital assets, net of accumulated depreciation	25,812,450	-
Restricted cash and investments	317,980	-
Lease receivable	6,585,779	-
Net OPEB assets	885,793	-
Total Noncurrent Assets	49,508,450	-
Total Assets	59,813,346	-
Deferred Outflows of Resources:		
Pension related	251,257	-
OPEB related	66,301	-
Total Deferred Outflows of Resources	317,558	-
Total Assets and Deferred Outflows of Resources	\$ 60,130,904	\$ -

See accompanying notes to basic financial statements.

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

June 30, 2025	Major Enterprise Fund <hr/> Port of Homer	Internal Service Funds
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 382,069	\$ -
Accrued payroll and related liabilities	107,857	22,468
Accrued leave	125,027	-
Accrued interest payable	3,208	-
General obligation bonds payable	210,000	-
Prepaid berth rentals and deposits	519,912	-
Unearned lease revenue	18,000	-
Due to other funds	-	297,000
Total Current Liabilities	1,366,073	319,468
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	45,000	-
Accrued leave long term	187,097	-
General obligation bonds payable including bond premium	1,945,000	-
Net pension liabilities	2,036,452	-
Total Noncurrent Liabilities	4,213,549	-
Total Liabilities	5,579,622	319,468
Deferred Inflows of Resources:		
Lease related	6,707,913	-
OPEB related	33,257	-
Total Deferred Inflows of Resources	6,741,170	-
Net Position		
Restricted - Net OPEB assets	885,793	-
Net investment in capital assets	39,563,898	-
Unrestricted	7,360,421	(319,468)
Total Net Position	47,810,112	(319,468)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 60,130,904	\$ -
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(50,948)</u>	
Net Position of Business-type Activities	<u>\$ 47,759,164</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, 2025</i>	Major Enterprise Fund <hr/> Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 6,453,072	\$ -
Interfund charges	-	2,232,297
Employee health contributions	-	173,983
Total Operating Revenues	6,453,072	2,406,280
Operating Expenses		
Operations	4,300,252	287,663
Administration	1,271,746	131
Depreciation	1,956,468	-
Employee incentive fees	-	417,190
Insurance premiums	-	2,144,811
Total Operating Expenses	7,528,466	2,849,795
Operating income (loss)	(1,075,394)	(443,515)
Nonoperating Revenues (Expense)		
Investment income	431,388	-
Interest expense	(39,370)	-
State PERS relief	66,614	-
Other income	193,844	-
Cruise ship tax	4,613	-
Fish tax	122,599	-
Total Nonoperating Revenues (Expense)	779,688	-
Income (loss) before transfers and capital contributions	(295,706)	(443,515)
Transfers in	115,483	3,346
Transfers out	(535)	-
Capital contributions	884,096	-
Change in net position	703,338	(440,169)
Beginning Net Position	47,106,774	120,701
Ending Net Position	47,810,112	\$ (319,468)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(70,297)	
Change in Net Position of Business-type Activities	\$ 633,041	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Cash Flows

<i>Year Ended June 30, 2025</i>	Major Enterprise Fund <u>Port of Homer</u>	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 6,644,195	\$ -
Receipts from interfund services provided and employee contributions	-	2,406,280
Payments to suppliers	(2,523,483)	-
Payments to employees	(2,558,599)	(690,060)
Payments for insurance, claims, and administration	-	(2,144,942)
Net cash flows from (for) operating activities	1,562,113	(428,722)
Cash Flows from (for) Noncapital Financing Activities		
Increase in due to other funds	-	174,597
Transfers in (out)	114,948	3,346
Net cash flows from (for) noncapital financing activities	114,948	177,943
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(45,000)	-
Interest paid on long-term debt	(39,370)	-
Capital contributions received	621,287	-
Cruise ship tax and fish tax received	127,212	-
Acquisition of capital assets	(862,022)	-
Net cash flows from (for) capital and related financing activities	(197,893)	-
Cash Flows from (for) Investing Activities		
Investment income received	431,388	-
Net Increase (Decrease) in Cash and Investments	1,910,556	(250,779)
Beginning Cash and Investments	7,448,580	250,779
Ending Cash and Investments	\$ 9,359,136	\$ -
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 9,041,156	\$ -
Restricted cash and investments	317,980	-
Total Cash and Investments	\$ 9,359,136	\$ -

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2025	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (1,075,394)	\$ (443,515)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,956,468	-
Noncash expense - State PERS relief	66,614	-
Decrease in allowance for doubtful accounts	2,443	-
Amortization of deferred lease revenue	(18,000)	-
Loss on disposal of equipment	43,993	-
Miscellaneous nonoperating revenues and expense, net	193,844	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	45,454	-
Prepaid items	9,043	-
Lease receivable	76,949	-
Deferred outflows of resources related to pensions	10,860	-
Deferred outflows of resources related to OPEB	(1,899)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	221,873	-
Accrued payroll and related liabilities	14,939	14,793
Accrued leave	24,394	-
Prepaid berth rentals and deposits	29,335	-
Net pension liability	77,518	-
Net OPEB assets	42,493	-
Deferred inflows of resources related leases	(138,902)	-
Deferred inflows of resources related to OPEB	(19,912)	-
Net Cash Flows from (for) Operating Activities	\$ 1,562,113	\$ (428,722)

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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, community 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, 2025

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, 2025

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. All revenues reported in the fund are used for operations, maintenance and capital outlay. Revenues reported in the HAWSP Debt Service Fund are comprised of sales tax, local assessments, and investment income. Revenues reported in the HART Roads Capital Fund are comprised of sales tax and investment income.

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 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. The City is operating under a biennial budget which will cover two fiscal years in each budget.

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, 2025

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, 2025

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 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. 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. Capital assets of the City are depreciated or amortized 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). Employees earn sick leave in accordance with City policy; however, unused sick leave does not carry over beyond the end of the calendar year and is not payable upon separation from employment. Although sick leave is non-vesting, the City records a

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

liability at fiscal year-end for the portion of accumulated sick leave that is expected to be used in future periods, consistent with GASB requirements for accruing compensated absences when such benefits are expected to be paid.

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.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended June 30, 2025

- 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.

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.

Deferred Outflows/Inflows

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.

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 OPEB and lease related items. Pension and OPEB are amortized resulting in a reduction of expense and lease related are recognized as revenue 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 and OPEB 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, 2025

Fund Balances

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

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

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

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

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

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

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

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.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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, 2025.

Bank deposits	\$ 1,281,274
Investments	40,825,991
Total Cash and Investments	\$ 42,107,265
<hr/>	
Cash and investments	\$ 41,789,285
Restricted cash and investments	317,980
Total Cash and Investments	\$ 42,107,265

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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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.

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, 2025 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
Federal National MTG Assn. Bonds	1,831,503	1,831,503	-	-
US Treasury	12,390,168	1,905,091	10,485,077	-
Certificates of deposit	4,148,828	3,433,106	715,722	-
Total Subject to Interest Rate Risk	18,370,499	7,169,700	11,200,799	-
Pooled investments (AMLIP)	22,436,676	-	-	-
Money market	18,816	-	-	-
Total Investments	\$ 40,825,991	7,169,700	11,200,799	-

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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, 2025, 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, 2025, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$639,102 was subject to a collateral agreement. The uninsured and uncollateralized amount was \$110,039 at June 30, 2025.

Fair Value Measurement

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

The City has investments in money market funds totaling \$336,796 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2025. The City's investment in AMLIP is measured at net asset value, as of June 30, 2025. 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, 2025, the City's funds that included an applicable allowances for doubtful accounts, are as follows:

	General Fund	Utility Special Revenue Fund	Port of Homer Enterprise Fund	Totals
Accounts receivable	\$ 459,560	446,009	531,708	1,437,277
Allowance for doubtful accounts	(31,333)	(3,796)	(66,646)	(101,775)
Accounts Receivable, net	\$ 428,227	442,213	465,062	1,335,502

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

Additionally, the General Fund property taxes receivable amount shown has an allowance for uncollectible accounts of \$2,263 on the outstanding balance of \$68,893 for net amount of \$66,630.

At June 30, 2025, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

Deferred Inflows of Resources

Lease related	\$ 169,339
Special assessments not yet due:	
HAWSP Debt Service Special Revenue Fund	2,341,103
Nonmajor Seawall Assessment Special Revenue Fund	626,509
Nonmajor Gas Line Capital Project Fund	146,130
Nonmajor HART Assessment Special Revenue Fund	40,877
Total Deferred Inflows of Resources	\$ 3,323,958

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

4. Interfund Balances and Transfers

A schedule of transfers for the year ended June 30, 2025 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 76,249
Internal Service Fund	2,353
HART Roads Capital Project Fund	26,029
HAWSP Debt Service Fund	29,316
Nonmajor governmental funds	1,010,124
From Utility Special Revenue Fund to:	
General Fund	10,000
Internal Service Fund	458
HAWSP Debt Service Fund	129,279
From HAWSP Debt Service Fund to:	
Utility Special Revenue Fund	24,860
Nonmajor governmental funds	2,458
From HART Roads Capital Project Fund to:	
General Fund	921,823
Nonmajor governmental funds	168,779
From Nonmajor Governmental Funds to:	
General Fund	35,767
Utility Special Revenue Fund	122,419
HART Roads Capital Project Fund	27,162
Port of Homer Enterprise Fund	115,483
Nonmajor governmental funds	601,388
From Port of Homer Enterprise Fund to:	
Internal Service Fund	535
Total Transfers to Other Funds	\$ 3,304,482

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

At June 30, 2025, an interfund balance of \$428,075 was owed from the nonmajor governmental funds for short term operation funding to the General Fund.

