



City of Homer, Alaska

Basic Financial Statements
Required Supplementary Information
Supplementary Information and
Government Auditing Standards Report
Year Ended June 30, 2021



City of Homer, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Government Auditing Standards Report

Six Months Ended June 30, 2021



City of Homer

www.cityofhomer-ak.gov

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City of Homer, Alaska

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska as of and for the six months ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Homer'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 of Homer, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the six months 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 of Homer 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 of Homer'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 of Homer'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 of Homer'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 on pages 6 through 16, budgetary comparison information on pages 64 through 65, and the Schedules of Net Pension and OPEB Liability, and City Contributions to the Public Employees' Retirement System Pension and OPEB Plans on pages 66 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Homer's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Homer as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated September 30, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules and schedules for the year ended December 31, 2020 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 2020 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of the City of Homer'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 of Homer'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 of Homer's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
September 27, 2022

Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

The City of Homer management offers readers financial statements, narrative overview, and analysis of the financial activities of the City of Homer for the six month period ending June 30, 2021. The City of Homer changed fiscal year ends from December 31 to June 30 during 2021. The comparative information presented is for the year ended December 31, 2020. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this *section*.

Financial Highlights

- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on June 30, 2021 by \$141,309,317 (Net Position). Of this amount, unrestricted net position of \$16,972,076 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position decreased by \$159,212 from current period activity. For the period, governmental type activities decreased by \$71,788 and business type activities decreased by \$87,488.

As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$29,218,097, a decrease of \$1,682,313 from the prior year. A combination of factors contributed to the decrease, but primarily due to timing of tax collections in the six month period and capital outlays for projects.

- At June 30, 2021, the fund balance for the General fund was \$9,937,438. Of this amount, \$6,650,178 was unassigned and available for future use.
- At June 30, 2021, the City of Homer's outstanding governmental debt totaled \$22,770,557. Business-type debt outstanding was \$4,858,994. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liabilities.

Overview of the Financial Statements

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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

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

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

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

Notes to the Financial Statements

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

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

Government-wide Financial Analysis

At the close of the 2021 period, the City's net position (assets exceeding liabilities) totaled \$141,310 (see Table A-1). Of this amount, \$115,782 or 82%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$8,556 in the governmental activities is for capital projects. The total unrestricted amount in the governmental activities totals \$15,976 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, 2021

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	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Assets						
Current assets	\$ 35,903	40,754	3,553	3,733	39,456	44,487
Capital assets	83,260	83,628	47,536	48,430	130,796	132,058
Total Assets	119,163	124,382	51,089	52,163	170,252	176,545
Deferred outflows	1,789	1,349	311	234	2,100	1,583
Total Assets and Deferred Outflows	120,952	125,731	51,400	52,397	172,352	178,128
Liabilities						
Noncurrent liabilities	22,770	25,505	4,859	5,055	27,629	30,560
Other liabilities	1,632	3,604	760	1,474	2,392	5,078
Total Liabilities	24,402	29,109	5,619	6,529	30,021	35,638
Deferred inflows	870	870	151	151	1,021	1,021
Total Liabilities and Deferred Inflows	25,272	29,979	5,770	6,680	31,042	36,659
Net Position						
Net investment in capital assets	71,148	71,201	44,634	45,368	115,782	116,569
Restricted	8,556	8,073	-	-	8,556	8,073
Unrestricted	15,976	16,477	996	349	16,972	16,826
Total Net Position	\$ 95,680	95,751	45,630	45,717	141,310	141,468

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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

	Governmental Activities		Business-type Activities		Total	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Program						
Revenues						
Charges for services	\$ 3,596	5,405	2,517	5,087	6,113	10,492
Operating grants and contributions	516	11,021	46	90	562	11,111
Capital grants and contributions	413	595	-	72	413	667
General Revenues						
Property taxes	28	3,789	-	-	28	3,789
Sales taxes	5,315	9,070	-	-	5,315	9,070
Other	12	720	(3)	110	9	830
Total Revenues	9,880	30,600	2,560	5,359	12,440	35,959
Expenses						
General						
government	2,057	4,986	-	-	2,057	4,986
Public safety	2,664	5,137	-	-	2,664	5,137
Public works	2,186	4,128	-	-	2,186	4,128
Library	528	1,012	-	-	528	1,012
Airport	160	268	-	-	160	268
Community						
services	95	7,671	-	-	95	7,671
Water and sewer	1,910	4,456	-	-	1,910	4,456
Unallocated						
interest	175	395	-	-	175	395
Port and harbor	-	-	2,823	5,970	2,823	5,970
Total Expenses	9,775	28,053	2,823	5,970	12,598	34,023
Increase (decrease) in net position before transfers and special item	\$ 105	2,547	(263)	(611)	(158)	1,936

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

	Governmental Activities		Business-type Activities		Total	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Transfers	\$ (176)	(3)	176	3	-	-
Special item	-	(2)	-	-	-	(2)
Increase (Decrease) In Net Position	(71)	2,542	(87)	(608)	(158)	1,934
Net Position, beginning	95,751	93,209	45,717	46,325	141,468	139,534
Net Position, ending	\$ 95,680	95,751	45,630	45,717	141,310	141,468

The City's net position decreased by \$158. Expenses exceeded revenues in the governmental activities by \$71 and in the business-type activities expenses exceeded revenues by \$87. Key elements of the increases and decreases follow:

- Revenues in the governmental activities decreased due to change in fiscal year end shorting the collection period by six months and decrease in CARES grants in 2021 from 2020.
- Expenses in the governmental activities decreased due to change in fiscal year end shorting period of expenditures captured by six months and decrease in community services related to CARES payments in 2021 from 2020.
- Revenues in the business-type activities decreased by \$239 if amounts were annualized in 2021 from 2020. This is mainly due to the collection cycle for charges for services.
- Expenses in the business-type activities also decreased by \$324 in 2021 from 2020 if annualized.
- Sales Taxes reflect an increase from 2020 if the amounts were annualized. This breakdown shows the Sales Taxes by fund. Changes in sales tax dollars from 2021 to 2020 are as follows:

Sales Taxes	Jun. 2021	Dec. 2020	Change
Fund			
General	\$ 3,345	5,705	2,360
Utility (Water & Sewer – HAWSP)	814	1,402	588
HART Roads Capital Project	741	1,262	521
Police Station Debt Service SRF	325	561	236
Hart Trails Capital Project	90	140	50
Total	\$ 5,315	9,070	3,755

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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, 2021, the City's governmental funds reported combined ending fund balances of \$29,218, a decrease of \$1,682 compared to balances at December 31, 2020. Of the ending balance, \$5,394, or 19% is unassigned. The remaining fund balance is restricted for roads and trails \$8,556, committed for police station debt service \$832 and emergency use \$3,036, or assigned for future capital projects and other purposes \$10,760; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$641. The decrease of total fund balance during the year is attributed to:

- General Fund decrease in fund balance of \$2,070 from tax cycle collection differences from expenditures in the short term related to fiscal year end change.
- Utility Special Revenue Fund's fund balance decreased by \$3,316. This is mainly due to a transfer to establish a debt service fund of \$2,909.
- HAWSP Debt Service Fund's increase of \$3,923 from the transfers from the Utility Special Revenue Fund and sales tax collections before debt service payments.
- Decrease in City Facilities Capital Projects Fund of \$957 due to the construction of the police station and transfer to reserves.

Government Funds (General and Utility Special Revenue) Budgetary Highlights

- General Fund Revenue: Final Budget and Original Budget excluded PERS relief revenue from the State of Alaska, and actual revenues were above Final Budget by \$1,361.
- General Fund Expenditures: Final Budget and Original Budget excluded PERS relief expenditures and actual expenditures were below Final Budget by \$277.
- Utility Fund Expenditures and Revenue: Final Operating Budget and original budget excluded intergovernmental and special assessments revenues and their corresponding expenditures. The net change in fund balance exceeded the final budget by \$3,263.

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, 2021, totals \$130,796 (net of accumulated depreciation). This amount represents a \$1,262 decrease over the previous year.

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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

	Governmental Activities		Business-type Activities		Total	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Land	\$ 11,631	11,559	15,805	15,805	27,436	27,364
Construction in progress	708	154	18	63	726	217
Buildings	59,736	59,696	16,381	16,381	76,117	76,077
Improvements other than buildings	55,699	54,891	54,556	54,516	110,255	109,407
Machinery and equipment	17,931	17,760	3,358	3,163	21,289	20,923
Infrastructure	37,056	37,056	-	-	37,056	37,056
Accumulated depreciation	(99,501)	(97,488)	(42,582)	(41,498)	(142,083)	(138,986)
Total Capital Assets	\$ 83,260	83,628	47,536	48,430	130,796	132,058

Major Capital Asset Events During the 2021 Period Included

Capital Projects Completed

Governmental Funds:

- City Hall Covid-19 Retrofits

Port & Harbor (Enterprise Fund):

- Fish Grinder Outfall Line Pump

On-Going Projects

Governmental Funds:

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

Port & Harbor (Enterprise Fund):

- Fire Pump

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

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

	Governmental Activities		Business-type Activities		Total	
	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020	Jun. 2021	Dec. 2020
Notes payable – utility	\$ 7,792	7,860	-	-	7,792	7,860
Special assessment bond with government commitment	-	2,460	-	-	-	2,460
General obligation bond payable	3,710	3,910	2,859	2,765	6,569	6,675
Unamortized bond premium	610	657	43	297	653	954
Total	12,112	14,887	2,902	3,062	15,014	17,949
Net pension liability	9,804	9,804	1,707	1,707	11,511	11,511
Compensated absences	854	814	250	286	1,104	1,100
Total Long-term Liabilities	\$ 22,770	25,505	4,859	5,055	27,629	30,560

Long-term liabilities - At the end of the 2021 period, the City of Homer had total debt outstanding of \$15,014 as detailed in Table A-4. This excludes \$11,511 related to net pension liability and \$1,104 related to the compensated absences.

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

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

City of Homer, Alaska

Management's Discussion and Analysis June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The State's fiscal situation remains uncertain. The novel coronavirus pandemic has caused increased uncertainty in the City of Homer's future revenue and expenditure activities. However, the City of Homer will utilize federal funding from the American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Funds (ARPA CSLFRF) which is expected to be utilized during 2022-2024.

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

Requests for Information

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

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

Basic Financial Statements

City of Homer, Alaska
Statement of Net Position

<i>June 30, 2021</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 25,954,276	2,767,841	28,722,117
Receivables, net of allowance for doubtful accounts:			
Accounts	478,199	364,474	842,673
Sales and property taxes	3,350,619	-	3,350,619
State and federal grants and loans	104,513	-	104,513
Assessments	4,500,428	-	4,500,428
Internal balances	75,239	(75,239)	-
Inventory	595,778	-	595,778
Prepaid items	25,738	35,926	61,664
Restricted cash and investments	-	317,980	317,980
Net OPEB assets	817,760	142,390	960,150
Capital assets not being depreciated:			
Land and land improvements	11,631,170	15,804,641	27,435,811
Construction work in progress	707,608	30,713	738,321
Other capital assets, net of accumulated depreciation	70,921,325	31,700,266	102,621,591
Total Assets	119,162,653	51,088,992	170,251,645
Deferred Outflows of Resources:			
Related to pensions	1,258,871	219,198	1,478,069
Related to OPEB	529,962	92,278	622,240
Total Deferred Outflows of Resources	1,788,833	311,476	2,100,309
Total Assets and Deferred Outflows of Resources	\$ 120,951,486	51,400,468	172,351,954
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 972,410	144,488	1,116,898
Enstar FMA refunds	20,337	-	20,337
Accrued payroll and related liabilities	415,916	62,544	478,460
Accrued interest payable	127,146	6,614	133,760
Prepaid rentals and deposits	67,722	411,833	479,555
Unearned revenue	20,554	18,000	38,554
Unearned grant revenue	7,468	-	7,468
Unearned lease revenue	-	117,000	117,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	515,000	92,000	607,000
Notes payable	871,280	-	871,280
General obligation bonds payable	210,000	185,000	395,000