At June 30, 2025, an interfund balance of \$297,000 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, 2025

5. Capital Assets

Capital asset activity for the year ended June 30, 2025 follows:

Governmental Activities	Beginning Balance	Additions and Reclas- sifications	Deletions and Reclas- sifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,747,314	126,063	-	11,873,377
Construction in progress	1,860,851	2,114,829	(1,159,786)	2,815,894
Total capital assets not being depreciated	13,608,165	2,240,892	(1,159,786)	14,689,271
<i>Capital assets being depreciated and amortized:</i>				
Buildings	59,736,029	-	-	59,736,029
Improvements other than buildings	64,522,696	2,462,686	-	66,985,382
Machinery and equipment	20,864,562	1,574,171	(224,125)	22,214,608
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	182,538,641	4,036,857	(224,125)	186,351,373
Less accumulated depreciation and amortization for:				
Buildings	37,317,131	973,070	-	38,290,201
Improvements other than buildings	36,048,560	1,964,882	-	38,013,442
Machinery and equipment	13,461,285	857,428	(222,672)	14,096,041
Right-to-use leased equipment	76,071	24,120	-	100,191
Right-to-use leased property and buildings	108,303	36,101	-	144,404
Infrastructure	24,685,322	812,413	-	25,497,735
Total accumulated depreciation and amortization	111,696,672	4,668,014	(222,672)	116,142,014
Total assets being depreciated and amortized, net	70,841,969	(631,157)	(1,453)	70,209,359
Governmental Activities Capital Assets, net	\$ 84,450,134	1,609,735	(1,161,239)	84,898,630

City of Homer, Alaska

Notes to Basic Financial Statements
Year Ended June 30, 2025

Business-type Activities	Beginning Balance	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	1,304,538	101,807	(1,304,538)	101,807
Total capital assets not being depreciated	17,109,179	101,807	(1,304,538)	15,906,448
<i>Capital assets being depreciated and amortized:</i>				
Buildings	16,380,648	745,102	(100,557)	17,025,193
Improvements other than buildings	54,762,335	1,273,826	-	56,036,161
Machinery and equipment	3,813,162	45,825	-	3,858,987
Total capital assets being depreciated and amortized	74,956,145	2,064,753	(100,557)	76,920,341
Less accumulated depreciation and amortization for:				
Buildings	12,233,430	343,395	(56,564)	12,520,261
Improvements other than buildings	33,602,192	1,742,535	-	35,344,727
Machinery and equipment	3,372,365	(129,462)	-	3,242,903
Total accumulated depreciation and amortization	49,207,987	1,956,468	(56,564)	51,107,891
Total capital assets being depreciated and amortized, net	25,748,158	108,285	(43,993)	25,812,450
Business-Type Activities Capital Assets, net	\$ 42,857,337	210,092	(1,348,531)	41,718,898

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

Depreciation and amortization expense was charged to the functions as follows for the year ended June 30, 2025:

Governmental Activities

General government	\$	226,373
Public safety		689,132
Public works		1,762,725
Library		210,165
Airport		90,088
Water utility		1,123,485
Sewer utility		566,046

Total Depreciation and Amortization Expense – Governmental Activities

\$ 4,668,014

Business-type Activities

Port and harbor	\$	1,956,468
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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		(567,000)
	\$	63,000

Current unearned revenue	\$	18,000
Noncurrent unearned revenue		45,000

Total Unearned Lease Revenue	\$	63,000
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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2025:

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	\$ 243,935	-	121,973	121,962	121,962
\$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	286,154	-	143,077	143,077	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	593,600	-	67,356	526,244	67,545
\$1,086,870 Sewer Utility ACW loan, due in annual installments of \$54,344 plus interest at 1.5% through April 1, 2034	543,435	-	54,344	489,091	54,343
\$2,023,006 2012 Water Utility ADW loan, due in annual installments of \$117,832 including interest at 1.5% through August 18, 2032	985,132	-	103,055	882,077	104,601
\$6,188,025 2006 Water Utility ADW loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	2,184,009	-	364,001	1,820,008	364,001

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

Governmental Activities, continued	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
\$190,926 Water Utility ADW due in annual principal installments of \$9,546 plus interest at 1.5% through October 1, 2037	\$ 133,648	-	9,546	124,102	9,546
\$81,989 Water Utility ADW loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	55,847	-	3,938	51,909	3,994
\$221,315 Water Utility ADW loan, due in annual installments of \$12,308 including interest at 1.5% through March 1, 2037	144,392	-	10,142	134,250	10,294
\$127,674 Water Utility ADW loan, due in annual installments of \$6,384 plus interest at 1.5% through June 8, 2042	114,906	-	6,384	108,522	6,384
\$139,414 Water Utility Alaska Drinking Water loan, due in annual installments of \$6,971 plus interest at 1.5% through June 2043	139,414	-	6,971	132,443	6,970
\$46,033 Water Utility Alaska Drinking Water loan, due in annual installments of \$2,302 including interest at 1.5% through June 2043	43,731	-	2,301	41,430	2,302
\$287,692 Sewer Utility Alaska Clean Water loan, due in annual installments of \$14,385 plus interest at 1.83125% through December 2043	217,269	-	11,435	205,834	11,435

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

Governmental Activities, continued	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
\$246,600 (maximum) Sewer Utility Alaska Clean Water loan, due in annual installments of \$10,348 plus interest at 1.7938% through May 2043	\$ 206,951	-	17,101	189,850	9,992
\$189,980 Water Utility Alaska Drinking Water loan, due in annual installments of \$9,499 plus interest at 1.7938% through May 2043	189,980	-	9,499	180,481	9,499
\$945,611 (maximum) Seawall Alaska Drinking Water loan, due in annual installments of \$19,514 plus interest at 1.5% through January 2052	546,392	-	19,514	526,878	19,514
\$4,100,000 2020 Series A General Obligation Police Station Bonds, due in annual installments of \$190,000-\$375,000 plus interest at 5% through May 1, 2034	3,050,000	-	245,000	2,805,000	255,000
Unamortized bond premium	469,363	-	46,937	422,426	-
Leases payable	170,938	-	64,297	106,641	46,059
Accrued leave	957,551	737,806	650,000	1,045,357	568,000
Accrued sick leave	-	299,595	146,437	153,158	83,219
Total Governmental Activities Long-Term Liabilities	\$ 11,276,647	1,037,401	2,103,308	10,210,740	1,897,737

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

Business-type Activities	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
\$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	\$ 2,200,000	-	45,000	2,155,000	210,000
Accrued leave	287,730	125,984	134,109	279,603	112,000
Accrued sick leave	-	60,770	28,249	32,521	13,027
Total Business-type Activities Long-Term Liabilities	\$ 2,487,730	186,754	207,358	2,467,124	335,027

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

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

Fund	Revenue	Operating Expenses	Net Available for Debt Service	Debt Service Requirement		
				Principal	Interest	Total
HAWSP Debt Service Fund	\$ 2,666,327	14,000	2,652,327	862,724	83,255	945,979
Police Station Debt Service Fund	\$ 931,128	-	931,128	245,000	152,500	397,500

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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 <i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2026	\$ 945,459	87,074	1,032,533
2027	682,019	72,793	754,812
2028	683,828	62,461	746,289
2029	685,666	52,102	737,768
2030	687,531	41,714	729,245
2031-2035	1,207,331	109,519	1,316,850
2036-2040	392,333	49,397	441,730
2041-2045	257,392	20,974	278,366
2046-2050	97,570	7,318	104,888
2051-2052	39,029	878	39,907
	\$ 5,678,158	504,230	6,182,388

Annual debt service requirements to maturity for the bonds follow:

Governmental Activities <i>Year Ending June 30,</i>	G. O. Bonds Payable		
	Principal	Interest	Total
2026	\$ 255,000	140,250	395,250
2027	265,000	127,500	392,500
2028	280,000	114,250	394,250
2029	295,000	100,250	395,250
2030	310,000	85,500	395,500
2031-2034	1,400,000	179,250	1,579,250
	\$ 2,805,000	747,000	3,552,000

Business-type Activities <i>Year Ending June 30,</i>	G. O. Bonds Payable		
	Principal	Interest	Total
2026	\$ 210,000	38,130	248,130
2027	230,000	35,687	265,687
2028	235,000	32,529	267,529
2029	235,000	28,696	263,696
2030	240,000	24,296	264,296
2031-2034	1,005,000	45,725	1,050,725
	\$ 2,155,000	205,063	2,360,063

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended June 30, 2025

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 or Association), 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, 2025.

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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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	\$ -	538,503	-	-
Prepaid items	148,493	101,842	2,441	-
Total Nonspendable	148,493	640,345	2,441	-
Restricted:				
Roads and trails	-	-	-	5,252,831
Special service district	-	-	-	-
Total Restricted	-	-	-	5,252,831
Committed:				
Water and Sewer	-	956,755	-	-
Emergency use	5,212,172	-	-	-
Police station debt service	-	-	-	-
Community assistance program	-	-	-	-
Total Committed	5,212,172	956,755	-	-
Assigned:				
Library	-	-	-	-
Public safety	-	-	-	-
Community schools	-	-	-	-
Sustainability	-	-	-	-
Water and sewer	-	1,295,444	9,235,561	-
PERS benefits	-	-	-	-
Community recreation center	-	-	-	-
Capital and land	-	-	-	-
Total Assigned	-	1,295,444	9,235,561	-
Unassigned (deficit)	2,629,289	-	-	-
Total Fund Balances	\$ 7,989,954	2,892,544	9,238,002	5,252,831

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

<u>Fund Balances, continued</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:		
Inventory	\$ -	538,503
Prepaid items	-	252,776
Total Nonspendable	-	791,279
Restricted:		
Roads and trails	1,925,460	7,178,291
Special service district	51,619	51,619
Total Restricted	1,977,079	7,229,910
Committed:		
Water and Sewer	-	956,755
Emergency use	-	5,212,172
Police station debt service	2,696,826	2,696,826
Community assistance program	98,714	98,714
Total Committed	2,795,540	8,964,467
Assigned:		
Library	187,423	187,423
Public safety	43,830	43,830
Community schools	337	337
Sustainability	17,865	17,865
Water and sewer	-	10,531,005
PERS benefits	317,600	317,600
Community recreation center	1,352,962	1,352,962
Capital and land	4,634,874	4,634,874
Total Assigned	6,554,891	17,085,896
Unassigned (deficit)	(320,967)	2,308,322
Total Fund Balances	\$ 11,006,543	36,379,874

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, 2025, 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, 2025

As of June 30, 2025, the balance of the deferred inflow of resources is listed below.

	Payment Amount	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflow
General Fund	\$ 129,837	122,248	7,589	169,339	169,339
Port of Homer	\$ 440,026	363,521	153,666	7,018,445	6,707,913

Lease Payable – Governmental Activities

The City has a lease agreement for multiple printers and copiers for five years. The City also leases property and buildings with original agreements between 6 and 19 years. An initial lease liability was recorded in the amount of \$357,326. As of June 30, 2025 the value of the lease liability was \$106,641. The City is required to make monthly and annual payments totaling \$47,325. The leases have incremental interest rates between 0.89% and 1.24%. The value of the right-to-use asset as of the end of the current fiscal year was \$359,690 and had accumulated amortization of \$244,595.

The future principal and interest lease payments as of June 30, 2025 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 46,059	1,266	47,325
2027	37,096	775	37,871
2028	7,713	295	8,008
2029	7,828	180	8,008
2030	7,945	63	8,008
Thereafter	-	-	-
Totals	\$ 106,641	2,579	109,220

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City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, and death and disability benefits (OPEB). Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

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

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

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended June 30, 2025

which statutorily capped the employer contribution rate, established a state funded “on-behalf” contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan’s past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis. The City records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% (5.25% pension and 1.50% OPEB) of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and the government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period. Contribution rates for the year ended June 30, 2025 were determined in the June 30, 2022 actuarial valuations.

City contribution rates were as follows:

<i>July 1, 2024 to June 30, 2025</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	26.76%	4.76%
Postemployment healthcare	-%	-%	-%
Total Contribution Rates	22.00%	26.76%	4.76%

In 2025, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2023 to June 30, 2024	City Fiscal Period July 1, 2024 to June 30, 2025
Employer contributions pension (including DBUL)	\$ 1,357,692	\$ 1,461,533
Employer contributions OPEB	100,066	94,400
Nonemployer contributions (on-behalf pension)	261,807	420,154
Total Contributions	\$ 1,719,565	\$ 1,976,087

In addition, employee contributions to the Plan for pension totaled \$141,532 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, 2025, 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, 2025

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

Net Pension Liability

City proportionate share	\$ 12,848,279
State's proportionate share associated with the City	4,804,680
Total Net Pension Liability	\$ 17,652,959

Net OPEB (Asset) - ARHCT

City proportionate share	\$ (5,169,328)
State's proportionate share associated with the City	(1,920,232)
Total Net OPEB (Asset) - ARHCT	\$ (7,089,560)

Net OPEB (Asset) - ODD

City proportionate share	\$ (245,139)
State's proportionate share associated with the City	-
Total Net OPEB (Asset) - ODD	\$ (245,139)

Net OPEB (Asset) - RMP

City proportionate share	\$ (174,132)
State's proportionate share associated with the City	-
Total Net OPEB (Asset) - RMP	\$ (174,132)

The total pension/OPEB liabilities were measured as of June 30, 2024, 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, 2023 rolled forward to June 30, 2024. 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, 2025

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2023 was as follows:

City's proportionate share	Measurement Period June 30, 2024	Measurement Period June 30, 2023	Change
Net Pension Liability	0.23427%	0.24311%	(0.00884)%
Net OPEB Liability - ARHCT	0.23474%	0.24245%	(0.00771)%
Net OPEB Liability (Asset) - ODD	0.41062%	0.42024%	(0.00962)%
Net OPEB Liability - RMP	0.37355%	0.37769%	(0.00413)%

For the year ended June 30, 2025, the City recognized pension and OPEB expense (benefit) of \$1,784,698 and \$359,399, respectively for PERS in the Statement of Activities.

At June 30, 2025, 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
<u>Deferred Outflows/Inflows of Resources:</u>				
Difference between expected and actual experience	\$ -	-	7,183	(76,778)
Change in assumptions	-	-	197,713	(117,667)
Net difference between projected and actual earnings on pension plan investments	123,684	-	81,959	-
Change in proportion and differences in proportional share	-	-	37,054	(15,379)
City contributions subsequent to the measurement date	1,461,533	-	94,400	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 1,585,217	-	418,309	(209,824)

The \$1,461,533 and \$94,400 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, 2026.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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
2026	\$ (344,357)	(161,874)	(506,231)
2027	641,079	511,526	1,152,605
2028	(94,631)	(122,397)	(217,028)
2029	(78,407)	(97,378)	(175,785)
2030	-	(17,382)	(17,382)
Thereafter	-	1,590	1,590
Total Amortization	\$ 123,684	114,085	237,769

Actuarial Assumptions

The total pension/OPEB asset for the measurement year ended June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2024.

Actuarial Cost Method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officers/firefighters, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation Methodology	Amounts for the June 30, 2024 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2025 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% Rx/EGWP: 7.5% grading down to 4.5% Initial trend rates are from FY 2024 Ultimate trend rates reached in FY 2050
Pension Mortality – Peace Officer/Firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board in June 2022 to better reflect expected future experience. The actuarial assumptions used in the June 30, 2023 actuarial valuation are the same as those used in the June 30, 2022 valuation with the following exceptions:

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	26.00%	5.48%
Global equity (ex-US)	17.00%	7.14%
Global equity	3.60%	5.79%
Aggregate bonds	24.25%	2.10%
Real assets	14.00%	4.63%
Private equity	14.00%	8.84%
Cash equivalents	1.15%	0.77%

Discount Rate

The discount rate used to measure the total pension/OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Discount Rate Sensitivity

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

PERS	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	0.23427%	\$ 17,115,118	12,848,279	9,237,512
Net OPEB Liability (Asset)- ARHCT	0.23474%	\$ (3,273,139)	(5,169,328)	(6,765,011)
Net OPEB Liability (Asset) - ODD	0.41062%	\$ (230,254)	(245,139)	(256,805)
Net OPEB Liability (Asset) - RMP	0.37355%	\$ 30,164	(174,132)	(330,281)

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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 2022 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:

PERS	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability (Asset) - ARHCT	0.23474%	\$ (6,947,184)	(5,169,328)	(3,057,356)
Net OPEB Liability (Asset) - ODD	0.41062%	\$ n/a	n/a	n/a
Net OPEB Liability (Asset) - RMP	0.37355%	\$ (350,890)	(174,132)	63,041

11. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

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

Benefit Terms

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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, 2025, the City was required to contribute 6.63% of covered salary into the Plan. The City and employee contributions to PERS for DC pensions for the year ended June 30, 2025 were \$392,924 and \$628,678, 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 \$46,989.

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, 2025 were as follows:

	Other Tier IV	Police/Fire Tier IV
Alaska retiree healthcare trust	-%	-%
Retiree medical plan	0.83%	0.83%
Occupational death and disability benefits	0.24%	0.69%
Total Contribution Rates	1.07%	1.52%

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, 2022, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,303 per year for each full-time employee, and \$1.48 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2025, the City contributed \$392,924 in DC OPEB costs. This amount has been recognized as expense/expenditures.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

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 2024, 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%

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

15. Deferred Compensation Plan

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2025

16. Related Parties

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

17. New Accounting Pronouncements

The following new accounting standards were implemented by the City for 2025 reporting:

GASB Statement No. 101 – Compensated Absences – 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. The impacts were determined to not be significant, so the standard was implemented in the current fiscal year with no restatement of prior balances.

GASB Statement No. 102 – Certain Risk Disclosures – 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. The City determined there to be no impact to the City's financial statements in the current fiscal year.

The GASB has issued several new accounting standards with upcoming implementation dates. 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 Statement No. 103 – Financial Reporting Model Improvements – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 – Disclosure of Certain Capital Assets – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

GASB Statement No. 105 – Subsequent Events – Effective for year-end June 30, 2027. Earlier application is encouraged. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

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, 2025	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Property taxes	\$ 4,225,672	4,225,672	5,353,992	-	5,353,992	1,128,320
Sales and use taxes	9,248,465	9,248,465	8,258,009	-	8,258,009	(990,456)
Permits and licenses	41,723	41,723	47,637	-	47,637	5,914
Intergovernmental	793,906	793,906	1,042,572	(291,792)	750,780	(43,126)
Charges for services	648,137	648,169	944,223	-	944,223	296,054
Interest Income	-	-	(13,018)	-	(13,018)	(13,018)
Fines and forfeitures	8,381	8,381	3,102	-	3,102	(5,279)
Total Revenues	14,966,284	14,966,316	15,636,517	(291,792)	15,344,725	378,409
Expenditures						
General government	4,925,618	4,907,811	4,378,736	(83,646)	4,295,090	624,721
Public safety	6,325,347	6,390,002	6,350,335	(138,877)	6,211,458	178,544
Public works	3,575,459	3,663,002	3,266,490	(48,631)	3,217,859	445,143
Library	1,108,561	1,126,251	1,066,476	(18,521)	1,047,955	78,296
Airport	237,006	239,580	212,658	(2,117)	210,541	29,039
Community services	179,000	191,000	179,000	-	179,000	12,000
Total Expenditures	16,350,991	16,517,646	15,453,695	(291,792)	15,161,903	1,367,743
Excess of Revenues Over (under) Expenditures	(1,384,707)	(1,551,330)	182,822	-	182,822	1,734,152
Other Financing Sources (Uses)						
Transfers in	1,502,401	1,568,082	967,590	-	967,590	(600,492)
Transfers out	(117,694)	(16,752)	(1,144,071)	-	(1,144,071)	(1,127,319)
Net Change in Fund Balance	\$ -	-	6,341	-	6,341	6,341
Fund Balance, beginning			7,983,613		7,983,613	
Fund Balance, ending			\$ 7,989,954		\$ 7,989,954	

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, 2025	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Intergovernmental	\$ -	-	213,341	61,749	275,090	275,090
Charges for services	4,406,364	4,590,457	4,644,604	-	4,644,604	54,147
Water and sewer special assessments	-	-	-	-	-	-
Investment income	-	-	111,299	-	111,299	111,299
Total Revenues	4,406,364	4,590,457	4,969,244	61,749	5,030,993	440,536
Expenditures						
Water	2,103,448	2,162,296	2,059,034	33,629	2,092,663	69,633
Sewer	1,804,404	1,916,335	1,767,984	28,120	1,796,104	120,231
Debt service:						
Principal	-	-	58,988	-	58,988	(58,988)
Interest	-	-	1,785	-	1,785	(1,785)
Total debt service	-	-	60,773	-	60,773	(60,773)
Capital outlay	-	-	1,808,435	-	1,808,435	(1,808,435)
Total Expenditures	3,907,852	4,078,631	5,696,226	61,749	5,757,975	(1,679,344)
Excess of Revenues Over (under) Expenditures	498,512	511,826	(726,982)	-	(726,982)	(1,238,808)
Other Financing Sources (Uses)						
Transfers in	105,565	117,905	223,528	-	223,528	105,623
Transfers out	(604,077)	(629,731)	(139,737)	-	(139,737)	489,994
Net Change in Fund Balance	-	-	(643,191)	-	(643,191)	(643,191)
Fund Balance, beginning			3,535,735			
Fund Balance, ending			\$ 2,892,544			

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,								
2025	2024	0.23427%	\$ 12,848,279	\$ 4,804,680	\$ 17,652,959	\$ 8,817,154	145.72%	67.81%
2024	2023	0.24311%	12,605,756	4,202,651	16,808,407	8,514,198	148.06%	68.23%
2023	2022	0.24195%	12,332,025	3,411,468	15,743,493	7,565,501	163.00%	67.97%
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	7,101,307	162.10%	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%

See accompanying notes to required supplementary information.