City of Homer, Alaska
Statement of Net Position, continued

June 30, 2021	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position, continued			
Liabilities, continued			
Due in more than one year:			
Accrued leave	\$ 338,906	158,178	497,084
Notes payable	6,921,072	-	6,921,072
General obligation bonds payable including bond premium	4,110,174	2,716,699	6,826,873
Net pension liability	9,804,125	1,707,117	11,511,242
Total Liabilities	24,402,110	5,619,473	30,021,583
Deferred Inflows of Resources:			
Pension related	194,219	33,818	228,037
OPEB related	675,412	117,605	793,017
Total Deferred Inflows of Resources	869,631	151,423	1,021,054
Net Position			
Net investment in capital assets	71,147,577	44,633,921	115,781,498
Restricted for:			
Roads and trails	8,545,680	-	8,545,680
Special service district	10,063	-	10,063
Unrestricted	15,976,425	995,651	16,972,076
Total Net Position	95,679,745	45,629,572	141,309,317
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 120,951,486	51,400,468	172,351,954

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Six Months Ended June 30, 2021

<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	\$ 2,205,074	518,152	65,624	412,978.00	(1,208,320)	-	(1,208,320)
Public safety	2,663,756	54,106	346,316	-	(2,263,334)	-	(2,263,334)
Public works	2,186,124	1,749,755	39,994	-	(396,375)	-	(396,375)
Library	527,798	-	18,959	-	(508,839)	-	(508,839)
Airport	159,850	85,959	1,933	-	(71,958)	-	(71,958)
Community services	95,354	3,772	-	-	(91,582)	-	(91,582)
Water	1,362,095	890,446	24,046	-	(447,603)	-	(447,603)
Sewer	918,757	811,305	19,943	-	(87,509)	-	(87,509)
Unallocated interest	174,730	-	-	-	(174,730)	-	(174,730)
Total Governmental Activities	10,293,538	4,113,495	516,815	412,978	(5,250,250)	-	(5,250,250)
Business-type Activities							
Port and harbor	2,823,275	2,516,776	46,050	(68)	-	(260,517)	(260,517)
Total	\$ 13,116,813	6,630,271	562,865	412,910	(5,250,250)	(260,517)	(5,510,767)
General Revenues							
Property taxes					\$ 27,962	-	27,962
Sales taxes					5,314,913	-	5,314,913
Grants and entitlements not restricted to a specific purpose					25,750	-	25,750
Investment income					(13,992)	(3,078)	(17,070)
Transfers					(176,147)	176,147	-
Total General Revenues and Transfers					5,178,486	173,069	5,351,555
Special Item - construction of gas pipeline on behalf of third parties					(24)	-	(24)
Change in Net Position					(71,788)	(87,448)	(159,236)
Beginning Net Position					95,751,533	45,717,020	141,468,553
Ending Net Position					\$ 95,679,745	45,629,572	141,309,317

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	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
June 30, 2021							
Assets							
Cash and investments	\$ 7,127,321	3,077,870	3,434,802	-	6,368,624	5,945,659	25,954,276
Receivables, net of allowance:							
Accounts	86,654	381,342	-	10,203	-	-	478,199
Property taxes	23,578	-	-	-	-	-	23,578
Sales taxes	2,121,938	-	488,556	-	455,986	260,561	3,327,041
Assessments	-	-	2,703,412	1,428,304	-	368,712	4,500,428
State and federal grants	-	-	-	-	-	104,513	104,513
Interfund loans	44,973	-	-	-	-	-	44,973
Due from other funds	1,478,199	-	-	-	-	-	1,478,199
Inventory	35,052	560,726	-	-	-	-	595,778
Prepaid and other assets	-	-	-	-	10,442	15,296	25,738
Total Assets	\$ 10,917,715	4,019,938	6,626,770	1,438,507	6,835,052	6,694,741	36,532,723
Liabilities							
Accounts payable	\$ 556,572	232,850	-	-	88,974	91,893	970,289
Accrued payroll and related liabilities	363,038	52,878	-	-	-	-	415,916
Unearned revenue	-	-	-	-	-	20,554	20,554
Unearned grant revenue	-	-	-	-	-	7,468	7,468
Customer deposits	20,888	46,834	-	-	-	-	67,722
Enstar FMA refunds	-	-	-	20,337	-	-	20,337
Due to other funds	-	-	-	341,275	-	930,858	1,272,133
Total Liabilities	940,498	332,562	-	361,612	88,974	1,050,773	2,774,419
Deferred Inflows of Resources							
Deferred property taxes	39,779	-	-	-	-	-	39,779
Special assessments not yet due	-	-	2,703,412	1,428,304	-	368,712	4,500,428
Total Deferred Inflows of Resources	39,779	-	2,703,412	1,428,304	-	368,712	4,540,207
Total Liabilities and Deferred Inflows of Resources	980,277	332,562	2,703,412	1,789,916	88,974	1,419,485	7,314,626
Fund Balances							
Nonspendable	80,025	560,726	-	-	-	-	640,751
Restricted	-	-	-	-	6,746,078	1,809,665	8,555,743
Committed	3,035,921	-	-	-	-	832,489	3,868,410
Assigned	171,314	3,126,650	3,923,358	-	-	3,538,215	10,759,537
Unassigned (deficit)	6,650,178	-	-	(351,409)	-	(905,113)	5,393,656
Total Fund Balances (Deficit)	9,937,438	3,687,376	3,923,358	(351,409)	6,746,078	5,275,256	29,218,097
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,917,715	4,019,938	6,626,770	1,438,507	6,835,052	6,694,741	36,532,723

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2021

Total fund balances for governmental funds		\$ 29,218,097
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
These assets, net of accumulated depreciation consist of:		
Land and land improvements	\$ 11,631,170	
Construction in progress	707,608	
Buildings	59,736,029	
Improvements other than buildings	55,699,366	
Machinery and equipment	17,930,731	
Infrastructure	37,055,664	
Accumulated depreciation	<u>(99,500,465)</u>	
Total Capital Assets		83,260,103
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	39,779	
Special assessments not yet due	<u>4,500,428</u>	
Total Other Long-term Assets		4,540,207
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.		
		(177,921)
Long-term liabilities, including notes payable, bonds payable, and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued interest	(127,146)	
Notes payable - Utility	(7,792,352)	
Bonds payable - Police Station, including premiums	(4,320,174)	
Accrued leave	(853,906)	
Net pension liability	(9,804,125)	
Net OPEB assets	<u>817,760</u>	
Total Long-term Liabilities		(22,079,943)
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	1,258,871	
Deferred outflows of resources related to OPEB	529,962	
Deferred inflows of resources related to pensions	(194,219)	
Deferred inflows of resources related to OPEB	<u>(675,412)</u>	
Total Deferred Pension Items		<u>919,202</u>
Total Net Position of Governmental Activities		<u>\$ 95,679,745</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

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

	Major Funds						Total Governmental Funds
	General	Utility Special Revenue	HAWSP Debt Service	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
Six Months Ended June 30, 2021							
Revenues							
Property taxes	\$ 131,810	-	-	-	-	4,223	136,033
Sales and use taxes	3,344,652	-	813,835	-	740,980	415,446	5,314,913
Permits and licenses	23,381	-	-	-	-	-	23,381
Intergovernmental	491,391	43,989	-	-	-	419,618	954,998
Charges for services	558,344	1,701,751	-	-	-	-	2,260,095
Special assessments	-	-	286,105	556,597	-	123,360	966,062
Investment income (loss)	418	(836)	(2,850)	50	(6,132)	(4,642)	(13,992)
Fines and forfeitures	3,886	-	-	-	-	-	3,886
Enstar FMA refund	-	-	-	1,971,808	-	-	1,971,808
Other	-	-	-	-	-	545	545
Total Revenues	4,553,882	1,744,904	1,097,090	2,528,455	734,848	958,550	11,617,729
Expenditures							
Current:							
General government	1,992,351	-	-	-	-	140,091	2,132,442
Public safety	2,501,332	-	-	-	-	-	2,501,332
Public works	1,419,290	-	-	-	-	-	1,419,290
Library	425,916	-	-	-	-	-	425,916
Airport	124,448	-	-	-	-	-	124,448
Community services	94,000	-	-	-	-	-	94,000
Water	-	998,300	-	-	-	-	998,300
Sewer	-	833,398	-	-	-	-	833,398
Debt service:							
Principal	-	-	67,609	2,459,945	-	200,000	2,727,554
Interest	-	5,196	15,230	50,682	-	97,750	168,858
Capital outlay	-	350,934	-	-	182,168	1,161,465	1,694,567
Total Expenditures	6,557,337	2,187,828	82,839	2,510,627	182,168	1,599,306	13,120,105
Excess of Revenues Over (Under) Expenditures	(2,003,455)	(442,924)	1,014,251	17,828	552,680	(640,756)	(1,502,376)
Other Financing Sources (Uses)							
Transfers in	13,356	48,122	2,909,107	-	-	647,048	3,617,633
Transfers out	(79,860)	(2,921,497)	-	-	(272,200)	(523,989)	(3,797,546)
Net Other Financing Sources (Uses)	(66,504)	(2,873,375)	2,909,107	-	(272,200)	123,059	(179,913)
Special Item - construction of gas pipeline on behalf of third parties	-	-	-	(24)	-	-	(24)
Net Change in Fund Balances	(2,069,959)	(3,316,299)	3,923,358	17,804	280,480	(517,697)	(1,682,313)
Beginning Fund Balances (Deficit)	12,007,397	7,003,675	-	(369,213)	6,465,598	5,792,953	30,900,410
Ending Fund Balances (Deficit)	\$ 9,937,438	3,687,376	3,923,358	(351,409)	6,746,078	5,275,256	29,218,097

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
Six Months Ended June 30, 2021**

Net change in fund balances - total governmental funds	\$ (1,682,313)
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$2,012,081) exceeded capital outlays (\$1,644,163)	(367,918)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in other long-term assets.	(916,174)
Repayment of the principal of the long-term debt (\$2,774,793) consumes current financial resources in governmental funds. This transaction has no effect on the net position.	2,774,493
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the increase in accrued interest payable.	(52,811)
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	\$ (39,741)
Increase in net pension liability and related deferred accounts	404,699
Increase in net OPEB liability and related deferred accounts	34,665
	399,623
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.	(226,688)
Change in Net Position of Governmental Activities	\$ (71,788)

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Net Position

June 30, 2021	Major Enterprise Fund Port of Homer	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 2,767,841	\$ -
Accounts receivable, net of allowance for doubtful accounts	364,474	-
Prepaid items	35,926	-
Total Current Assets	3,168,241	-
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	30,713	-
Other capital assets, net of accumulated depreciation	31,700,266	-
Restricted cash and investments	317,980	-
Net OPEB assets	142,390	-
Total Noncurrent Assets	47,995,990	-
Total Assets	51,164,231	-
Deferred Outflows of Resources:		
Pension related	219,198	-
OPEB related	92,278	-
Total Deferred Outflows of Resources	311,476	-
Total Assets and Deferred Outflows of Resources	\$ 51,475,707	\$ -

See accompanying notes to basic financial statements.