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

Fiscal Period	Measurement Period Ended	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability (asset)	State of Alaska proportionate share of the net OPEB liability (asset)	Total net OPEB liability (asset)	City's covered-employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (assets)
Alaska Retiree Healthcare Trust Plan (ARHCT):								
Year Ended								
June 30, 2025	2024	0.23474%	\$ (5,169,328)	\$ (1,920,232)	\$ (7,089,560)	\$ 2,000,642	-258.38%	130.59%
2024	2023	0.24245%	(5,578,584)	(1,880,617)	(7,459,201)	2,075,268	-268.81%	133.96%
2023	2022	0.24027%	(4,727,406)	(1,350,544)	(6,077,950)	2,135,966	-221.32%	128.15%
2022	2021	0.28174%	(7,227,633)	(946,643)	(8,174,276)	2,537,999	-284.78%	135.54%
Six Months Ended June 30, 2021								
2020	2020	0.19511%	(883,569)	-	(883,569)	2,790,627	-31.66%	106.15%
Years Ended December 31,								
2020	2020	0.19511%	(883,569)	-	(883,569)	2,790,627	-31.66%	106.15%
2019	2019	0.21309%	316,184	125,707	441,891	2,932,539	10.78%	98.13%
2018	2018	0.22850%	2,345,089	680,139	3,025,228	2,723,494	86.11%	88.12%
2015-2017	*	*	*	*	*	*	*	*
Occupational Death and Disability (ODD):								
Year Ended								
June 30, 2025	2024	0.41062%	\$ (245,139)	\$ -	\$ (245,139)	\$ 8,817,154	-2.78%	346.81%
2024	2023	0.42024%	(215,598)	-	(215,598)	8,514,198	-2.53%	349.24%
2023	2022	0.38084%	(166,954)	-	(166,954)	7,565,501	-2.21%	348.80%
2022	2021	0.37739%	(166,327)	-	(166,327)	7,501,842	-2.22%	374.22%
Six Months Ended June 30, 2021								
2020	2020	0.36393%	(99,207)	-	(99,207)	7,101,307	-1.40%	238.80%
Years Ended December 31,								
2020	2020	0.36393%	(99,207)	-	(99,207)	7,101,307	-1.40%	238.80%
2019	2019	0.33209%	(80,515)	-	(80,515)	6,616,896	-1.22%	297.43%
2018	2018	0.30999%	(60,206)	-	(60,206)	6,635,180	-0.91%	270.62%
2015-2017	*	*	*	*	*	*	*	*
Retiree Medical Plan (RMP):								
Year Ended								
June 30, 2025	2025	0.37355%	\$ (174,132)	\$ -	\$ (174,132)	\$ 6,816,512	-2.55%	119.87%
2024	2024	0.37769%	(179,341)	-	(179,341)	6,438,930	-2.79%	124.29%
2023	2023	0.34257%	(118,975)	-	(118,975)	5,429,535	-2.19%	120.08%
2022	2022	0.33967%	(91,175)	-	(91,175)	4,963,843	-1.84%	115.10%
Six Months Ended June 30, 2021								
2020	2020	0.31899%	22,626	-	22,626	4,310,680	0.52%	95.23%
Years Ended December 31,								
2020	2020	0.31899%	22,626	-	22,626	4,310,680	0.52%	95.23%
2019	2019	0.29512%	70,604	-	70,604	3,684,357	1.92%	83.17%
2018	2018	0.01854%	39,446	-	39,446	3,911,686	1.01%	88.71%
2015-2017	*	*	*	*	*	*	*	*

*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,					
2025	\$ 1,461,533	\$ 1,461,533	\$ -	\$ 9,549,476	15.305%
2024	1,357,692	1,357,692	-	8,817,154	15.398%
2023	1,271,733	1,271,733	-	8,514,198	14.937%
2022	1,007,909	1,007,909	-	7,565,501	13.322%
Six Months Ended June 30, 2021	475,167	475,167	-	3,665,330	12.964%
Years Ended December 31,					
2020	920,104	920,104	-	7,546,508	12.192%
2019	786,093	786,093	-	6,663,123	11.798%
2018	843,414	843,414	-	6,651,553	12.680%
2017	820,166	820,166	-	6,619,157	12.391%
2016	1,031,207	1,031,207	-	6,414,407	16.076%
2015	644,804	644,804	-	6,402,816	10.071%

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
Alaska Retiree Healthcare Trust Plan (ARHCT):					
Year Ended					
June 30, 2025	\$ -	\$ -	\$ -	\$ 1,965,214	0.000%
2024	-	-	-	2,000,642	0.000%
2023	-	-	-	2,075,268	0.000%
2022	137,782	137,782	-	2,135,966	6.451%
Six Months					
Ended June 30,					
2021	91,917	91,917	-	1,237,073	7.430%
Years Ended					
December 31,					
2020	265,264	265,264	-	2,719,193	9.755%
2019	298,559	298,559	-	2,791,995	10.693%
2018	271,357	271,357	-	3,057,909	8.874%
2015-2017	*	*	*	*	*
Occupational Death and Disability (ODD):					
Year Ended					
June 30, 2025	\$ 28,681	\$ 28,681	\$ -	9,549,476	0.300%
2024	28,177	28,177	-	8,817,154	0.320%
2023	25,735	25,735	-	8,514,198	0.302%
2022	21,973	21,973	-	7,565,501	0.290%
Six Months					
Ended June 30,					
2021	9,861	9,861	-	3,665,330	0.269%
Years Ended					
December 31,					
2020	18,882	18,882	-	7,546,508	0.250%
2019	14,066	14,066	-	6,663,123	0.211%
2018	10,678	10,678	-	6,651,553	0.161%
2015-2017	*	*	*	*	*
Retiree Medical Plan (RMP):					
Year Ended					
June 30, 2025	\$ 65,719	\$ 65,719	\$ -	7,584,262	0.867%
2024	71,889	71,889	-	6,816,512	0.815%
2023	70,828	70,828	-	6,438,930	1.100%
2022	57,963	57,963	-	5,429,535	1.068%
Six Months					
Ended June 30,					
2021	30,839	30,839	-	2,428,257	1.270%
Years Ended					
December 31,					
2020	62,453	62,453	-	4,827,316	1.294%
2019	44,061	44,061	-	3,871,128	1.138%
2018	35,366	35,366	-	3,593,644	0.984%
2015-2017	*	*	*	*	*

* 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 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 in three years.

The City publishes its biennial 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, 2025, the Plan measurement date is June 30, 2024.
- 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:

The total pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the measurement date of June 30, 2024 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and were effective June 30, 2022.

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

The total OPEB liability (asset) for each plan was determined by actuarial valuations as of June 30, 2023, rolled forward to the measurement date of June 30, 2024 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and were effective June 30, 2022. The actuarial assumptions used in the June 30, 2023 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

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

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

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

Supplementary Information

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.

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.

Community Recreation Center – This fund accounts for amount that have been set aside for future use.

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										
	Police Station Debt Service	HART Assessments	Non-capital Projects	Community Recreation Center	Retainage Reimbursements	Seawall Assessments	PERS Funding	Fire Department Donations	Library Donations	Animal Shelter Donations	Community Schools
<i>June 30, 2025</i>	154	155	157	158	159	173	615	802	803	804	805
Assets											
Cash and investments	\$ 2,478,290	677,178	32,266	1,352,962	136,910	912,089	317,600	43,477	187,423	353	337
Receivables, net:											
Interfund loan	-	-	-	-	-	-	-	-	-	-	-
State and federal grants	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	218,536	-	-	-	-	-	-	-	-	-	-
Special assessments	-	40,877	-	-	-	626,509	-	-	-	-	-
Total Assets	\$ 2,696,826	718,055	32,266	1,352,962	136,910	1,538,598	317,600	43,477	187,423	353	337
Liabilities											
Accounts payable	\$ -	-	1,289	-	40	-	-	-	-	-	-
Unearned revenue	-	-	-	-	136,870	-	-	-	-	-	-
Deferred grant revenue	-	-	4,191	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflow of Resources											
Special assessments not yet due	-	40,877	-	-	-	626,509	-	-	-	-	-
Total Liabilities and Deferred Inflow of Resources	-	40,877	5,480	-	136,910	626,509	-	-	-	-	-
Fund Balances											
Restricted:											
Roads and trails	-	677,178	-	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	2,696,826	-	-	-	-	-	-	-	-	-	-
Community assistance program	-	-	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	-	187,423	-	-
Public safety	-	-	-	-	-	-	-	43,477	-	353	-
Community schools	-	-	-	-	-	-	-	-	-	-	337
Sustainability	-	-	-	-	-	-	-	-	-	-	-
PERS benefits	-	-	-	-	-	-	317,600	-	-	-	-
Community Recreation Center	-	-	-	1,352,962	-	-	-	-	-	-	-
Capital and land	-	-	26,786	-	-	912,089	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	2,696,826	677,178	26,786	1,352,962	-	912,089	317,600	43,477	187,423	353	337
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 2,696,826	718,055	32,266	1,352,962	136,910	1,538,598	317,600	43,477	187,423	353	337

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

	Special Revenue Funds			Capital Project Funds							Total Capital Project Funds	Total Nonmajor Govern- mental Funds
	Sustain- ability 807	Ocean Dr Loop Assess- ments 808	Total Special Revenue Funds	Land Reserves 150	City Facilities 151	GF Fleet CARMA 152	GF CARMA 156	HART Trails 165	Gas Line 175	Energy Revolving Loan 620		
June 30, 2025												
Assets												
Cash and investments	\$ 17,865	51,619	6,208,369	251,652	-	521,445	2,180,109	1,193,651	459,329	315,692	4,921,878	11,130,247
Receivables, net:												
State and federal grants	-	-	-	-	248,722	-	-	-	-	-	248,722	248,722
Sales taxes	-	-	218,536	-	-	-	-	54,631	-	-	54,631	273,167
Special assessments	-	-	667,386	-	-	-	-	-	146,130	-	146,130	813,516
Total Assets	\$ 17,865	51,619	7,094,291	251,652	248,722	521,445	2,180,109	1,248,282	605,459	315,692	5,371,361	12,465,652
Liabilities												
Accounts payable	\$ -	-	1,329	-	34,008	-	32,228	-	-	-	66,236	67,565
Unearned revenue	-	-	136,870	-	-	-	-	-	-	-	-	136,870
Deferred grant revenue	-	-	4,191	-	8,892	-	-	-	-	-	8,892	13,083
Due to other funds	-	-	-	-	428,075	-	-	-	-	-	428,075	428,075
Deferred Inflow of Resources												
Special assessments not yet due	-	-	667,386	-	-	-	-	-	146,130	-	146,130	813,516
Total Liabilities and Deferred Inflow of Resources	-	-	809,776	-	470,975	-	32,228	-	146,130	-	649,333	1,459,109
Fund Balances												
Restricted:												
Roads and trails	-	-	677,178	-	-	-	-	1,248,282	-	-	1,248,282	1,925,460
Special service district	-	51,619	51,619	-	-	-	-	-	-	-	-	51,619
Committed:												
Police station debt service	-	-	2,696,826	-	-	-	-	-	-	-	-	2,696,826
Community assistance program	-	-	-	-	98,714	-	-	-	-	-	98,714	98,714
Assigned:												
Library	-	-	187,423	-	-	-	-	-	-	-	-	187,423
Public safety	-	-	43,830	-	-	-	-	-	-	-	-	43,830
Community schools	-	-	337	-	-	-	-	-	-	-	-	337
Sustainability	17,865	-	17,865	-	-	-	-	-	-	-	-	17,865
PERS benefits	-	-	317,600	-	-	-	-	-	-	-	-	317,600
Community Recreation Center	-	-	1,352,962	-	-	-	-	-	-	-	-	1,352,962
Capital and land	-	-	938,875	251,652	-	521,445	2,147,881	-	459,329	315,692	3,695,999	4,634,874
Unassigned (deficit)	-	-	-	-	(320,967)	-	-	-	-	-	(320,967)	(320,967)
Total Fund Balances	17,865	51,619	6,284,515	251,652	(222,253)	521,445	2,147,881	1,248,282	459,329	315,692	4,722,028	11,006,543
Total Liabilities and Fund Balances	\$ 17,865	51,619	7,094,291	251,652	248,722	521,445	2,180,109	1,248,282	605,459	315,692	5,371,361	12,465,652

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

Year Ended	Special Revenue Funds										
	CARES	Police Station Debt Service	HART Assessments	Non-capital Projects	Community Recreation Center	Seawall Assessments	PERS Funding	Fire Department Donations	Library Donations	Animal Shelter Donations	Community Schools
June 30, 2025	119	154	155	157	158	173	615	802	803	804	805
Revenues											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	811,771	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	13,771	-	-	-	-	-	-	-
Investment income	-	119,357	(3,121)	(67)	52,962	16,121	13,979	1,809	8,258	18	67
Special assessments	-	-	38,881	-	-	24,934	-	-	-	-	-
Enstar FMA refund	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	3,455	-	-	-
Total Revenues	-	931,128	35,760	13,704	52,962	41,055	13,979	5,264	8,258	18	67
Expenditures											
Current -											
General government	-	-	-	7,309	-	-	-	-	10,019	-	-
Debt service principal	-	245,000	-	-	-	19,514	-	-	-	-	-
Debt service interest	-	152,500	-	-	-	8,196	-	-	-	-	-
Capital outlay	-	-	-	6,462	-	-	-	-	-	-	-
Total Expenditures	-	397,500	-	13,771	-	27,710	-	-	10,019	-	-
Excess of Revenues Over (Under) Expenditures	-	533,628	35,760	(67)	52,962	13,345	13,979	5,264	(1,761)	18	67
Other Financing Sources (Uses)											
Transfers in	-	131,170	20,638	1,332	400,000	595,869	-	-	-	-	-
Transfers out	(2,234)	-	(597,947)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(2,234)	664,798	(541,549)	1,265	452,962	609,214	13,979	5,264	(1,761)	18	67
Fund Balances, beginning	2,234	2,032,028	1,218,727	25,521	900,000	302,875	303,621	38,213	189,184	335	270
Fund Balances, ending	\$ -	2,696,826	677,178	26,786	1,352,962	912,089	317,600	43,477	187,423	353	337

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended <i>June 30, 2025</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	\$ -	4,254	4,254	-	-	-	-	-	-	-	-	4,254
Sales taxes	-	-	811,771	-	-	-	-	202,943	-	-	202,943	1,014,714
Intergovernmental	-	-	13,771	-	522,084	-	-	-	-	-	522,084	535,855
Investment income	786	2,534	212,703	-	-	(1,584)	475,502	54,906	31,968	-	560,792	773,495
Special assessments	-	-	63,815	-	-	-	-	-	127,158	-	127,158	190,973
Other	-	-	3,455	-	4,297	-	-	-	-	-	4,297	7,752
Total Revenues	786	6,788	1,109,769	-	526,381	(1,584)	475,502	257,849	159,126	-	1,417,274	2,527,043
Expenditures												
Current -												
General government	-	-	17,328	-	117,549	-	487,567	-	-	-	605,116	622,444
Debt service principal	-	-	264,514	-	-	-	-	-	-	-	-	264,514
Debt service interest	-	-	160,696	-	-	-	-	-	-	-	-	160,696
Capital outlay	-	1,579	8,041	134,763	779,955	986,806	20,251	40,777	-	-	1,962,552	1,970,593
Total Expenditures	-	1,579	450,579	134,763	897,504	986,806	507,818	40,777	-	-	2,567,668	3,018,247
Excess of Revenues Over (Under) Expenditures	786	5,209	659,190	(134,763)	(371,123)	(988,390)	(32,316)	217,072	159,126	-	(1,150,394)	(491,204)
Other Financing Sources (Uses)												
Transfers in	-	-	1,149,009	-	37,838	62,583	529,151	4,168	-	-	633,740	1,782,749
Transfers out	-	-	(600,181)	-	(189,964)	-	-	(15,989)	-	(96,085)	(302,038)	(902,219)
Net Change in Fund Balances	786	5,209	1,208,018	(134,763)	(523,249)	(925,807)	496,835	205,251	159,126	(96,085)	(818,692)	389,326
Fund Balances, beginning	17,079	46,410	5,076,497	386,415	300,996	1,447,252	1,651,046	1,043,031	300,203	411,777	5,540,720	10,617,217
Fund Balances, ending	\$ 17,865	51,619	6,284,515	251,652	(222,253)	521,445	2,147,881	1,248,282	459,329	315,692	4,722,028	11,006,543

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

June 30,	2025	2024
Assets		
Cash and investments	\$ 5,150,686	\$ 6,039,281
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$2,263 (\$1,274 in 2024)	66,630	78,172
Sales taxes	2,222,501	2,213,413
Grants receivables	-	51,866
Accounts receivable, net of allowance for doubtful accounts of \$31,333 (\$36,606 in 2024)	428,227	198,498
Leases	169,339	470,199
Total Receivables	2,886,697	3,012,148
Due from other funds	725,075	132,086
Inventory	-	7,916
Prepaid items	148,493	65,465
Total Assets	\$ 8,910,951	\$ 9,256,896
Liabilities		
Accounts payable	\$ 422,773	\$ 331,407
Accrued payroll and related liabilities	294,213	444,912
Customer deposits	34,672	26,765
Total Liabilities	751,658	803,084
Deferred Inflows of Resources		
Lease related	169,339	470,199
Total Liabilities and Deferred Inflows of Resources	920,997	1,273,283
Fund Balances		
Nonspendable	148,493	73,381
Committed	5,212,172	5,032,632
Unassigned	2,629,289	2,877,600
Total Fund Balances	7,989,954	7,983,613
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,910,951	\$ 9,256,896

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2025 Budget and Actual

	Year Ended June 30, 2025					2024
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 4,225,672	5,353,992	-	5,353,992	1,128,320	\$ 4,645,956
Sales and use taxes	9,248,465	8,258,009	-	8,258,009	(990,456)	8,180,661
Total taxes	13,474,137	13,612,001	-	13,612,001	137,864	12,826,617
Permits and licenses	41,723	47,637	-	47,637	5,914	46,821
Intergovernmental:						
State PERS relief	-	291,792	(291,792)	-	-	183,118
Utility cooperative	23,901	24,743	-	24,743	842	24,504
Alcohol beverage tax	23,667	-	-	-	(23,667)	35,250
Public safety	712,338	692,037	-	692,037	(20,301)	765,981
Public works	34,000	34,000	-	34,000	-	34,000
Total intergovernmental	793,906	1,042,572	(291,792)	750,780	(43,126)	1,042,853
Charges for services:						
Ambulance services	258,981	366,730	-	366,730	107,749	274,001
Fire contracts	112,513	151,857	-	151,857	39,344	126,656
Camping fees	-	6,982	-	6,982	6,982	-
Airport services	202,406	201,582	-	201,582	(824)	219,367
Community recreation	23,686	50,102	-	50,102	26,416	54,409
Miscellaneous services	50,583	166,970	-	166,970	116,387	159,359
Total charges for services	648,169	944,223	-	944,223	296,054	833,792
Investment income (loss)	-	(13,018)	-	(13,018)	(13,018)	343,825
Fines and forfeitures	8,381	3,102	-	3,102	(5,279)	3,989
Total Revenues	\$ 14,966,316	15,636,517	(291,792)	15,344,725	378,409	\$ 15,097,897