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

June 30, 2021	<u>Major Enterprise Fund Port of Homer</u>	<u>Internal Service Funds</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 144,488	\$ 2,121
Accrued payroll and related liabilities	62,544	-
Accrued leave	92,000	-
Accrued interest payable	6,614	-
General obligation bonds payable	185,000	-
Prepaid berth rentals and deposits	411,833	-
Unearned lease revenue	18,000	-
Due to other funds	-	206,066
Interfund loans	36,255	-
Total Current Liabilities	956,734	208,187
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	117,000	-
Interfund loans	8,718	-
Accrued leave long term	158,178	-
General obligation bonds payable including bond premium	2,716,699	-
Net pension liabilities	1,707,117	-
Total Noncurrent Liabilities	4,707,712	-
Total Liabilities	5,664,446	208,187
Deferred Inflows of Resources:		
Pension related	33,818	-
OPEB related	117,605	-
Total Deferred Inflows of Resources	151,423	-
Net Position		
Net investment in capital assets	44,633,921	-
Unrestricted (deficit)	1,025,917	(208,187)
Total Net Position	45,659,838	(208,187)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 51,475,707	\$ -
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(30,266)</u>	
Net Position of Business-type Activities	<u>\$ 45,629,572</u>	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

<i>Six Months Ended June 30, 2021</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 2,460,641	\$ -
Interfund charges	-	863,720
Employee health contributions	-	94,845
Total Operating Revenues	2,460,641	958,565
Operating Expenses		
Operations	1,283,670	159,767
Administration	338,949	12,500
Depreciation	1,083,463	-
Employee incentive fees	-	61,227
Insurance premiums	-	999,748
Total Operating Expenses	2,706,082	1,233,242
Operating loss	(245,441)	(274,677)
Nonoperating Revenues (Expense)		
Investment income	(3,078)	-
Interest expense	(72,970)	-
State PERS relief	46,050	-
Other income	56,135	-
Total Nonoperating Revenues (Expense)	26,137	-
Income (loss) before transfers and capital contributions	(219,304)	(274,677)
Transfers in (out)	176,147	3,766
Capital contributions	(68)	-
Change in net position	(43,225)	(270,911)
Beginning Net Position	45,703,063	62,724
Ending Net Position	45,659,838	\$ (208,187)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(44,223)	
Change in Net Position of Business-type Activities	\$ (87,448)	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Cash Flows

Six Months Ended June 30, 2021	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,635,033	\$ -
Receipts from interfund services provided and employee contributions	-	958,565
Payments to suppliers	161,617	-
Payments to employees	(1,732,053)	(220,994)
Payments for insurance, claims, and administration	-	(1,011,140)
Net cash flows from (for) operating activities	64,597	(273,569)
Cash Flows from (for) Noncapital Financing Activities		
Increase in due to other funds	-	174,079
Transfers in (out)	176,147	3,766
Net cash flows from (for) noncapital financing activities	176,147	177,845
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(135,274)	-
Interest paid on long-term debt	(101,924)	-
Acquisition of property, plant and equipment	(189,161)	-
Increase in interfund loan	(59,791)	-
Net cash flows from (for) capital and related financing activities	(486,150)	-
Cash Flows from Investing Activities		
Investment income received	(3,078)	-
Net Decrease in Cash and Investments	(248,484)	(95,724)
Beginning Cash and Investments	3,334,305	95,724
Ending Cash and Investments	\$ 3,085,821	\$ -
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 2,767,841	\$ -
Restricted cash and investments	317,980	-
Total Cash and Investments	\$ 3,085,821	\$ -

See accompanying notes to basic financial statements.

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

Six Months Ended June 30, 2021	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (245,441)	\$ (274,677)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,083,463	-
Noncash expense - PERS relief	46,050	-
Increase in allowance for doubtful accounts	(75,559)	-
Amortization of deferred lease revenue	(9,000)	-
Miscellaneous nonoperating revenues and expense, net	56,135	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(43,171)	-
Prepaid items	64,479	-
Deferred outflows of resources related to pensions	(70,468)	-
Deferred outflows of resources related to OPEB	(6,036)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	36,321	1,108
Accrued payroll and related liabilities	17,223	-
Accrued leave	(35,386)	-
Prepaid berth rentals and deposits	(754,013)	-
Net Cash Flows from (for) Operating Activities	\$ 64,597	\$ (273,569)

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

1. Summary of Significant Accounting Policies

Organization and Services Provided

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

Scope and Presentation

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City changed its fiscal yearend from December 31 to June 30 during 2021. These statements include activity from January 1, 2021 to June 30, 2021.

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.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

Major proprietary fund:

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

Effective January 1, 2020, the City is operating under a biennial budget which will cover two fiscal years in each budget. Effective July 1, 2021, the City of Homer will change the fiscal year to the twelve-month period commencing July 1 through June 30 of the succeeding year. This will allow for reduced administrative burden as the fiscal year will coincide with the Kenai Peninsula Borough.

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.

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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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.

Inventory

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

Prepaid Items

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

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

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

Accrued Leave

The City allows employees to accumulate earned, but unused personal leave benefits up to a maximum accumulation of 720 hours. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in the governmental fund financial statements unless they have matured (e.g. the employee has terminated employment).

Long-term Debt

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

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

Fund Balances

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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.

Deferred Outflows/Inflows

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

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

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Pensions and OPEB

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

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, 2021.

Bank deposits	\$ 1,040,849
Investments	27,999,248
Total Cash and Investments	\$ 29,040,097
<hr/>	
Cash and investments	\$ 28,722,117
Restricted cash and investments	317,980
Total Cash and Investments	\$ 29,040,097

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

General Investments

Investment Policy

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

1. U.S. Treasury securities – 5 years;
2. Other obligations of the U.S. Government, its agencies and instrumentalities – five years;
3. Repurchase agreements of acceptable securities listed in (1) or (2) above which meet a margin requirement of 102%;

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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, 2021 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
Federal Farm Credit Bank Bonds	\$ 1,579,705	-	1,579,705	-
Federal Home Loan Mortgage Bonds	820,648	-	820,648	-
Federal National MTG Assn. Bonds	911,084	-	911,084	-
Certificates of deposit	13,941,538	2,261,958	11,679,580	-
Total Subject to Interest Rate Risk	17,252,975	2,261,958	14,991,017	-
Pooled investments (AMLIP)	10,601,156	-	-	-
Money market	145,117	-	-	-
Total Investments	\$ 27,999,248	2,261,958	14,991,017	-

Credit Risk

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

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM by Standard and Poor's for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. At June 30, 2021, the share value of investments in the AML pool is approximately equal to fair value.

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Fair Value Measurement

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

The City has investments in money market funds and certificates of deposits totaling \$2,596,899 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2021. The City's investment in AMLIP is measured at net asset value, as of June 30, 2021. 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, 2021, receivables for the City's individual major funds and nonmajor in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Accounts	Sales Taxes	Property Taxes	State and Federal Grants and Loans	Special Assessments	Less Allowance for Uncollectibles	Totals
General	\$ 102,717	2,121,938	40,732	-	-	(33,217)	2,232,170
Utility	410,749	-	-	-	-	(29,407)	381,342
HAWSP	-	488,556	-	-	2,703,412	-	3,191,968
Gas Line	10,203	-	-	-	1,428,304	-	1,438,507
HART Roads	-	455,986	-	-	-	-	455,986
Port of Homer Enterprise	389,180	-	-	-	-	(24,706)	364,474
Nonmajor Funds	-	260,561	-	104,513	368,712	-	733,786
Total Receivables	\$ 912,849	3,327,041	40,732	104,513	4,500,428	(87,330)	8,798,233

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

At June 30, 2021, the various components of *deferred inflows of resources and unearned revenue* reported in the governmental funds were as follows:

Deferred Inflows of Resources

Delinquent property taxes receivable – General Fund	\$ 39,779
Special assessments not yet due:	
Nonmajor Special Revenue Fund	368,712
HAWSP Debt Service Special Revenue Fund	2,703,412
Gas Line Capital Project Fund	1,428,304
Total Deferred Inflows of Resources	\$ 4,540,207

Unearned Grant Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
Nonmajor Funds	\$ 7,468

4. Interfund Balances and Transfers

A schedule of transfers for the six months ended June 30, 2021 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 48,122
Nonmajor governmental funds	31,738
From Utility Special Revenue Fund to:	
HAWSP Debt Service	2,909,107
Nonmajor Governmental Funds	12,390
From HART Roads Capital Project Fund to:	
Nonmajor Governmental Funds	272,200
From nonmajor governmental funds to:	
General Fund	13,356
Nonmajor Governmental Funds	330,720
Port of Homer Enterprise Fund	179,913
Total Transfers to Other Funds	\$ 3,797,546

Interfund transfers are routinely recorded throughout the year. In 2021, a transfer from the Utility Special Revenue Fund to the HAWSP Debt Service Fund was done to establish a separate Debt Service from the other Utility activity. Transfers from funds to the nonmajor funds were to pay off debt, for capital project and reserves.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

At June 30, 2021, an interfund balance of \$341,275 was owed from the Gas Line Capital Project Fund to the General Fund for capital outlays. At June 30, 2021, an interfund balance of \$930,858 was owed from the nonmajor governmental funds for assessments and short term operation funding to the General Fund. At June 30, 2021, an interfund balance of \$206,066 was owed from the internal service fund for short term operating funding to the General Fund.

Interfund Loan

In 2018, the General Fund loaned \$300,000 to the Port of Homer Enterprise Fund in order to purchase land from the Alaska Mental Health Trust Authority. The loan is due in annual payment of \$30,000 plus interest at 3% per year payable over ten years. At June 30, 2021 the outstanding balance was \$ 44,973.

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City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

5. Capital Assets

Capital asset activity for the six months ended June 30, 2021 follows:

Governmental Activities	Balance January 1, 2021	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance June 30, 2021
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,559,401	71,769	-	11,631,170
Construction in progress	154,290	553,318	-	707,608
Total assets not being depreciated	11,713,691	625,087	-	12,338,778
<i>Capital assets being depreciated:</i>				
Buildings	59,696,239	39,790	-	59,736,029
Improvements other than buildings	54,891,135	808,231	-	55,699,366
Machinery and equipment	17,759,676	171,055	-	17,930,731
Infrastructure	37,055,664	-	-	37,055,664
Total assets being depreciated	169,402,714	1,019,076	-	170,421,790
Less accumulated depreciation for:				
Buildings	33,830,892	507,847	-	34,338,739
Improvements other than buildings	30,267,577	729,978	-	30,997,555
Machinery and equipment	11,850,889	287,402	-	12,138,291
Infrastructure	21,539,026	486,854	-	22,025,880
Total accumulated depreciation	97,488,384	2,012,081	-	99,500,465
Total assets being depreciated, net	71,914,330	(993,005)	-	70,921,325
Governmental Activities Capital Assets, net	\$ 83,628,021	(367,918)	-	83,260,103

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Business-type Activities	Balance January 1, 2021	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance June 30, 2021
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	63,295	30,713	(63,295)	30,713
Total assets not being depreciated	15,867,936	30,713	(63,295)	15,835,354
<i>Capital assets being depreciated:</i>				
Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	54,516,113	27,565	-	54,543,678
Machinery and equipment	3,163,574	194,178	-	3,357,752
Total assets being depreciated	74,060,335	221,743	-	74,282,078
Less accumulated depreciation for:				
Buildings	10,923,073	189,630	-	11,112,703
Improvements other than buildings	27,584,880	864,017	-	28,448,897
Machinery and equipment	2,990,396	29,816	-	3,020,212
Total accumulated depreciation	41,498,349	1,083,463	-	42,518,812
Total capital assets being depreciated, net	32,561,986	(861,720)	-	31,700,266
Business-Type Activities Capital Assets, net	\$ 48,429,922	(831,007)	(63,295)	47,535,620

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

Depreciation expense was charged to the functions as follows for the six months ended June 30, 2021:

Governmental Activities

General government	\$	91,412
Public safety		256,616
Public works		735,471
Library		107,392
Airport		37,970
Water utility		541,619
Sewer utility		241,601

Total Depreciation Expense – Governmental Activities \$ 2,012,081

Business-type Activities

Port and harbor	\$	1,083,463
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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		(495,000)
	\$	135,000

Current unearned revenue	\$	18,000
Noncurrent unearned revenue		117,000

Total Unearned Lease Revenue \$ 135,000

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the six months ended June 30, 2021:

Governmental Activities	Balance January 1, 2021	Additions	Retired	Balance June 30, 2021	Due Within One Year
Notes payable:					
\$2,439,450 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	\$ 609,854	-	-	609,854	121,973
\$2,575,394 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	715,392	-	-	715,392	143,077
\$1,591,733 2012 Sewer Utility Alaska Clean Water loan, due in annual installments of \$66,415 plus interest at 1.5% through August 6, 2032	795,852	-	-	795,852	66,321
\$1,086,870 Sewer Utility Alaska Clean Water loan, due in annual installments of \$54,344 plus interest at 1.5% through April 1, 2034	760,809	-	54,344	706,465	54,344
\$2,023,006 2012 Water Utility Alaska Drinking Water loan, due in annual installments of \$117,832 including interest at 1.5% through August 18, 2032	1,285,248	-	-	1,285,248	98,553

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Governmental Activities, continued	Balance January 1, 2021	Additions	Retired	Balance June 30, 2021	Due Within One Year
\$6,188,025 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	\$ 3,276,013	-	-	3,276,013	364,001
\$190,926 Water Utility Alaska Drinking Water due in annual principal installments of \$9,546 plus interest at 1.5% through October 1, 2037	162,287	-	-	162,287	9,546
\$81,989 Water Utility Alaska Drinking Water loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	71,025	-	3,711	67,314	3,766
\$221,315 Water Utility Alaska Drinking Water loan, due in annual installments of \$12,308 including interest at 1.5% through March 1, 2037	183,483	-	9,556	173,927	9,699
\$12,359,388 special assessment bond payable to the Kenai Peninsula Borough in eight equal principal and interest payments beginning September 1, 2016, interest at 4% through September 1, 2024. Additional principal payments made in 2016 based on early assessment collections.	2,459,945	-	2,459,945	-	-

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Governmental Activities, continued	Balance January 1, 2021	Additions	Retired	Balance June 30, 2021	Due Within One Year
\$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.	3,910,000	-	200,000	3,710,000	210,000
Unamortized bond premium	657,111	-	46,937	610,174	-
Accrued leave	814,165	266,267	226,526	853,906	515,000
Total Governmental Activities Long-Term Liabilities	\$ 15,701,184	266,267	3,001,019	12,966,432	1,596,280
Business-type Activities	Balance January 1, 2021	Additions	Retired	Balance June 30, 2021	Due Within One Year
\$3,375,000 Series 2013 Harbor General Obligation Bonds, due in annual installments of \$40,000- \$280,000 plus interest at 2% through June of 2024.	\$ 2,765,000	-	2,230,000	535,000	165,000
\$2,300,000 Series 2013 2A Harbor General Obligation Bonds, due in annual installments of \$20,000- \$260,000 plus interest at 2% through December of 2033.	-	2,300,000	-	2,300,000	20,000
Unamortized bond premium	296,699	-	230,000	66,699	-
Accrued leave	285,564	38,564	73,950	250,178	92,000
Total Business-type Activities Long-Term Liabilities	\$ 3,347,263	2,338,564	2,533,950	3,151,877	277,000

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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

All of the Utility Special Revenue Fund water and sewer assessment revenue has been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

Governmental activities accrued leave is typically liquidated by the General Fund. Debt has typically been liquidated through specific debt service funds.