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2025 Budget and Actual, continued

	Year Ended June 30, 2025					2024
	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	\$ 86,671	62,696	-	62,696	23,975	\$ (12,461)
Maintenance and operations	435,411	407,344	-	407,344	28,067	458,440
Total city council/mayor	522,082	470,040	-	470,040	52,042	445,979
City clerk:						
Salaries and benefits	421,932	320,905	(9,852)	311,053	110,879	417,040
Maintenance and operations	71,706	50,532	-	50,532	21,174	56,199
Total city clerk	493,638	371,437	(9,852)	361,585	132,053	473,239
City manager:						
Salaries and benefits	491,027	412,709	(10,630)	402,079	88,948	493,050
Maintenance and operations	135,449	50,337	-	50,337	85,112	61,379
Total city manager	626,476	463,046	(10,630)	452,416	174,060	554,429
Personnel:						
Salaries and benefits	193,026	199,424	(5,862)	193,562	(536)	180,280
Maintenance and operations	66,569	48,099	-	48,099	18,470	55,966
Total personnel	259,595	247,523	(5,862)	241,661	17,934	236,246
Economic development:						
Salaries and benefits	184,219	189,690	(5,519)	184,171	48	263,649
Maintenance and operations	33,412	25,289	-	25,289	8,123	22,025
Total economic development	217,631	214,979	(5,519)	209,460	8,171	285,674
Information technology:						
Salaries and benefits	443,212	460,022	(13,132)	446,890	(3,678)	426,987
Maintenance and operations	286,904	258,846	-	258,846	28,058	250,689
Total information technology	730,116	718,868	(13,132)	705,736	24,380	677,676
HERC Building -						
Maintenance and operations	42,802	41,092	-	41,092	1,710	50,211
Community recreation:						
Salaries and benefits	246,564	242,133	(6,752)	235,381	11,183	202,204
Maintenance and operations	47,754	43,515	-	43,515	4,239	43,161
Total community recreation	294,318	285,648	(6,752)	278,896	15,422	245,365
Finance:						
Salaries and benefits	815,618	760,242	(21,420)	738,822	76,796	659,549
Maintenance and operations	133,232	76,414	-	76,414	56,818	71,571
Total Finance	948,850	836,656	(21,420)	815,236	133,614	731,120
Planning and zoning:						
Salaries and benefits	389,341	379,153	(10,479)	368,674	20,667	259,636
Maintenance and operations	56,940	36,697	-	36,697	20,243	27,139
Total planning and zoning	446,281	415,850	(10,479)	405,371	40,910	286,775

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2025 Budget and Actual, continued

	Year Ended June 30, 2025					2024
	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	\$ 147,647	123,222	-	123,222	24,425	\$ 134,072
Leave cash out -						
Salaries and benefits	178,375	178,375	-	178,375	-	221,360
Total general government	4,907,811	4,366,736	(83,646)	4,283,090	624,721	4,342,146
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	394,868	273,446	(7,456)	265,990	128,878	375,118
Maintenance and operations	362,154	282,903	-	282,903	79,251	316,843
Total fire - administration	757,022	556,349	(7,456)	548,893	208,129	691,961
Fire services:						
Salaries and benefits	511,049	546,742	(14,105)	532,637	(21,588)	452,491
Maintenance and operations	121,895	80,761	-	80,761	41,134	94,075
Total fire services	632,944	627,503	(14,105)	613,398	19,546	546,566
Emergency medical services:						
Salaries and benefits	514,725	522,946	(13,110)	509,836	4,889	454,932
Maintenance and operations	68,370	45,533	-	45,533	22,837	57,184
Total emergency medical services	583,095	568,479	(13,110)	555,369	27,726	512,116
Total emergency services	1,973,061	1,752,331	(34,671)	1,717,660	255,401	1,750,643
Police department:						
Police administration:						
Salaries and benefits	182,327	179,399	(5,945)	173,454	8,873	163,042
Maintenance and operations	399,349	408,480	-	408,480	(9,131)	434,210
Total police administration	581,676	587,879	(5,945)	581,934	(258)	597,252
Police dispatch:						
Salaries and benefits	668,867	686,502	(19,173)	667,329	1,538	669,134
Maintenance and operations	52,750	40,866	-	40,866	11,884	30,562
Total police dispatch	721,617	727,368	(19,173)	708,195	13,422	699,696
Police investigation:						
Salaries and benefits	205,500	236,056	(6,853)	229,203	(23,703)	239,436
Maintenance and operations	28,000	16,165	-	16,165	11,835	26,752
Total police investigation	233,500	252,221	(6,853)	245,368	(11,868)	266,188
Police patrol:						
Salaries and benefits	1,678,857	1,766,798	(50,925)	1,715,873	(37,016)	1,736,406
Maintenance and operations	7,500	6,173	-	6,173	1,327	7,523
Total police patrol	1,686,357	1,772,971	(50,925)	1,722,046	(35,689)	1,743,929

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2025 Budget and Actual, continued

	Year Ended June 30, 2025					2024
	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	\$ 699,407	766,348	(21,310)	745,038	(45,631)	\$ 714,813
Maintenance and operations	163,142	132,338	-	132,338	30,804	119,143
Total jail	862,549	898,686	(21,310)	877,376	(14,827)	833,956
Animal control -						
Maintenance and operations	331,242	358,879	-	358,879	(27,637)	265,747
Total animal control	331,242	358,879	-	358,879	(27,637)	265,747
Total police department	4,416,941	4,598,004	(104,206)	4,493,798	(76,857)	4,406,768
Total public safety	6,390,002	6,350,335	(138,877)	6,211,458	178,544	6,157,411
Public works:						
Administration:						
Salaries and benefits	172,308	186,123	(4,843)	181,280	(8,972)	121,034
Maintenance and operations	99,515	95,052	-	95,052	4,463	85,828
Total administration	271,823	281,175	(4,843)	276,332	(4,509)	206,862
Maintenance:						
Salaries and benefits	305,501	296,452	(7,798)	288,654	16,847	365,536
Maintenance and operations	187,392	164,441	-	164,441	22,951	215,558
Total maintenance	492,893	460,893	(7,798)	453,095	39,798	581,094
Roads:						
Salaries and benefits	522,684	469,742	(11,766)	457,976	64,708	482,125
Maintenance and operations	638,543	460,569	-	460,569	177,974	453,904
Total roads	1,161,227	930,311	(11,766)	918,545	242,682	936,029
Parks:						
Salaries and benefits	232,485	188,539	(4,743)	183,796	48,689	183,569
Maintenance and operations	231,076	212,365	-	212,365	18,711	201,544
Total parks	463,561	400,904	(4,743)	396,161	67,400	385,113
Motor pool:						
Salaries and benefits	234,067	230,423	(6,437)	223,986	10,081	186,533
Maintenance and operations	456,220	395,562	-	395,562	60,658	343,595
Total motor pool	690,287	625,985	(6,437)	619,548	70,739	530,128
Engineer inspection:						
Salaries and benefits	218,512	221,501	(6,156)	215,345	3,167	185,439
Maintenance and operations	36,530	22,421	-	22,421	14,109	39,674
Total engineer inspection	255,042	243,922	(6,156)	237,766	17,276	225,113

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2025 Budget and Actual, continued

	Year Ended June 30, 2025					2024
	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	\$ 254,869	257,345	(6,888)	250,457	4,412	\$ 284,714
Maintenance and operations	73,300	65,955	-	65,955	7,345	79,291
Total Janitorial	328,169	323,300	(6,888)	316,412	11,757	364,005
Total public works	3,663,002	3,266,490	(48,631)	3,217,859	445,143	3,228,344
Library:						
Salaries and benefits	826,374	827,454	(18,521)	808,933	17,441	795,946
Maintenance and operations	299,877	239,022	-	239,022	60,855	256,325
Total library	1,126,251	1,066,476	(18,521)	1,047,955	78,296	1,052,271
Airport:						
Salaries and benefits	107,704	95,909	(2,117)	93,792	13,912	103,399
Maintenance and operations	131,876	116,749	-	116,749	15,127	137,043
Total airport	239,580	212,658	(2,117)	210,541	29,039	240,442
Non-Departmental:						
UAA Business Advisory	12,000	12,000	-	12,000	-	10,000
Museum	79,000	79,000	-	79,000	-	79,000
Chamber of Commerce	75,000	75,000	-	75,000	-	75,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	25,000
Total non-departmental	191,000	191,000	-	191,000	-	189,000
Total Expenditures	16,517,646	15,453,695	(291,792)	15,161,903	1,355,743	15,209,614
Excess of Revenues Over (Under)						
Expenditures	(1,551,330)	182,822	-	182,822	1,734,152	(111,717)
Other Financing Sources (Uses):						
Transfers in	1,568,082	967,590	-	967,590	(600,492)	955,385
Transfers out	(16,752)	(1,144,071)	-	(1,144,071)	(1,127,319)	(362,180)
Net Change in Fund Balance	\$ -	6,341	-	6,341	6,341	481,488
Fund Balance, beginning		7,983,613		7,983,613		7,502,125
Fund Balance, ending		\$ 7,989,954		7,989,954		\$ 7,983,613

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

June 30, 2025	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Assets				
Cash and investments	\$ 375,347	(1,509,700)	3,718,231	2,583,878
Receivables				
Accounts receivable	442,213	-	-	442,213
State and Federal grants and loans	-	5,726	-	5,726
Total Receivables	442,213	5,726	-	447,939
Inventory	538,503	-	-	538,503
Prepaid	101,842	-	-	101,842
Total Assets	\$ 1,457,905	(1,503,974)	3,718,231	3,672,162
Liabilities				
Accounts payable	\$ 195,525	459,517	1,277	656,319
Accrued payroll and related liabilities	77,698	-	-	77,698
Customer deposits	45,601	-	-	45,601
Total Liabilities	318,824	459,517	1,277	779,618
Fund Balances (Deficits)				
Nonspendable - inventory	640,345	-	-	640,345
Committed	-	-	956,755	956,755
Assigned - water and sewer	498,736	(1,963,491)	2,760,199	1,295,444
Total Fund Balances (Deficits)	1,139,081	(1,963,491)	3,716,954	2,892,544
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,457,905	(1,503,974)	3,718,231	3,672,162