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

Governmental Activities <i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2022	\$ 871,280	117,072	988,352
2023	872,961	103,986	976,947
2024	874,666	90,877	965,543
2025	876,396	77,742	954,138
2026	878,147	64,574	942,721
2027-2031	2,728,807	164,298	2,893,105
2031-2036	654,381	21,605	675,986
2036-2037	35,713	678	36,391
	\$ 7,792,351	640,832	8,433,183

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
2022	\$ 210,000	185,500	395,500
2023	220,000	175,000	395,000
2024	230,000	164,000	394,000
2025	245,000	152,500	397,500
2026	255,000	140,250	395,250
2027-2031	1,475,000	497,500	1,972,500
2032-2034	1,075,000	109,250	1,184,250
	\$ 3,710,000	1,424,000	5,134,000

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

Business-type Activities Year Ending June 30,	G. O. Bonds Payable		
	Principal	Interest	Total
2022	\$ 185,000	49,904	234,904
2023	210,000	53,173	263,173
2024	220,000	45,116	265,116
2025	65,000	39,870	104,870
2026	210,000	38,130	248,130
2027-2031	1,185,000	140,659	1,325,659
2032-2034	760,000	26,273	786,273
	\$ 2,835,000	393,125	3,228,125

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. 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	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Nonspendable:							
Inventory	\$ 35,052	560,726	-	-	-	-	595,778
Prepaid items	-	-	-	-	-	-	-
Interfund loans	44,973	-	-	-	-	-	44,973
Total nonspendable	80,025	560,726	-	-	-	-	640,751
Restricted:							
Roads and trails	-	-	-	-	6,746,078	1,799,602	8,545,680
Special service district	-	-	-	-	-	10,063	10,063
Total Restricted	\$ -	-	-	-	6,746,078	1,809,665	8,555,743

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

	General	Utility Special Revenue	HAWSP Debt Service	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Committed:							
Emergency use	\$ 3,035,921	-	-	-	-	-	3,035,921
Police station debt service	-	-	-	-	-	832,489	832,489
Total Committed	3,035,921	-	-	-	-	832,489	3,868,410
Assigned:							
Library	-	-	-	-	-	174,991	174,991
Public safety	-	-	-	-	-	50,368	50,368
Community schools	-	-	-	-	-	270	270
Sustainability	-	-	-	-	-	15,630	15,630
Water and sewer	-	3,126,650	3,923,358	-	-	-	7,050,008
PERS benefits	171,314	-	-	-	-	29,386	200,700
Capital and land	-	-	-	-	-	3,267,570	3,267,570
Total assigned	171,314	3,126,650	3,923,358	-	-	3,538,215	10,759,537
Unassigned (deficit)	6,650,178	-	-	(351,409)	-	(905,113)	5,393,656
Total Fund Balances	\$ 9,937,438	3,687,376	3,923,358	(351,409)	6,746,078	5,275,256	29,218,097

8. Risk Management

The City is exposed to various risks of loss including (a) damage to and loss of buildings and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) workers' compensation; i.e., employee injuries, and (e) medical insurance costs of employees.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, and public officials, law enforcement professional liability, auto liability and employee benefit liability; and workers' compensation, including employer's liability. In addition, commercial insurance policies are purchased that transfer the risk of loss, except for relatively low deductibles for marina 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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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 six months ended June 30, 2021.

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The Finance Director coordinates risk management activities with the other City Directors and City Manager. The General Fund balance is sufficient to meet potential losses related to the JIA basic core coverage and coverage deductibles. The amount of settlements for the past three years did not materially exceed the City's insurance coverage.

9. Defined Benefit (DB) Pension Plan 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

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

vary by Tier level. The RMP provides major medical coverage to retirees of the PERS Defined Contribution Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan’s past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis. The City records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and the government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period. Contribution rates for the period ended June 30, 2021 was determined in the June 30, 2019 actuarial valuations. City contribution rates were as follows:

<i>January 1, 2021 to June 30, 2021</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment healthcare	7.43%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

In 2021, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2019 to June 30, 2020	City Fiscal Period January 1, 2021 to June 30, 2021
Employer contributions pension (including DBUL)	\$ 810,372	\$ 475,167
Employer contributions OPEB	396,492	132,617
Nonemployer contributions (on-behalf pension)	493,190	314,336
Total Contributions	\$ 1,700,054	\$ 922,120

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

In addition, employee contributions to the Plan for pension totaled \$87,382 during the City's period ended June 30, 2021.

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

At June 30, 2021, 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. 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	\$ 11,511,242
State's proportionate share associated with the City	4,762,499
Total Net Pension Liability	\$ 16,273,741

Net OPEB Asset - ARHCT

City proportionate share	\$ (883,569)
State's proportionate share associated with the City	-
Total Net OPEB Asset - ARHCT	\$ (883,569)

Net OPEB Asset - ODD

City proportionate share	\$ (99,207)
State's proportionate share associated with the City	-
Total Net OPEB Asset - ODD	\$ (99,207)

Net OPEB Liability - RMP

City proportionate share	\$ 22,626
State's proportionate share associated with the City	-
Total Net OPEB Liability - RMP	\$ 22,626

The net pension/OPEB liabilities were measured as of June 30, 2020, 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, 2019. The City's proportion of the net

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

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.

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2020 was as follows:

City's proportionate share	Measurement Period Fiscal Year 2020	Measurement Period Fiscal Year 2019	Change
Net Pension Liability	0.19507%	0.21316%	(0.01809%)
Net OPEB Liability - ARHCT	0.19511%	0.21309%	(0.01798 %)
Net OPEB Liability (Asset) - ODD	0.36393%	0.33209%	0.03184 %
Net OPEB Liability - RMP	0.31899%	0.29512%	0.02387 %

For the six months ended June 30, 2021, the City recognized pension and OPEB expense (benefit) of \$0 and \$0, respectively for PERS in the Statement of Activities.

At June 30, 2021, 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	\$ 36,517	-	354,630	(109,030)
Change in assumptions	-	-	31,775	(675,846)
Net difference between projected and actual earnings on pension plan investments	468,509	-	13,534	-
Change in proportion and differences in proportional share	-	(228,037)	42,469	(8,141)
City contributions subsequent to the measurement date	973,043	-	179,832	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 1,478,069	(228,037)	622,240	(793,017)

The \$973,043 and \$179,832 reported as deferred outflows of resources related to pensions and OPEB, respectively, resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension/OPEB liability in the year ended June 30, 2022.

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

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
2022	\$ (183,240)	(659,456)	(842,696)
2023	164,761	120,733	285,494
2024	174,147	130,018	304,165
2025	121,321	89,174	210,495
2026	-	(9,813)	(9,813)
Thereafter	-	(21,265)	(21,265)
Total Amortization	\$ 276,989	(350,609)	(73,620)

Actuarial Assumptions

The total pension/OPEB liability for the measurement year ended June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board in January 2020 to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2021-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	7.38% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation – 2.50% per year Productivity – 0.25% per year Peace Officer/Firefighter – graded by years of service from 7.75% to 2.75% All others – graded by years of service from 6.75% to 2.75%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 2.50% annually.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

Mortality	Pre-termination – Based on the 2013-2017 actual mortality experience. 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement. Post-termination – 91% of male and 96% of female rates of RP-2014 healthy annuitant table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.
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The long term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<i>Asset Class</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	6.24%
Global equity (non-US)	6.67%
Aggregate bonds	(0.16)%
Opportunistic	3.01%
Real assets	3.82%
Private equity	10.00%
Cash equivalents	(1.09)%

Discount Rate

The discount rate used to measure the total pension/OPEB liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Discount Rate Sensitivity

The following presents the Retirement System's net pension/OPEB liability and the City's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38%) or 1-percentage point higher (8.38%) than the current rate:

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

PERS	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Net Pension Liability	0.19507%	\$ 14,967,047	11,511,242	8,612,784
Net OPEB Liability - ARHCT	0.19511%	\$ 921,986	(883,569)	(2,379,103)
Net OPEB Liability (Asset) - ODD	0.36393%	\$ (93,224)	(99,207)	(103,989)
Net OPEB Liability (Asset) - RMP	0.31899%	\$ 140,169	22,626	(66,349)

Pension Plan Fiduciary Net Position

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

10. Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the six months ended June 30, 2021, the City was required to contribute 5% of covered salary into the Plan.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

The City and employee contributions to PERS for DC pensions for the six months ended June 30, 2021 were \$121,413 and \$194,260, respectively. The City contribution amount was recognized as pension expense/expenditures. During the City's period forfeitures for DC pension used to offset the City's expense/expenditures was \$7,818.

11. 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 six months ended June 30, 2021 were as follows:

	Other Tier IV	Police/Fire Tier IV
Alaska retiree healthcare trust	5.00%	5.00%
Retiree medical plan	1.27%	1.27%
Occupational death and disability benefits	0.31%	0.70%
Total Contribution Rates	6.58%	6.97%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of **all employees of all employers** in the plan". As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,159 per year for each full-time employee, and \$1.38 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2021, the City contributed \$77,393 in DC OPEB costs. This amount has been recognized as expense/expenditures.

12. 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.

City of Homer, Alaska

Notes to Basic Financial Statements Six Month Ended June 30, 2021

13. Designated Sales Tax

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

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

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

14. 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.

15. 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.

16. Significant and Subsequent Events

COVID-19

The City is dependent upon its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives will impact the City's ability to deploy its workforce effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact the City's services, taxes collected in fiscal year 2022, and the City's overall liquidity. Adverse economic effects of the COVID-19 outbreak may decrease demand for the City's services based on restrictions in place by government efforts to curb the outbreak or changes in consumer behavior. Furthermore, it is possible that the pandemic will cause significant volatility in market

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

value of the City's marketable securities. Although the City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the City's results of future operations, financial position, and liquidity in fiscal year 2022.

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

Settlement

Subsequent to the year end, the City reached a settlement agreement in a lawsuit on property damages where the occurrence happened prior to June 30, 2021. The settlement was split between the City and the City's insurance company. The City's share was \$275,000 and recorded in the general fund balance sheet as of June 30, 2021.

17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements and actual impacts have not yet been determined.

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

GASB 89 - Accounting for Interest Cost incurred before the End of a Construction Period - Effective for year-end June 30, 2022, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB 91 – Conduit Debt Obligations – Effective for year-end June 30, 2022, with earlier application encouraged - This statement establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice of accounting for conduit debt obligations. This statement also establishes that conduit debt obligations are not a liability of the issuer and improves required note disclosures.

City of Homer, Alaska

Notes to Basic Financial Statements

Six Month Ended June 30, 2021

GASB 93 – Replacement of Interbank Offered Rates – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022. The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB 94 – Public-private and Public-public Partnerships and Availability Payment Arrangements – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

In light of the COVID-19 Pandemic, on May 8, 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months, Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96 – Subscription-based Information Technology Arrangements – Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB 97 – Certain Component Units, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32 – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

Required Supplementary Information

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

Six Months Ended June 30, 2021	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Property taxes	\$ 3,535,213	123,362	131,810	-	131,810	8,448
Sales and use taxes	5,559,167	1,795,487	3,344,652	-	3,344,652	1,549,165
Permits and licenses	45,343	23,914	23,381	-	23,381	(533)
Intergovernmental	620,441	277,246	491,391	(224,297)	267,094	(10,152)
Charges for services	2,227,158	705,793	558,344	-	558,344	(147,449)
Interest Income	74,720	37,360	418	-	418	(36,942)
Fines and forfeitures	22,643	5,201	3,886	-	3,886	(1,315)
Total Revenues	12,084,685	2,968,363	4,553,882	(224,297)	4,329,585	1,361,222
Expenditures						
General government	3,378,394	1,783,806	1,992,351	(64,003)	1,928,348	130,458
Public safety	4,903,901	2,403,953	2,501,332	(104,972)	2,396,360	7,593
Public works	2,889,104	1,484,382	1,419,290	(39,994)	1,379,296	105,086
Library	949,299	440,823	425,916	(13,395)	412,521	28,302
Airport	221,670	128,819	124,448	(1,933)	122,515	6,304
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	12,436,368	6,335,783	6,557,337	(224,297)	6,333,040	277,743
Excess of Revenues Over (under)						
Expenditures	(351,683)	(3,367,420)	(2,003,455)	-	(2,003,455)	1,363,965
Other Financing Sources (Uses)						
Transfers in	789,666	3,447,280	13,356	-	13,356	(3,433,924)
Transfers out	(437,983)	(79,860)	(79,860)	-	(79,860)	-
Net Change in Fund Balance	\$ -	-	(2,069,959)	-	(2,069,959)	(2,069,959)
Fund Balance, beginning			12,007,397		12,007,397	
Fund Balance, ending			\$ 9,937,438		\$ 9,937,438	

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

Six Months Ended June 30, 2021	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Intergovernmental	\$ -	-	43,989	(43,989)	-	-
Charges for services	3,963,493	1,790,189	1,701,751	-	1,701,751	(88,438)
Water and sewer special assessments	-	-	-	-	-	-
Investment income	36,968	57,957	(836)	-	(836)	(58,793)
Total Revenues	4,000,461	1,848,146	1,744,904	(43,989)	1,700,915	(147,231)
Expenditures						
Water	2,098,572	1,032,902	998,300	(24,046)	974,254	58,648
Sewer	1,726,310	900,868	833,398	(19,943)	813,455	87,413
Debt service:						
Interest	-	-	5,196	-	5,196	(5,196)
Capital outlay	-	-	350,934	-	350,934	(350,934)
Total Expenditures	3,824,882	1,933,770	2,187,828	(43,989)	2,143,839	(210,069)
Excess of Revenues Over (Under) Expenditures	175,579	(85,624)	(442,924)	-	(442,924)	(357,300)
Other Financing Sources (Uses)						
Transfers in	108,433	45,673	48,122	-	48,122	2,449
Transfers out	(284,012)	(13,492)	(2,921,497)	-	(2,921,497)	(2,908,005)
Net Change in Fund Balance	\$ -	(53,443)	(3,316,299)	-	(3,316,299)	(3,262,856)
Fund Balance, beginning			7,003,675			
Fund Balance, ending			\$ 3,687,376			

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
Six Months Ended June 30, 2021	2020	0.19507%	\$ 11,511,242	\$ 4,762,499	\$ 16,273,741	\$ 7,501,842	153.45%	61.61%
Years Ended December 31,								
2020	2020	0.19507%	\$ 11,511,242	\$ 4,762,499	\$ 16,273,741	\$ 7,101,307	162.10%	61.61%
2019	2019	0.21316%	11,668,965	4,631,725	16,300,690	6,616,896	176.35%	63.42%
2018	2018	0.22854%	11,355,996	3,289,937	14,645,933	6,635,180	171.15%	65.19%
2017	2017	0.21319%	11,020,546	4,105,937	15,126,483	6,507,827	169.34%	63.37%
2016	2016	0.25432%	14,215,445	1,792,202	16,007,647	6,372,455	223.08%	59.55%
2015	2015	0.22501%	10,912,909	2,922,750	13,835,659	6,455,186	169.06%	63.96%
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*

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

See accompanying notes to required supplementary information.

City of Homer, Alaska

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

Fiscal Period	Measurement Period Ended June 30,	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability (asset)	State of Alaska proportionate share of the net OPEB liability (asset)	Total net OPEB liability (asset)	City's covered-employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (assets)
Alaska Retiree Healthcare Trust Plan (ARHCT):								
Six Months Ended June 30, 2021								
2020	2020	0.19511%	\$ (883,569)	\$ -	\$ (883,569)	\$ 7,501,842	-11.78%	0.00%
Years Ended December 31,								
2020	2020	0.19511%	(883,569)	-	(883,569)	7,101,307	-12.44%	0.00%
2019	2019	0.21309%	316,184	125,707	441,891	6,616,896	4.78%	98.13%
2018	2018	0.22850%	2,345,089	680,139	3,025,228	6,635,180	35.34%	88.12%
2012- 2017	*	*	*	*	*	*	*	*
Occupational Death and Disability (ODD):								
Six Months Ended June 30, 2021								
2020	2020	0.36393%	\$ (99,207)	\$ -	\$ (99,207)	\$ 7,501,842	-1.32%	0.00%
Years Ended December 31,								
2020	2020	0.36393%	(99,207)	-	(99,207)	7,101,307	-1.40%	0.00%
2019	2019	0.33209%	(80,515)	-	(80,515)	6,616,896	-1.22%	-297.43%
2018	2018	0.30999%	(60,206)	-	(60,206)	6,635,180	-0.91%	-270.62%
2012- 2017	*	*	*	*	*	*	*	*
Retiree Medical Plan (RMP):								
Six Months Ended June 30, 2021								
2020	2020	0.31899%	\$ 22,626	\$ -	\$ 22,626	\$ 7,501,842	0.30%	0.00%
Years Ended December 31,								
2020	2020	0.31899%	22,626	-	22,626	7,101,307	0.32%	0.00%
2019	2019	0.29512%	70,604	-	70,604	6,616,896	1.07%	-83.17%
2018	2018	0.01854%	39,446	-	39,446	6,635,180	0.59%	88.71%
2012- 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
Six Months Ended June 30, 2021	\$ 475,167	\$ 475,167	\$ -	\$ 3,665,330	12.964%
Years Ended December 31,					
2020	920,104	920,104	-	7,546,508	12.192%
2019	786,093	786,093	-	6,663,123	11.798%
2018	843,414	843,414	-	6,651,553	12.680%
2017	820,166	820,166	-	6,619,157	12.391%
2016	1,031,207	1,031,207	-	6,414,407	16.076%
2015	644,804	644,804	-	6,402,816	10.071%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*

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

See accompanying notes to required supplementary information.

City of Homer, Alaska

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

Fiscal Period	Contractually required contribution	Contributions in relation to the contractually required contribution	Contributions over (short)	City's covered- employee payroll	Contributions as a percentage of covered- employee payroll
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>					
Six Months					
Ended June 30,					
2021	\$ 91,917	\$ 91,917	\$ -	\$ 3,665,330	2.508%
Years Ended					
December 31,					
2020	265,264	265,264	-	7,546,508	3.515%
2019	298,559	298,559	-	6,663,123	4.481%
2018	271,357	271,357	-	6,651,553	4.080%
2012-2017	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>					
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%
2012-2017	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>					
Six Months					
Ended June 30,					
2021	\$ 30,839	\$ 30,839	\$ -	3,665,330	0.841%
Years Ended					
December 31,					
2020	62,453	62,453	-	7,546,508	0.828%
2019	44,061	44,061	-	6,663,123	0.661%
2018	35,366	35,366	-	6,651,553	0.532%
2012-2017	*	*	*	*	*

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

See accompanying notes to required supplementary information.

City of Homer, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedules

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

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

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

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

2. Pension/OPEB Disclosures

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

Both pension and OPEB tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

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

- This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.
- There were no changes in benefit terms from the prior measurement period.

Schedules of City Contributions – Pension/OPEB

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

City of Homer, Alaska

Notes to Required Supplementary Information, continued

Changes in Assumptions:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8% to 7.38% in 2020.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Seawall Assessments – 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.

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

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

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

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

City of Homer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds										
	CARES	Police Station Debt Service	HART Assess- ments	Non- capital Projects	Retainage Reimburse- ments	Seawall Assess- ments	PERS Funding	Fire Depart- ment Donations	Library Donations	Animal Shelter Donations	Community Schools
June 30, 2021	119	154	155	157	159	173	615	802	803	804	805
Assets											
Cash and investments	\$ -	637,067	1,001,309	-	20,554	-	29,386	50,033	165,035	335	270
Receivables, net:											
State and federal grants	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	195,422	-	-	-	-	-	-	-	-	-
Prepaid and other assets	5,296	-	-	-	-	-	-	-	10,000	-	-
Special assessments	-	-	240,937	-	-	127,775	-	-	-	-	-
Total Assets	\$ 5,296	832,489	1,242,246	-	20,554	127,775	29,386	50,033	175,035	335	270
Liabilities											
Accounts payable	\$ -	-	-	2,717	-	-	-	-	44	-	-
Unearned revenue	-	-	-	-	20,554	-	-	-	-	-	-
Unearned grant revenue	-	-	-	7,468	-	-	-	-	-	-	-
Due to other funds	6,814	-	-	34,950	-	363,690	-	-	-	-	-
Special assessments not yet due	-	-	240,937	-	-	127,775	-	-	-	-	-
Total Liabilities	6,814	-	240,937	45,135	20,554	491,465	-	-	44	-	-
Fund Balances											
Restricted:											
Roads and trails	-	-	1,001,309	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	-	832,489	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	-	174,991	-	-
Public safety	-	-	-	-	-	-	-	50,033	-	335	-
Community schools	-	-	-	-	-	-	-	-	-	-	270
Sustainability	-	-	-	-	-	-	-	-	-	-	-
PERS benefits	-	-	-	-	-	-	29,386	-	-	-	-
Capital and land	-	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	(1,518)	-	-	(45,135)	-	(363,690)	-	-	-	-	-
Total Fund Balances	(1,518)	832,489	1,001,309	(45,135)	-	(363,690)	29,386	50,033	174,991	335	270
Total Liabilities and Fund Balances	\$ 5,296	832,489	1,242,246	-	20,554	127,775	29,386	50,033	175,035	335	270

City of Homer, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

	Special Revenue Funds			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	Fleet Reserve Allocation 152	Capital Outlay Reserves 156	HART Trails 165	Energy Revolving Loan 620		Total Capital Project Funds
June 30, 2021											
Assets											
Cash and investments	\$ 15,630	10,063	1,929,682	96,729	-	1,034,301	1,800,273	734,256	350,418	4,015,977	5,945,659
Receivables, net:											
State and federal grants	-	-	-	-	104,513	-	-	-	-	104,513	104,513
Sales taxes	-	-	195,422	-	-	-	-	65,139	-	65,139	260,561
Prepaid and other assets	-	-	15,296	-	-	-	-	-	-	-	15,296
Special assessments	-	-	368,712	-	-	-	-	-	-	-	368,712
Total Assets	\$ 15,630	10,063	2,509,112	96,729	104,513	1,034,301	1,800,273	799,395	350,418	4,185,629	6,694,741
Liabilities											
Accounts payable	\$ -	-	2,761	-	73,879	-	14,151	1,102	-	89,132	91,893
Unearned revenue	-	-	20,554	-	-	-	-	-	-	-	20,554
Unearned grant revenue	-	-	7,468	-	-	-	-	-	-	-	7,468
Due to other funds	-	-	405,454	-	525,404	-	-	-	-	525,404	930,858
Special assessments not yet due	-	-	368,712	-	-	-	-	-	-	-	368,712
Total Liabilities	-	-	804,949	-	599,283	-	14,151	1,102	-	614,536	1,419,485
Fund Balances											
Restricted:											
Roads and trails	-	-	1,001,309	-	-	-	-	798,293	-	798,293	1,799,602
Special service district	-	10,063	10,063	-	-	-	-	-	-	-	10,063
Committed:											
Police station debt service	-	-	832,489	-	-	-	-	-	-	-	832,489
Assigned:											
Library	-	-	174,991	-	-	-	-	-	-	-	174,991
Public safety	-	-	50,368	-	-	-	-	-	-	-	50,368
Community schools	-	-	270	-	-	-	-	-	-	-	270
Sustainability	15,630	-	15,630	-	-	-	-	-	-	-	15,630
PERS benefits	-	-	29,386	-	-	-	-	-	-	-	29,386
Capital and land	-	-	-	96,729	-	1,034,301	1,786,122	-	350,418	3,267,570	3,267,570
Unassigned (deficit)	-	-	(410,343)	-	(494,770)	-	-	-	-	(494,770)	(905,113)
Total Fund Balances	15,630	10,063	1,704,163	96,729	(494,770)	1,034,301	1,786,122	798,293	350,418	3,571,093	5,275,256
Total Liabilities and Fund Balances	\$ 15,630	10,063	2,509,112	96,729	104,513	1,034,301	1,800,273	799,395	350,418	4,185,629	6,694,741