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, 2025</i>	Budget	Actual	Variance
Revenues			
Charges for services:			
Water charges and connection fees	\$ 2,381,116	2,573,618	192,502
Sewer charges and connection fees	2,209,341	2,070,986	(138,355)
Total charges for services	4,590,457	4,644,604	54,147
Intergovernmental	-	213,341	213,341
Investment income	-	111,299	111,299
Total Revenues	4,590,457	4,969,244	378,787
Expenditures			
Water:			
Administration	360,088	357,616	2,472
Treatment plant	726,654	717,877	8,777
Water system testing	36,000	34,636	1,364
Pumping stations	123,793	105,607	18,186
Distribution system	393,195	519,872	(126,677)
Water reservoir	19,191	12,012	7,179
Water meters	288,507	105,738	182,769
Water hydrants	214,868	205,676	9,192
Total water	2,162,296	2,059,034	103,262
Sewer:			
Administration	351,265	344,512	6,753
Sewer plant operations	938,779	817,436	121,343
Sewer system testing	18,000	16,193	1,807
Sewer lift stations	230,206	214,144	16,062
Collection system	378,085	375,699	2,386
Total Sewer	1,916,335	1,767,984	148,351
Debt service:			
Principal	-	58,988	(58,988)
Interest	-	1,785	(1,785)
Total debt service	-	60,773	(60,773)
Capital outlay	-	1,808,435	(1,808,435)
Total Expenditures	4,078,631	5,696,226	(1,617,595)
Excess of Expenditures Over (Under) Revenues	511,826	(726,982)	(1,238,808)
Other Financing Sources (Uses)			
Transfers in	117,905	223,528	105,623
Transfers out	(629,731)	(139,737)	489,994
Net Change in Fund Balance	\$ -	(643,191)	(643,191)
Fund Balance, beginning		3,535,735	
Fund Balance, ending		\$ 2,892,544	

City of Homer, Alaska

Utility Special Revenue Fund

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

	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
<i>Year Ended June 30, 2025</i>				
Revenues				
Charges for services:				
Water charges and connection fees	\$ 2,573,618	-	-	2,573,618
Sewer charges and connection fees	2,070,986	-	-	2,070,986
Total charges for services	4,644,604	-	-	4,644,604
Intergovernmental	61,748	151,593	-	213,341
Investment income	(117)	-	111,416	111,299
Total Revenues	4,706,235	151,593	111,416	4,969,244
Expenditures				
Water:				
Administration	357,616	-	-	357,616
Treatment plant	717,877	-	-	717,877
Water system testing	34,636	-	-	34,636
Pumping stations	105,607	-	-	105,607
Distribution system	519,872	-	-	519,872
Water reservoir	12,012	-	-	12,012
Water meters	105,738	-	-	105,738
Water hydrants	205,676	-	-	205,676
Total water	2,059,034	-	-	2,059,034
Sewer:				
Administration	344,512	-	-	344,512
Sewer plant operations	817,436	-	-	817,436
Sewer system testing	16,193	-	-	16,193
Sewer lift stations	214,144	-	-	214,144
Collection system	375,699	-	-	375,699
Total Sewer	1,767,984	-	-	1,767,984
Debt service:				
Principal	-	58,988	-	58,988
Interest	1,785	-	-	1,785
Total debt service	1,785	58,988	-	60,773
Capital outlay	-	1,433,852	374,583	1,808,435
Total Expenditures	3,828,803	1,492,840	374,583	5,696,226
Excess of Revenues Over (Under)				
Expenditures	877,432	(1,341,247)	(263,167)	(726,982)
Other Financing Sources (Uses)				
Transfers in	181,028	42,500	-	223,528
Transfers out	(835,626)	229,914	465,975	(139,737)
Net Change in Fund Balances	222,834	(1,068,833)	202,808	(643,191)
Fund Balances (Deficits), beginning	916,247	(894,658)	3,514,146	3,535,735
Fund Balances (Deficits), ending	\$ 1,139,081	(1,963,491)	3,716,954	2,892,544

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

June 30,	2025	2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 9,041,156	\$ 7,130,600
Receivables:		
Accounts, net of allowance for doubtful accounts of \$66,645 (\$64,202 in 2024)	465,062	512,959
State and federal grants	340,027	77,218
Lease receivable	432,666	410,065
Prepaid items	25,985	35,028
Total Current Assets	10,304,896	8,165,870
Noncurrent Assets		
Restricted cash and investments - bond reserves	317,980	317,980
Lease receivable	6,585,779	6,685,329
Net OPEB assets	885,793	928,286
Capital Assets		
Capital assets	76,920,341	74,956,145
Land and land improvements	15,804,641	15,804,641
Construction work in progress	101,807	1,304,538
Less accumulated depreciation	(51,107,891)	(49,207,987)
Net Capital Assets	41,718,898	42,857,337
Total Noncurrent Assets	49,508,450	50,788,932
Total Assets	59,813,346	58,954,802
Deferred Outflows of Resources:		
Pension related	251,257	262,117
OPEB related	66,301	64,402
Total Deferred Outflows of Resources	317,558	326,519
Total Assets and Deferred Outflows of Resources	\$ 60,130,904	\$ 59,281,321

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

<i>June 30,</i>	2025	2024
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 382,069	\$ 160,196
Accrued payroll and related liabilities	107,857	92,918
Accrued leave	125,027	110,000
Accrued interest payable	3,208	3,208
General obligation bonds payable	210,000	45,000
Prepaid berth rentals and deposits	519,912	490,577
Unearned lease revenue	18,000	18,000
Total Current Liabilities	1,366,073	919,899
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	45,000	63,000
Accrued leave long term	187,097	177,730
General obligation bonds payable including bond premium	1,945,000	2,155,000
Net pension liabilities	2,036,452	1,958,934
Total Noncurrent Liabilities	4,213,549	4,354,664
Total Liabilities	5,579,622	5,274,563
Deferred Inflows of Resources:		
Lease related	6,707,913	6,846,815
OPEB related	33,257	53,169
Total Deferred Inflows of Resources	6,741,170	6,899,984
Net Position		
Restricted - Net OPEB assets	885,793	928,286
Net investment in capital assets	39,563,898	40,657,337
Unrestricted (deficit)	7,360,421	5,521,151
Total Net Position	47,810,112	47,106,774
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 60,130,904	\$ 59,281,321

City of Homer, Alaska

Port of Homer Enterprise Fund

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year Ended June 30</i>	2025	2024
Operating Revenues		
Harbor	\$ 4,407,331	\$ 4,323,847
Main dock	283,976	245,272
Fish dock	566,810	597,903
Deep water dock	272,869	151,937
Rents, leases and storage	915,416	858,178
Fish grinder	6,670	10,393
Total Operating Revenues	6,453,072	6,187,530
Operating Expenses		
Harbor	3,016,171	2,127,104
Main dock	150,420	135,647
Fish dock	696,088	647,577
Deep water dock	322,934	253,383
Fish grinder	114,639	43,571
Administration	1,271,746	1,180,645
Depreciation	1,956,468	2,379,273
Total Operating Expenses	7,528,466	6,767,200
Operating Loss	(1,075,394)	(579,670)
Nonoperating Revenues (Expenses)		
Investment income	431,388	362,981
Interest expense	(39,370)	(7,625)
State PERS relief	66,614	40,694
Other income	193,844	95,862
Cruise ship tax	4,613	353
Fish tax	122,599	78,772
Net Nonoperating Revenues (Expenses)	779,688	571,037
Income (Loss) Before Transfers and Capital Contributions	(295,706)	(8,633)
Transfers in	115,483	-
Transfers out	(535)	(39,675)
Capital contributions	884,096	408,892
Change in Net Position	703,338	360,584
Beginning Net Position	47,106,774	46,746,190
Ending Net Position	\$ 47,810,112	\$ 47,106,774

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

Year Ended June 30	2025	2024
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 6,644,195	\$ 6,188,187
Payments to suppliers	(2,523,483)	(1,985,993)
Payments to employees	(2,558,599)	(2,499,216)
Net cash flows from (for) operating activities	1,562,113	1,702,978
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	114,948	(39,675)
Net cash flows from (for) noncapital financing activities	114,948	(39,675)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(45,000)	(240,000)
Interest paid on long-term debt	(39,370)	(42,191)
Capital contributions received	621,287	858,144
Cruise ship tax and fish tax received	127,212	79,125
Acquisition of capital assets	(862,022)	(761,427)
Net cash flows from (for) capital and related financing activities	(197,893)	(106,349)
Cash Flows from (for) Investing Activities		
Investment income received	431,388	362,981
Net Increase in Cash and Investments	1,910,556	1,919,935
Beginning Cash and Investments	7,448,580	5,528,645
Ending Cash and Investments	\$ 9,359,136	\$ 7,448,580

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

Year Ended June 30	2025	2024
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (1,075,394)	\$ (579,670)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	1,956,468	2,379,273
Noncash expense - State PERS relief	66,614	40,694
Increase (decrease) in allowance for doubtful accounts	2,443	44,412
Amortization of deferred lease revenue	(18,000)	(18,000)
Loss on disposal of equipment	43,993	-
Miscellaneous nonoperating revenues and expense, net	193,844	95,862
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	45,454	(78,100)
Lease receivable	76,949	302,029
Prepaid items	9,043	187,986
Deferred outflows of resources related to pensions	10,860	(32,440)
Deferred outflows of resources related to OPEB	(1,899)	11,373
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	221,873	(338,429)
Accrued payroll and related liabilities	14,939	7,723
Accrued leave	24,394	42,171
Prepaid berth rentals and deposits	29,335	41,096
Net pension liability	77,518	215,186
Net OPEB (assets) liabilities	42,493	(219,401)
Deferred inflows of resources related leases	(138,902)	(386,642)
Deferred inflows of resources related to OPEB	(19,912)	(12,145)
 Net Cash Flows from (for) Operating Activities	 \$ 1,562,113	 \$ 1,702,978