City of Homer, Alaska

Nonmajor Governmental Funds

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

	Special Revenue Funds										
	CARES	Police Station Debt Service	HART Assessments	Non-capital Projects	Retainage Reimbursements	Seawall Assessments	PERS Funding	Fire Department Donations	Library Donations	Animal Shelter Donations	Community Schools
Six Months Ended June 30, 2021	119	154	155	157	159	173	615	802	803	804	805
Revenues											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	325,534	-	-	-	-	-	-	-	-	-
Intergovernmental	310,481	-	-	6,230	-	-	-	-	-	-	-
Investment income	2	-	(887)	-	-	-	15	2	-	-	-
Special assessment	-	-	123,360	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	310,483	325,534	122,473	6,230	-	-	15	2	-	-	-
Expenditures											
Current -											
General government	131,752	-	-	7,037	-	-	-	-	1,302	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Debt service principal	-	200,000	-	-	-	-	-	-	-	-	-
Debt service interest	-	97,750	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	90,214	-	-	-	-	-	-	-
Total Expenditures	131,752	297,750	-	97,251	-	-	-	-	1,302	-	-
Excess of Revenues Over (Under) Expenditures	178,731	27,784	122,473	(91,021)	-	-	15	2	(1,302)	-	-
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	(193,261)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(14,530)	27,784	122,473	(91,021)	-	-	15	2	(1,302)	-	-
Fund Balances, beginning	13,012	804,705	878,836	45,886	-	(363,690)	29,371	50,031	176,293	335	270
Fund Balances, ending	\$ (1,518)	832,489	1,001,309	(45,135)	-	(363,690)	29,386	50,033	174,991	335	270

City of Homer, Alaska

Nonmajor Governmental Funds

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

	Special Revenue Funds			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	Fleet Reserve Allocation 152	Capital Outlay Reserves 156	HART Trails 165	Energy Revolving Loan 620		Total Capital Project Funds
Six Months Ended June 30, 2021											
Revenues											
Property taxes	\$ -	4,223	4,223	-	-	-	-	-	-	-	4,223
Sales taxes	-	-	325,534	-	-	-	-	89,912	-	89,912	415,446
Intergovernmental	-	-	316,711	-	102,907	-	-	-	-	102,907	419,618
Investment income	-	-	(868)	-	(158)	(1,307)	(1,612)	(697)	-	(3,774)	(4,642)
Special assessment	-	-	123,360	-	-	-	-	-	-	-	123,360
Other	-	-	-	-	545	-	-	-	-	545	545
Total Revenues	-	4,223	768,960	-	103,294	(1,307)	(1,612)	89,215	-	189,590	958,550
Expenditures											
Current -											
General government	-	-	140,091	-	-	-	-	-	-	-	140,091
Debt service principal	-	-	200,000	-	-	-	-	-	-	-	200,000
Debt service interest	-	-	97,750	-	-	-	-	-	-	-	97,750
Capital outlay	-	428	90,642	71,769	829,385	53,001	99,494	13,128	4,046	1,070,823	1,161,465
Total Expenditures	-	428	528,483	71,769	829,385	53,001	99,494	13,128	4,046	1,070,823	1,599,306
Excess of Revenues Over (Under) Expenditures	-	3,795	240,477	(71,769)	(726,091)	(54,308)	(101,106)	76,087	(4,046)	(881,233)	(640,756)
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	272,200	338,923	-	35,925	647,048	647,048
Transfers out	-	-	(193,261)	-	(230,728)	-	(100,000)	-	-	(330,728)	(523,989)
Net Change in Fund Balances	-	3,795	47,216	(71,769)	(956,819)	217,892	137,817	76,087	31,879	(564,913)	(517,697)
Fund Balances, beginning	15,630	6,268	1,656,947	168,498	462,049	816,409	1,648,305	722,206	318,539	4,136,006	5,792,953
Fund Balances, ending	\$ 15,630	10,063	1,704,163	96,729	(494,770)	1,034,301	1,786,122	798,293	350,418	3,571,093	5,275,256

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, 2021	December 31, 2020
Assets		
Cash and investments	\$ 7,127,321	\$ 8,872,675
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$17,154 (\$25,432 in 2020)	23,578	143,700
Sales taxes	2,121,938	1,043,307
Assessments	-	-
Grants receivables	-	93,979
Accounts receivable, net of allowance for doubtful accounts of \$16,0631 (\$17,851 in 2019)	86,654	188,108
Total Receivables	2,232,170	1,469,094
Due from other funds	1,478,199	1,852,009
Interfund loan receivable	44,973	104,764
Inventory	35,052	32,351
Prepaid items	-	337,916
Total Assets	\$ 10,917,715	\$ 12,668,809
Liabilities		
Accounts payable	\$ 556,572	\$ 187,501
Accrued payroll and related liabilities	363,038	305,173
Customer deposits	20,888	20,888
Total Liabilities	940,498	513,562
Deferred Inflows of Resources		
Deferred property taxes	39,779	147,850
Total Deferred Inflows of Resources	39,779	147,850
Total Liabilities and Deferred Inflows of Resources	980,277	661,412
Fund Balance		
Nonspendable	80,025	475,031
Committed	3,035,921	4,493,489
Assigned - PERS benefits	171,314	171,314
Unassigned	6,650,178	6,867,563
Total Fund Balance	9,937,438	12,007,397
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 10,917,715	\$ 12,668,809

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual

	Six Months Ended June 30, 2021					2020
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 123,362	131,810	-	131,810	8,448	3,718,482
Sales and use taxes	1,795,487	3,344,652	-	3,344,652	1,549,165	5,705,499
Total taxes	1,918,849	3,476,462	-	3,476,462	1,557,613	9,423,981
Permits and licenses	23,914	23,381	-	23,381	(533)	43,425
Intergovernmental:						
Federal grants	-	-	-	-	-	507,570
State PERS relief	-	224,297	(224,297)	-	-	430,855
Utility cooperative	7,999	-	-	-	(7,999)	23,828
Alcohol beverage tax	21,767	25,750	-	25,750	3,983	24,450
Public safety	247,033	241,344	-	241,344	(5,689)	534,685
Library grants	447	-	-	-	(447)	-
Public works	-	-	-	-	-	34,000
Total intergovernmental	277,246	491,391	(224,297)	267,094	(10,152)	1,555,388
Charges for services:						
Administrative services	303,634	303,634	-	303,634	-	1,399,902
Ambulance services	89,815	1,424	-	1,424	(88,391)	296,851
Fire contracts	59,133	48,796	-	48,796	(10,337)	96,970
Camping fees	105,815	29,453	-	29,453	(76,362)	126,674
Airport services	93,814	85,959	-	85,959	(7,855)	172,725
Community school fees	17,136	3,772	-	3,772	(13,364)	15,883
Miscellaneous services	36,446	85,306	-	85,306	48,860	130,720
Total charges for services	705,793	558,344	-	558,344	(147,449)	2,239,725
Interest Income	37,360	418	-	418	(36,942)	207,849
Special assessments	-	-	-	-	-	-
Fines and forfeitures	5,201	3,886	-	3,886	(1,315)	10,100
Total Revenues	\$ 2,968,363	4,553,882	(224,297)	4,329,585	1,361,222	13,480,468

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual, continued

	Six Months Ended June 30, 2021					2020
	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	\$ 7,028	9,552	-	9,552	(2,524)	\$ 17,594
Maintenance and operations	204,571	206,487	-	206,487	(1,916)	311,714
Total city council/mayor	211,599	216,039	-	216,039	(4,440)	329,308
City clerk:						
Salaries and benefits	160,840	175,424	(10,230)	165,194	(4,354)	373,344
Maintenance and operations	39,302	14,177	-	14,177	25,125	35,269
Total city clerk	200,142	189,601	(10,230)	179,371	20,771	408,613
City manager:						
Salaries and benefits	113,936	102,602	(5,539)	97,063	16,873	215,122
Maintenance and operations	16,032	7,517	-	7,517	8,515	24,730
Total city manager	129,968	110,119	(5,539)	104,580	25,388	239,852
Personnel:						
Salaries and benefits	70,783	75,099	(4,135)	70,964	(181)	119,221
Maintenance and operations	26,690	23,197	-	23,197	3,493	42,922
Total personnel	97,473	98,296	(4,135)	94,161	3,312	162,143
Economic development:						
Salaries and benefits	58,062	68,075	(3,724)	64,351	(6,289)	94,671
Maintenance and operations	57,567	53,205	-	53,205	4,362	59,613
Total economic development	115,629	121,280	(3,724)	117,556	(1,927)	154,284
Information technology:						
Salaries and benefits	119,314	127,528	(6,891)	120,637	(1,323)	234,471
Maintenance and operations	45,925	40,836	-	40,836	5,089	91,219
Total information technology	165,239	168,364	(6,891)	161,473	3,766	325,690
HERC Building -						
Maintenance and operations	27,500	26,094	-	26,094	1,406	46,614
Community recreation:						
Salaries and benefits	67,838	67,715	(3,656)	64,059	3,779	131,651
Maintenance and operations	12,050	8,945	-	8,945	3,105	19,533
Total community recreation	79,888	76,660	(3,656)	73,004	6,884	151,184
Finance:						
Salaries and benefits	368,651	371,425	(19,635)	351,790	16,861	653,047
Maintenance and operations	73,448	21,416	-	21,416	52,032	54,110
Total Finance	442,099	392,841	(19,635)	373,206	68,893	707,157
Planning and zoning:						
Salaries and benefits	175,982	188,022	(10,193)	177,829	(1,847)	374,456
Maintenance and operations	14,837	4,049	-	4,049	10,788	15,455
Total planning and zoning	190,819	192,071	(10,193)	181,878	8,941	389,911

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual, continued

	Six Months Ended June 30, 2021					2020
	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	\$ 65,228	67,764	-	67,764	(2,536)	\$ 115,944
Leave cash out -						
Salaries and benefits	58,222	58,222	-	58,222	-	104,643
Total general government	1,783,806	1,717,351	(64,003)	1,653,348	130,458	3,135,343
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	154,140	145,722	(7,486)	138,236	15,904	322,375
Maintenance and operations	109,708	73,651	-	73,651	36,057	183,828
Total fire - administration	263,848	219,373	(7,486)	211,887	51,961	506,203
Fire services:						
Salaries and benefits	149,889	166,249	(8,515)	157,734	(7,845)	293,882
Maintenance and operations	51,150	29,397	-	29,397	21,753	45,307
Total fire services	201,039	195,646	(8,515)	187,131	13,908	339,189
Emergency medical services:						
Salaries and benefits	148,976	201,924	(9,769)	192,155	(43,179)	343,729
Maintenance and operations	29,500	13,699	-	13,699	15,801	51,334
Total emergency medical serv	178,476	215,623	(9,769)	205,854	(27,378)	395,063
Total emergency services	643,363	630,642	(25,770)	604,872	38,491	1,240,455
Police department:						
Police administration:						
Salaries and benefits	68,139	76,645	(4,789)	71,856	(3,717)	147,294
Maintenance and operations	157,467	185,042	-	185,042	(27,575)	281,664
Total police administration	225,606	261,687	(4,789)	256,898	(31,292)	428,958
Police dispatch:						
Salaries and benefits	294,894	320,238	(16,962)	303,276	(8,382)	609,077
Maintenance and operations	14,550	7,667	-	7,667	6,883	25,386
Total police dispatch	309,444	327,905	(16,962)	310,943	(1,499)	634,463
Police investigation:						
Salaries and benefits	94,678	52,283	(2,242)	50,041	44,637	212,494
Maintenance and operations	9,800	11,791	-	11,791	(1,991)	16,475
Total police investigation	104,478	64,074	(2,242)	61,832	42,646	228,969
Police patrol:						
Salaries and benefits	641,524	731,834	(38,873)	692,961	(51,437)	1,312,622
Maintenance and operations	1,500	619	-	619	881	1,929
Total police patrol	643,024	732,453	(38,873)	693,580	(50,556)	1,314,551

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual, continued

	Six Months Ended June 30, 2021					2020
	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	\$ 307,814	325,692	(16,336)	309,356	(1,542)	\$ 620,038
Maintenance and operations	57,644	47,640	-	47,640	10,004	95,506
Total jail	365,458	373,332	(16,336)	356,996	8,462	715,544
Animal control -						
Maintenance and operations	112,580	111,239	-	111,239	1,341	212,000
Total animal control	112,580	111,239	-	111,239	1,341	212,000
Total police department	1,760,590	1,870,690	(79,202)	1,791,488	(30,898)	3,534,485
Total public safety	2,403,953	2,501,332	(104,972)	2,396,360	7,593	4,774,940
Public works:						
Administration:						
Salaries and benefits	58,341	49,123	(2,495)	46,628	11,713	120,275
Maintenance and operations	29,668	34,057	-	34,057	(4,389)	63,653
Total administration	88,009	83,180	(2,495)	80,685	7,324	183,928
Maintenance:						
Salaries and benefits	122,955	140,955	(7,049)	133,906	(10,951)	278,292
Maintenance and operations	79,693	57,488	-	57,488	22,205	105,617
Total maintenance	202,648	198,443	(7,049)	191,394	11,254	383,909
Roads:						
Salaries and benefits	242,714	243,062	(12,671)	230,391	12,323	498,224
Maintenance and operations	197,847	193,649	-	193,649	4,198	257,905
Total roads	440,561	436,711	(12,671)	424,040	16,521	756,129
Parks:						
Salaries and benefits	140,758	121,791	(4,054)	117,737	23,021	251,590
Maintenance and operations	102,620	100,627	-	100,627	1,993	166,958
Total parks	243,378	222,418	(4,054)	218,364	25,014	418,548
Motor pool:						
Salaries and benefits	93,016	99,858	(5,163)	94,695	(1,679)	176,591
Maintenance and operations	205,700	160,618	-	160,618	45,082	354,142
Total motor pool	298,716	260,476	(5,163)	255,313	43,403	530,733
Engineer inspection:						
Salaries and benefits	75,688	71,574	(3,609)	67,965	7,723	157,076
Maintenance and operations	7,150	6,067	-	6,067	1,083	3,194
Total engineer inspection	82,838	77,641	(3,609)	74,032	8,806	160,270

City of Homer, Alaska
100 - General Fund
Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2021 Budget and Actual, continued

	Six Months Ended June 30, 2021					2020
	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	\$ 99,407	126,849	(4,953)	121,896	(22,489)	\$ 194,705
Maintenance and operations	28,825	13,572	-	13,572	15,253	38,096
Total Janitorial	128,232	140,421	(4,953)	135,468	(7,236)	232,801
Total public works	1,484,382	1,419,290	(39,994)	1,379,296	105,086	2,666,318
Library:						
Salaries and benefits	338,231	324,791	(13,395)	311,396	26,835	650,038
Maintenance and operations	102,592	101,125	-	101,125	1,467	166,087
Total library	440,823	425,916	(13,395)	412,521	28,302	816,125
Airport:						
Salaries and benefits	48,323	52,694	(1,933)	50,761	(2,438)	100,368
Maintenance and operations	80,496	71,754	-	71,754	8,742	96,098
Total airport	128,819	124,448	(1,933)	122,515	6,304	196,466
Non-Departmental:						
Settlement	-	275,000	-	275,000	(275,000)	-
Museum	69,000	69,000	-	69,000	-	69,000
Homer Foundation Non-Profit	25,000	25,000	-	25,000	-	25,000
Total non-departmental	94,000	369,000	-	369,000	(275,000)	94,000
Total Expenditures	6,335,783	6,557,337	(224,297)	6,333,040	2,743	11,683,192
Excess of Revenues Over (Under)						
Expenditures	(3,367,420)	(2,003,455)	-	(2,003,455)	1,363,965	1,797,276
Other Financing Sources (Uses):						
Transfers in	3,447,280	13,356	-	13,356	(3,433,924)	658,680
Transfers out	(79,860)	(79,860)	-	(79,860)	-	(500,146)
Net Change in Fund Balance	\$ -	(2,069,959)	-	(2,069,959)	(2,069,959)	1,955,810
Fund Balance, beginning		12,007,397		12,007,397		10,051,587
Fund Balance, ending		\$ 9,937,438		9,937,438		\$ 12,007,397

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, 2021	Utility Operations 200	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Assets				
Cash and investments	\$ 284,015	(1,436,855)	4,230,710	3,077,870
Accounts receivable	381,342	-	-	381,342
Inventory	560,726	-	-	560,726
Total Assets	\$ 1,226,083	(1,436,855)	4,230,710	4,019,938
Liabilities				
Accounts payable	\$ 155,155	30,424	47,271	232,850
Accrued payroll and related liabilities	45,078	7,800	-	52,878
Customer deposits	46,834	-	-	46,834
Total Liabilities	247,067	38,224	47,271	332,562
Fund Balances (Deficits)				
Nonspendable - inventory and prepaid	560,726	-	-	560,726
Assigned - water and sewer	418,290	(1,475,079)	4,183,439	3,126,650
Total Fund Balances (Deficits)	979,016	(1,475,079)	4,183,439	3,687,376
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,226,083	(1,436,855)	4,230,710	4,019,938

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

<i>Six Months Ended June 30, 2021</i>	Budget	Actual	Variance
Revenues			
Intergovernmental	\$ -	\$ 43,989	\$ 43,989
Charges for services:			
Water charges and connection fees	915,862	890,446	(25,416)
Sewer charges and connection fees	874,327	811,305	(63,022)
Total charges for services	1,790,189	1,701,751	(88,438)
Investment income	57,957	(836)	(58,793)
Total Revenues	1,848,146	1,744,904	(103,242)
Expenditures			
Water:			
Administration	284,018	269,590	14,428
Treatment plant	334,913	283,620	51,293
Water system testing	13,700	15,545	(1,845)
Pumping stations	44,223	47,020	(2,797)
Distribution system	164,132	202,231	(38,099)
Water reservoir	8,883	5,811	3,072
Water meters	86,983	73,802	13,181
Water hydrants	96,050	100,681	(4,631)
Total water	1,032,902	998,300	34,602
Sewer:			
Administration	243,008	238,217	4,791
Sewer plant operations	356,207	333,730	22,477
Sewer system testing	7,250	6,789	461
Sewer lift stations	101,968	93,752	8,216
Collection system	192,435	160,910	31,525
Total Sewer	900,868	833,398	67,470
Debt service:			
Principal	-	-	-
Interest	-	5,196	(5,196)
Total debt service	-	5,196	(5,196)
Capital outlay	-	350,934	(350,934)
Total Expenditures	1,933,770	2,187,828	(254,058)
Excess of Expenditures Over Revenues	(85,624)	(442,924)	(357,300)
Other Financing Sources (Uses)			
Transfers in	45,673	48,122	2,449
Transfers out	(13,492)	(2,921,497)	(2,908,005)
Net Change in Fund Balance	<u>(53,443)</u>	<u>(3,316,299)</u>	<u>\$ (3,262,856)</u>
Fund Balance, beginning		<u>7,003,675</u>	
Fund Balance, ending		<u>\$ 3,687,376</u>	

City of Homer, Alaska

Utility Special Revenue Fund

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

<i>Six Months Ended June 30, 2021</i>	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Revenues					
Intergovernmental	\$ 43,989	-	-	-	43,989
Charges for services:					
Water charges and connection fees	890,446	-	-	-	890,446
Sewer charges and connection fees	811,305	-	-	-	811,305
Total charges for services	1,701,751	-	-	-	1,701,751
Investment income	(836)	-	-	-	(836)
Total Revenues	1,744,904	-	-	-	1,744,904
Expenditures					
Water:					
Administration	269,590	-	-	-	269,590
Treatment plant	283,620	-	-	-	283,620
Water system testing	15,545	-	-	-	15,545
Pumping stations	47,020	-	-	-	47,020
Distribution system	202,231	-	-	-	202,231
Water reservoir	5,811	-	-	-	5,811
Water meters	73,802	-	-	-	73,802
Water hydrants	100,681	-	-	-	100,681
Total water	998,300	-	-	-	998,300
Sewer:					
Administration	238,217	-	-	-	238,217
Sewer plant operations	333,730	-	-	-	333,730
Sewer system testing	6,789	-	-	-	6,789
Sewer lift stations	93,752	-	-	-	93,752
Collection system	160,910	-	-	-	160,910
Total Sewer	833,398	-	-	-	833,398
Debt service:					
Principal	-	-	-	-	-
Interest	839	-	-	4,357	5,196
Total debt service	839	-	-	4,357	5,196
Capital outlay	-	-	54,512	296,422	350,934
Total Expenditures	1,832,537	-	54,512	300,779	2,187,828
Excess of Revenues Over (Under)					
Expenditures	(87,633)	-	(54,512)	(300,779)	(442,924)
Other Financing Sources (Uses)					
Transfers in	48,122	-	-	-	48,122
Transfers out	(12,390)	(2,909,107)	-	-	(2,921,497)
Net Change in Fund Balances	(51,901)	(2,909,107)	(54,512)	(300,779)	(3,316,299)
Fund Balances (Deficits), beginning	1,030,917	2,909,107	(1,420,567)	4,484,218	7,003,675
Fund Balances (Deficits), ending	979,016	-	(1,475,079)	4,183,439	3,687,376

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, 2021	December 31, 2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 2,767,841	\$ 3,016,325
Receivables:		
Accounts, net of allowance for doubtful accounts of \$24,706 (\$101,658 in 2020)	364,474	245,744
State and federal grants	-	68
Prepaid items	35,926	100,405
Total Current Assets	3,168,241	3,362,542
Noncurrent Assets		
Restricted cash and investments - bond reserves	317,980	317,980
Net OPEB assets	142,390	142,390
Property, Plant and Equipment		
Property, plant and equipment in service	74,282,078	74,060,335
Land and land improvements	15,804,641	15,804,641
Construction work in progress	30,713	63,295
Less accumulated depreciation	(42,581,812)	(41,498,349)
Net Property, Plant and Equipment	47,535,620	48,429,922
Total Noncurrent Assets	47,995,990	48,890,292
Total Assets	51,164,231	52,252,834
Deferred Outflows of Resources:		
Pension related	219,198	148,730
OPEB related	92,278	86,242
Total Deferred Outflows of Resources	311,476	234,972
Total Assets and Deferred Outflows of Resources	\$ 51,475,707	\$ 52,487,806

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

	June 30, 2021	December 31, 2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 144,488	\$ 108,167
Accrued payroll and related liabilities	62,544	45,321
Accrued leave	92,000	91,000
Accrued interest payable	6,614	10,842
General obligation bonds payable	185,000	160,000
Prepaid berth rentals and deposits	411,833	1,165,846
Unearned lease revenue	18,000	18,000
Interfund loan	36,255	36,255
Total Current Liabilities	956,734	1,635,431
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	117,000	126,000
Interfund loan	8,718	68,509
Accrued leave long term	158,178	194,564
General obligation bonds payable including bond premium	2,716,699	2,901,699
Net pension liabilities	1,707,117	1,707,117
Total Noncurrent Liabilities	4,707,712	4,997,889
Total Liabilities	5,664,446	6,633,320
Deferred Inflows of Resources:		
Pension related	33,818	33,818
OPEB related	117,605	117,605
Total Deferred Inflows of Resources	151,423	151,423
Net Position		
Net investment in capital assets	44,633,921	45,368,223
Unrestricted (deficit)	1,025,917	334,840
Total Net Position	45,659,838	45,703,063
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 51,475,707	\$ 52,487,806