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 460	Total Port Fund
June 30, 2025							
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and investments	\$ 3,233,693	614,227	117,158	4,582,733	528,438	(35,093)	9,041,156
Receivables:							
Trade, net of allowance for doubtful accounts	465,062	-	-	-	-	-	465,062
State and federal grants	-	340,027	-	-	-	-	340,027
Lease receivable	432,666	-	-	-	-	-	432,666
Prepaid items	21,746	4,239	-	-	-	-	25,985
Total Current Assets	4,153,167	958,493	117,158	4,582,733	528,438	(35,093)	10,304,896
Noncurrent Assets							
Restricted cash and investments - bond reserves	317,980	-	-	-	-	-	317,980
Lease receivable	6,585,779	-	-	-	-	-	6,585,779
Net OPEB assets	885,793	-	-	-	-	-	885,793
Property, plant and equipment:							
Property, plant and equipment in service	76,920,341	-	-	-	-	-	76,920,341
Land and land improvements	15,804,641	-	-	-	-	-	15,804,641
Construction work in progress	101,807	-	-	-	-	-	101,807
Less accumulated depreciation	(51,107,891)	-	-	-	-	-	(51,107,891)
Net Property, Plant and Equipment	41,718,898	-	-	-	-	-	41,718,898
Total Noncurrent Assets	49,508,450	-	-	-	-	-	49,508,450
Total Assets	53,661,617	958,493	117,158	4,582,733	528,438	(35,093)	59,813,346
Deferred Outflows of Resources:							
Pension related	251,257	-	-	-	-	-	251,257
OPEB related	66,301	-	-	-	-	-	66,301
Total Deferred Outflows of Resources	317,558	-	-	-	-	-	317,558
Total Assets and Deferred Outflows of Resources	\$ 53,979,175	958,493	117,158	4,582,733	528,438	(35,093)	60,130,904

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, 2025							
Liabilities, Deferred Inflows of Resources, and Net Position							
Liabilities							
Current Liabilities							
Accounts payable	\$ 188,665	110,607	-	82,797	-	-	382,069
Accrued payroll and related liabilities	107,667	190	-	-	-	-	107,857
Accrued leave	125,027	-	-	-	-	-	125,027
Accrued interest payable	3,208	-	-	-	-	-	3,208
General obligation bonds payable	-	-	-	-	210,000	-	210,000
Prepaid berth rentals and deposits	519,912	-	-	-	-	-	519,912
Unearned lease revenue	18,000	-	-	-	-	-	18,000
Total Current Liabilities	962,479	110,797	-	82,797	210,000	-	1,366,073
Noncurrent Liabilities , net of current portion:							
Unearned lease revenue	45,000	-	-	-	-	-	45,000
Accrued leave long term	187,097	-	-	-	-	-	187,097
General obligation bonds payable	-	-	-	-	1,945,000	-	1,945,000
Net pension liabilities	2,036,452	-	-	-	-	-	2,036,452
Total Noncurrent Liabilities	2,268,549	-	-	-	1,945,000	-	4,213,549
Total Liabilities	3,231,028	110,797	-	82,797	2,155,000	-	5,579,622
Deferred Inflows of Resources:							
Lease related	6,707,913	-	-	-	-	-	6,707,913
OPEB related	33,257	-	-	-	-	-	33,257
Total Deferred Inflows of Resources	6,741,170	-	-	-	-	-	6,741,170
Net Position							
Restricted - Net OPEB assets	885,793	-	-	-	-	-	885,793
Net investment in capital assets	41,718,898	-	-	-	(2,155,000)	-	39,563,898
Unrestricted (deficit)	1,402,286	847,696	117,158	4,499,936	528,438	(35,093)	7,360,421
Total Net Position	44,006,977	847,696	117,158	4,499,936	(1,626,562)	(35,093)	47,810,112
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 53,979,175	958,493	117,158	4,582,733	528,438	(35,093)	60,130,904

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, 2025							
Operating Revenues							
Harbor	\$ 4,407,331	-	-	-	-	-	4,407,331
Main dock	283,976	-	-	-	-	-	283,976
Fish dock	566,810	-	-	-	-	-	566,810
Deep water dock	272,869	-	-	-	-	-	272,869
Rents, leases and storage	915,416	-	-	-	-	-	915,416
Fish grinder	6,670	-	-	-	-	-	6,670
Total Operating Revenues	6,453,072	-	-	-	-	-	6,453,072
Operating Expenses							
Harbor	2,230,241	402,531	-	383,399	-	-	3,016,171
Main dock	150,420	-	-	-	-	-	150,420
Fish dock	696,088	-	-	-	-	-	696,088
Deep water dock	322,934	-	-	-	-	-	322,934
Fish grinder	19,297	95,342	-	-	-	-	114,639
Administration	1,271,746	-	-	-	-	-	1,271,746
Depreciation	1,956,468	-	-	-	-	-	1,956,468
Total Operating Expenses	6,647,194	497,873	-	383,399	-	-	7,528,466
Operating Income (Loss)	(194,122)	(497,873)	-	(383,399)	-	-	(1,075,394)
Nonoperating Revenues (Expenses)							
Investment income	(8,168)	(22,958)	(148)	462,662	-	-	431,388
Interest expense	-	-	-	-	(39,370)	-	(39,370)
State PERS relief	66,614	-	-	-	-	-	66,614
Other income	116,095	57,798	-	19,951	-	-	193,844
Cruise ship tax	-	-	-	-	-	4,613	4,613
Fish tax	122,599	-	-	-	-	-	122,599
Net Nonoperating Revenues (Expenses)	297,140	34,840	(148)	482,613	(39,370)	4,613	779,688
Income (Loss) Before Transfers and Capital Contributions	103,018	(463,033)	(148)	99,214	(39,370)	4,613	(295,706)
Transfers in (out)	(101,683)	(547,763)	29,896	359,111	380,000	(4,613)	114,948
Capital contributions	-	884,096	-	-	-	-	884,096
Change in Net Position	1,335	(126,700)	29,748	458,325	340,630	-	703,338
Beginning Net Position (Deficits)	44,005,642	974,396	87,410	4,041,611	(1,967,192)	(35,093)	47,106,774
Ending Net Position (Deficits)	\$ 44,006,977	847,696	117,158	4,499,936	(1,626,562)	(35,093)	47,810,112

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, 2025</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ -	\$ -	\$ -
Liabilities and Net Position			
Current Liabilities			
Accrued payroll and related liabilities	18,248	4,220	22,468
Due to other funds	131,257	165,743	297,000
Total Current Liabilities	149,505	169,963	319,468
Net Position			
Unrestricted (deficit)	(149,505)	(169,963)	(319,468)
Total Liabilities and Net Position	\$ -	\$ -	\$ -

City of Homer, Alaska

Internal Service Funds

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

Year Ended June 30, 2025	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 1,992,193	\$ 240,104	\$ 2,232,297
Employee health contributions	173,983	-	173,983
Total Operating Revenues	2,166,176	240,104	2,406,280
Operating Expenses			
Salaries and benefits	-	287,663	287,663
Insurance premiums	2,144,811	-	2,144,811
Administration	131	-	131
Employee incentive fees	417,190	-	417,190
Total Operating Expenses	2,562,132	287,663	2,849,795
Operating Income	(395,956)	(47,559)	(443,515)
Transfers in	3,346	-	3,346
Change in Net Position	(392,610)	(47,559)	(440,169)
Beginning Net Position	243,105	(122,404)	120,701
Ending Net Position	\$ (149,505)	\$ (169,963)	\$ (319,468)

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

Year Ended June 30, 2025	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 2,166,176	\$ 240,104	\$ 2,406,280
Payments to employees	(406,617)	(283,443)	(690,060)
Payments for insurance, claims, and administration	(2,144,942)	-	(2,144,942)
Net cash flows from (for) operating activities	(385,383)	(43,339)	(428,722)
Cash Flows from (for) Noncapital Financing Activities			
Increase in due to other funds	131,258.00	43,339	174,597
Transfers in	3,346	-	3,346
Net cash flows from (for) noncapital financing activities	134,604	43,339	177,943
Net Decrease in Cash and Investments	(250,779)	-	(250,779)
Cash and Investments, beginning	250,779	-	250,779
Cash and Investments, ending	\$ -	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash Flows from (for) Operating Activities			
Operating loss	\$ (395,956)	\$ (47,559)	\$ (443,515)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accrued payroll and related liabilities	10,573	4,220	14,793
Net Cash Flows from (for) Operating Activities	\$ (385,383)	\$ (43,339)	\$ (428,722)

Schedule of Expenditures of Federal Awards

City of Homer, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF COMMERCE			
Passed through the University of Alaska Anchorage - Office for Coastal Management	11.473	NA23NOS4730101	\$ 89,216
DEPARTMENT OF THE INTERIOR			
Passed through the State of Alaska Department of Fish and Game - Fish and Wildlife Cluster - Sport Fish Restoration	15.605	F24AF00346	517,198
ENVIRONMENTAL PROTECTION AGENCY			
Passed through the State of Alaska Department of Environmental Conservation - Sewer Overflow and Stormwater Reuse Municipal Grant Program	66.447	ACWA2313	99,399
DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Alaska Division of Homeland Security and Emergency Management: Homeland Security Grant Program	97.067	23SHSP-GY23	79,901
Hazard Mitigation Grant	97.039	4413-0011R	39,748
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	22SLCGP-GY22	11,250
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	EMW-2023-CY-0040-S01	9,600
Total ALN 97.137			20,850
Total Department of Homeland Security			140,499
Total Expenditures of Federal Awards			\$ 846,312

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, 2025

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, 2025. 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, 2025.

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 not elected to use the 15-percent or 10-percent de minimis indirect cost rate, as applicable, as 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
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 City of Homer (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2026.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
March 31, 2026



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance 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 City of Homer, Alaska's (the City) compliance 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, 2025. The City's major federal programs are 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, 2025.

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 unmodified opinions 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.

Report on Internal Control Over Compliance

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



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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
March 31, 2026