City of Homer, Alaska

Port of Homer Enterprise Fund

Statements of Revenues, Expenses, and Changes in Net Position

	<i>Six Months Ended June 30, 2021</i>	<i>Year Ended December 31, 2020</i>
Operating Revenues		
Harbor	\$ 1,762,249	\$ 3,370,755
Main dock	105,535	233,554
Fish dock	201,431	453,422
Deep water dock	100,782	239,926
Rents, leases and storage	289,604	617,531
Fish grinder	1,040	6,360
Total Operating Revenues	2,460,641	4,921,548
Operating Expenses		
Harbor	866,920	1,634,691
Main dock	59,845	118,735
Fish dock	259,734	531,691
Deep water dock	91,038	180,978
Fish grinder	6,133	19,027
Administration	338,949	1,146,429
Depreciation	1,083,463	2,169,002
Total Operating Expenses	2,706,082	5,800,553
Operating Loss	(245,441)	(879,005)
Nonoperating Revenues (Expenses)		
Investment income (loss)	(3,078)	37,796
Interest expense	(72,970)	(125,809)
State PERS relief	46,050	90,217
Other income	56,135	95,309
Cruise ship tax	-	70,890
Fish tax	-	71,970
Net Nonoperating Revenues (Expenses)	26,137	240,373
Loss Before Transfers and Capital Contributions	(219,304)	(638,632)
Transfers in (out)	176,147	2,576
Capital contributions	(68)	71,867
Change in Net Position	(43,225)	(564,189)
Beginning Net Position	45,703,063	46,267,252
Ending Net Position	\$ 45,659,838	\$ 45,703,063

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

	<i>Six Months Ended June 30, 2021</i>	<i>Year Ended December 31, 2020</i>
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,635,033	\$ 5,117,179
Payments to suppliers	161,617	(1,972,892)
Payments to employees	(1,732,053)	(1,904,035)
Net cash flows from (for) operating activities	64,597	1,240,252
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	176,147	2,576
Net cash flows from (for) noncapital financing activities	176,147	2,576
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(135,274)	(149,999)
Interest paid on long-term debt	(101,924)	(151,051)
Capital contributions received	-	107,583
Cruise ship tax and fish tax received	-	142,860
Acquisition of property, plant and equipment	(189,161)	(93,597)
Decrease in interfund loan	(59,791)	(62,613)
Net cash flows from (for) capital and related financing activities	(486,150)	(206,817)
Cash Flows from Investing Activities		
Investment income received	(3,078)	37,796
Net (Decrease) Increase in Cash and Investments	(248,484)	1,073,807
Beginning Cash and Investments	3,334,305	2,260,498
Ending Cash and Investments	\$ 3,085,821	\$ 3,334,305

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

	<i>Six Months Ended June 30, 2021</i>	<i>Year Ended December 31, 2020</i>
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (245,441)	\$ (879,005)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	1,083,463	2,169,002
Noncash expense - PERS relief	46,050	90,217
Increase (decrease) in allowance for doubtful accounts	(75,559)	(1,393)
Amortization of deferred lease revenue	(9,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	56,135	95,309
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(43,171)	70,936
Inventory	-	-
Prepaid items	64,479	(36,460)
Deferred outflows of resources related to pensions	(70,468)	771
Deferred outflows of resources related to OPEB	(6,036)	26,866
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	36,321	11,683
Accrued payroll and related liabilities	17,223	27,578
Accrued leave	(35,386)	25,554
Prepaid berth rentals and deposits	(754,013)	48,779
Net pension liability	-	(204,259)
Net OPEB (assets) liabilities	-	(192,558)
Deferred inflows of resources related to pensions	-	(41,272)
Deferred inflows of resources related to OPEB	-	46,504
 Net Cash Flows from (for) Operating Activities	 \$ 64,597	 \$ 1,240,252

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

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Bonds 457	Cruise Ship Landing Tax 460	Total Port Fund
June 30, 2021							
Assets and Deferred Outflows of Resources							
Current Assets							
Cash and investments	\$ (2,688,347)	240,761	214,394	2,701,033	2,300,000	-	2,767,841
Receivables:							
Trade, net of allowance for doubtful accounts	364,474	-	-	-	-	-	364,474
Prepaid items	35,926	-	-	-	-	-	35,926
Total Current Assets	(2,287,947)	240,761	214,394	2,701,033	2,300,000	-	3,168,241
Noncurrent Assets							
Restricted cash and investments - bond reserves	317,980	-	-	-	-	-	317,980
Net OPEB assets	142,390	-	-	-	-	-	142,390
Property, plant and equipment:							
Property, plant and equipment in service	74,282,078	-	-	-	-	-	74,282,078
Land and land improvements	15,804,641	-	-	-	-	-	15,804,641
Construction work in progress	30,713	-	-	-	-	-	30,713
Less accumulated depreciation	(42,581,812)	-	-	-	-	-	(42,581,812)
Net Property, Plant and Equipment	47,535,620	-	-	-	-	-	47,535,620
Total Noncurrent Assets	47,995,990	-	-	-	-	-	47,995,990
Total Assets	45,708,043	240,761	214,394	2,701,033	2,300,000	-	51,164,231
Deferred Outflows of Resources:							
Pension related	219,198	-	-	-	-	-	219,198
OPEB related	92,278	-	-	-	-	-	92,278
Total Deferred Outflows of Resources	311,476	-	-	-	-	-	311,476
Total Assets and Deferred Outflows of Resources	\$ 46,019,519	240,761	214,394	2,701,033	2,300,000	-	51,475,707

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

	Port & Harbor	Capital Projects	Fleet Reserve	Capital Outlay Reserve	Bonds	Cruise Ship Landing Tax	Total Port Fund
June 30, 2021	400	415	452	456	457	460	
Liabilities, Deferred Inflows of Resources, and Net Position							
Liabilities							
Current Liabilities							
Accounts payable	\$ 126,783	-	-	17,705	-	-	144,488
Accrued payroll and related liabilities	62,544	-	-	-	-	-	62,544
Accrued leave	92,000	-	-	-	-	-	92,000
Accrued interest payable	6,614	-	-	-	-	-	6,614
General obligation bonds payable	165,000	-	-	-	20,000	-	185,000
Prepaid berth rentals and deposits	411,833	-	-	-	-	-	411,833
Unearned lease revenue	18,000	-	-	-	-	-	18,000
Interfund loan	36,255	-	-	-	-	-	36,255
Total Current Liabilities	919,029	-	-	17,705	20,000	-	956,734
Noncurrent Liabilities, net of current portion:							
Unearned lease revenue	117,000	-	-	-	-	-	117,000
Interfund loan	8,718	-	-	-	-	-	8,718
Accrued leave long term	158,178	-	-	-	-	-	158,178
General obligation bonds payable including bond premium	436,699	-	-	-	2,280,000	-	2,716,699
Net pension liabilities	1,707,117	-	-	-	-	-	1,707,117
Total Noncurrent Liabilities	2,427,712	-	-	-	2,280,000	-	4,707,712
Total Liabilities	3,346,741	-	-	17,705	2,300,000	-	5,664,446
Deferred Inflows of Resources:							
Pension related	33,818	-	-	-	-	-	33,818
OPEB related	117,605	-	-	-	-	-	117,605
Total Deferred Inflows of Resources	151,423	-	-	-	-	-	151,423
Net Position							
Net investment in capital assets	46,933,921	-	-	-	(2,300,000)	-	44,633,921
Unrestricted (deficit)	(4,412,566)	240,761	214,394	2,683,328	2,300,000	-	1,025,917
Total Net Position	42,521,355	240,761	214,394	2,683,328	-	-	45,659,838
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 46,019,519	240,761	214,394	2,701,033	2,300,000	-	51,475,707

City of Homer, Alaska

Port of Homer Enterprise Fund

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

	Port & Harbor	Capital Projects	Fleet Reserve	Capital Outlay Reserve	Bonds	Cruise Ship Landing Tax	Total Port Fund
Six Months Ended June 30, 2021	400	415	452	456	457	460	
Operating Revenues							
Harbor	\$ 1,762,249	-	-	-	-	-	1,762,249
Main dock	105,535	-	-	-	-	-	105,535
Fish dock	201,431	-	-	-	-	-	201,431
Deep water dock	100,782	-	-	-	-	-	100,782
Rents, leases and storage	289,604	-	-	-	-	-	289,604
Fish grinder	1,040	-	-	-	-	-	1,040
Total Operating Revenues	2,460,641	-	-	-	-	-	2,460,641
Operating Expenses							
Harbor	812,694	13,260	-	40,966	-	-	866,920
Main dock	59,845	-	-	-	-	-	59,845
Fish dock	259,734	-	-	-	-	-	259,734
Deep water dock	91,038	-	-	-	-	-	91,038
Fish grinder	6,133	-	-	-	-	-	6,133
Administration	338,949	-	-	-	-	-	338,949
Depreciation	1,083,463	-	-	-	-	-	1,083,463
Total Operating Expenses	2,651,856	13,260	-	40,966	-	-	2,706,082
Operating Loss	(191,215)	(13,260)	-	(40,966)	-	-	(245,441)
Nonoperating Revenues (Expenses)							
Investment income (expense)	(3,078)	-	-	-	-	-	(3,078)
Interest expense	(72,970)	-	-	-	-	-	(72,970)
State PERS relief	46,050	-	-	-	-	-	46,050
Other income	50,272	5,700	-	163	-	-	56,135
Net Nonoperating Revenues (Expenses)	20,274	5,700	-	163	-	-	26,137
Income (Loss) Before Transfers and Capital Contributions	(170,941)	(7,560)	-	(40,803)	-	-	(219,304)
Transfers in (out)	(13,107)	8,790	-	251,354	-	(70,890)	176,147
Capital contributions	-	(68)	-	-	-	-	(68)
Change in Net Position	(184,048)	1,162	-	210,551	-	(70,890)	(43,225)
Beginning Net Position	42,705,403	239,599	214,394	2,472,777	-	70,890	45,703,063
Ending Net Position	\$ 42,521,355	240,761	214,394	2,683,328	-	-	45,659,838

Internal Service Funds

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

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

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

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

June 30, 2021	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ -	\$ -	\$ -
Liabilities and Net Position			
Current Liabilities			
Accounts payable	2,121	-	2,121
Due to other funds	109,270	96,796	206,066
Total Current Liabilities	111,391	96,796	208,187
Net Position			
Unrestricted (deficit)	(111,391)	(96,796)	(208,187)
Total Liabilities and Net Position	\$ -	\$ -	\$ -

City of Homer, Alaska

Internal Service Funds

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

Six Months Ended June 30, 2021	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 768,762	\$ 94,958	\$ 863,720
Employee health contributions	94,845	-	94,845
Total Operating Revenues	863,607	94,958	958,565
Operating Expenses			
Salaries and benefits	-	159,767	159,767
Insurance premiums	999,748	-	999,748
Administration	12,500	-	12,500
Employee incentive fees	61,227	-	61,227
Total Operating Expenses	1,073,475	159,767	1,233,242
Transfers in	3,766	-	3,766
Change in Net Position	(206,102)	(64,809)	(270,911)
Beginning Net Position	94,711	(31,987)	62,724
Ending Net Position	\$ (111,391)	\$ (96,796)	\$ (208,187)

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

Six Months Ended June 30, 2021	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 863,607	\$ 94,958	\$ 958,565
Payments to employees	(61,227)	(159,767)	(220,994)
Payments for insurance, claims, and administration	(1,011,140)	-	(1,011,140)
Net cash flows from (for) operating activities	(208,760)	(64,809)	(273,569)
Cash Flows from (for) Noncapital Financing Activities			
Increase in due to other funds	109,270	64,809	174,079
Transfers in (out)	3,766	-	3,766
Net cash flows from (for) noncapital financing activities	113,036	64,809	177,845
Net Decrease in Cash and Investments	(95,724)	-	(95,724)
Cash and Investments, beginning	95,724	-	95,724
Cash and Investments, ending	\$ -	\$ -	\$ -
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities			
Operating income	\$ (209,868)	\$ (64,809)	\$ (274,677)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	1,108	-	1,108
Net Cash Flows from (for) Operating Activities	\$ (208,760)	\$ (64,809)	\$ (273,569)

Government Auditing Standards Report



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Homer (the City), as of and for the six months ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Homer'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Homer's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Homer'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 of Homer'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 the City of Homer's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Homer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
September 27, 2022

City of Homer, Alaska
Schedule of Findings and Responses
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

Noncompliance material to financial statements noted?	___ yes	<u>X</u> no
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Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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