



Homer City Hall

491 E. Pioneer Avenue

Homer, Alaska 99603

www.cityofhomer-ak.gov

City of Homer Agenda

City Council Committee of the Whole

Monday, December 14, 2020 at 5:00 PM

City Hall Cowles Council Chambers via Zoom

Dial: (669) 900 6833 or (253) 215 8782 or Toll Free (888) 788 0099 or (877) 853 5247

Webinar ID: 953 097 829 Password: 234969

CALL TO ORDER, 5:00 P.M.

AGENDA APPROVAL (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual, pg. 6)

CONSENT AGENDA

REGULAR MEETING AGENDA

DISCUSSION TOPIC(S)

- [Audit](#) Report - BDO

COMMENTS OF THE AUDIENCE

ADJOURNMENT NO LATER THAN 5:50 P.M.

Next Regular Meeting is Monday, January 11, 2021 at 6:00 p.m., Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.



City of Homer, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Government Auditing
Standards Report
Year Ended December 31, 2019

City of Homer, Alaska

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

Year Ended December 31, 2019



City of Homer

www.cityofhomer-ak.gov

This page intentionally left blank.

City of Homer, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		6-16
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	18-19
Statement of Activities	A-2	20
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	21
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	22
Statement of Revenues, Expenditures, and		
Changes in Fund Balances (Deficit)	B-3	23
Reconciliation of the Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	24
Proprietary Funds:		
Statement of Net Position	C-1	25-26
Statement of Revenues, Expenses, and Changes		
in Net Position	C-2	27
Statement of Cash Flows	C-3	28-29
Notes to Basic Financial Statements		30-64
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget and Actual:		
General Fund	D-1	66
Utility Special Revenue Fund	D-2	67
Public Employees Retirement System:		
Schedule of the City's Information on the Net Pension Liability	E-1	68
Schedule of the City's Information on the Net OPEB Liability (Assets)	E-2	69
Schedule of City Contributions - Pension	E-3	70
Schedule of City Contributions - OPEB	E-4	71
Notes to Required Supplementary Information		72

City of Homer, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	76-77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	78-79
General Fund:		
Balance Sheets	G-1	81
Schedules of Revenues, Expenditures, and Changes in Fund Balance – with 2019 Budget and Actual	G-2	82-86
Utility Special Revenue Fund:		
Combining Balance Sheet	H-1	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	H-2	89
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficits)	H-3	90
Port of Homer Enterprise Fund:		
Statements of Net Position	I-1	92-93
Statements of Revenues, Expenses, and Changes in Net Position	I-2	94
Statements of Cash Flows	I-3	95-96
Combining Schedule of Net Position	I-4	97-98
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Deficits)	I-5	99
Internal Service Funds:		
Combining Statement of Net Position	J-1	101
Combining Statement of Revenues, Expenses, and Changes in Net Position	J-2	102
Combining Statement of Cash Flows	J-3	103
Health Insurance Internal Service Fund:		
Statements of Net Position	J-4	104
Statements of Revenues, Expenses, and Changes in Net Position	J-5	105
Statements of Cash Flows	J-6	106

City of Homer, Alaska

Table of Contents

Exhibit Page

Supplementary Information, continued

Combining and Individual Fund Financial Statements and Schedules, continued:

Leave Cash-out Internal Service Fund:

Statements of Net Position	J-7	107
Statements of Revenues, Expenses, and Changes in Net Position (Deficit)	J-8	108
Statements of Cash Flows	J-9	109

Government Auditing Standards Report

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 <i>Government Auditing Standards</i>	111-112
---	---------

Summary of Findings and Responses	113
-----------------------------------	-----

This page intentionally left blank.



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer Alaska (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Opinions

In our opinion, the 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 Alaska, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, the budgetary comparison schedules on pages 66 and 67, and the schedules of the City's information on the net pension and OPEB liability (assets) and City contributions to the pension and OPEB plans on pages 68 through 71, be presented to supplement the basic financial statements. Such information, 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 accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the table of contents are 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. Such 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 supplementary information is 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, 2018 (not presented herein), and have issued our report thereon dated October 10, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2018 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 2018 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 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 City of Homer's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage Alaska
December 7, 2020

This page intentionally left blank.

Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

The City of Homer management offers readers financial statements, narrative overview, and analysis of the financial activities of the City of Homer for the fiscal year ending December 31, 2019. 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 December 31, 2019, by \$139,533,734 (Net Position). Of this amount, unrestricted net position of \$13,889,064 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$4,923,831 from current year activity. For the fiscal year, governmental type activities increased by \$5,678,608 and business type activities decreased by \$754,777.

As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$30,163,426, an increase of \$6,775,719 from the prior year. A combination of factors contributed to the increase, but primarily due to an increase in property taxes and an overall decrease in spending. The Gas-Line Capital Project fund resulted in an increase of \$311,474 to the fund balance; The HART-Road Capital Project fund resulted in a decrease of \$132,301 to the fund balance; the Utility (Water & Sewer) Special Revenue fund balance increased by \$1,916,808; the City Facilities fund balance increased by \$1,955,704; the General fund balance increased by \$2,896,506; all other Non-Major fund balances have a net decrease of \$172,472.

- At the end of the current year, the fund balance for the General fund was \$10,051,587. Of this amount, \$9,522,558 was unassigned and available for future use.
- At year-end, the City of Homer's outstanding governmental debt totaled \$27,298,032. Business-type debt outstanding was \$5,457,978. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liability.

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.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the port and harbor fund.

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

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

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2019

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

Government-wide Financial Statements

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

- The statement of net position presents information on all of the City's assets and liabilities, 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 fiscal year. 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 fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

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

The City of Homer maintains twenty two 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 2019 fiscal year, the City's net position (assets exceeding liabilities) totaled \$139,534 (see Table A-1). Of this amount, \$118,199 or 85%, 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.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

The restricted balance of \$7,446 in the governmental activities is for capital projects and bond reserve. The total unrestricted amount totals \$13,889 and is available to meet the City's ongoing obligations to citizens and creditors.

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	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 39,920	\$ 33,931	\$ 2,566	\$ 1,945	\$ 42,486	\$ 35,876
Capital assets	82,839	81,096	50,505	52,461	133,344	133,557
Total Assets	122,759	115,027	53,071	54,406	175,830	169,433
Deferred outflows	1,341	1,399	262	277	1,603	1,675
Total Assets and Deferred Outflows	124,100	116,426	53,333	54,683	177,433	171,109
Liabilities						
Noncurrent						
liabilities	27,299	25,328	5,457	5,930	32,756	31,258
Other liabilities	2,846	2,591	1,405	1,481	4,251	4,072
Total Liabilities	30,145	27,919	6,862	7,411	37,007	35,330
Deferred inflows	746	976	146	193	892	1,169
Total Liabilities and Deferred Inflows	30,891	28,895	7,008	7,604	37,899	36,499
Net Position						
Net investment in						
capital assets	70,930	71,427	47,269	49,054	118,199	120,481
Restricted	7,446	7,502	-	-	7,446	7,502
Unrestricted	14,833	8,602	(944)	(1,975)	13,889	6,627
Total Net Position	\$ 93,209	\$ 87,531	\$ 46,325	\$ 47,079	\$ 139,534	\$ 134,610

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for services	\$ 5,876	\$ 5,303	\$ 4,964	\$ 4,758	\$ 10,840	\$ 10,061
Operating grants and contributions	957	1,384	71	50	1,028	1,434
Capital grants and contributions	1,085	313	49	409	1,134	722
General Revenues						
Property taxes	3,680	3,526	-	-	3,624	3,526
Sales taxes	10,324	7,657	-	-	10,324	7,657
Other	1,012	322	82	74	1,094	396
Total Revenues	22,934	18,505	5,167	5,291	28,101	23,796
Expenses						
General government	3,182	3,059	-	-	3,182	3,059
Public safety	4,095	4,254	-	-	4,095	4,254
Public works	4,029	3,802	-	-	4,029	3,802
Library	996	1,028	-	-	996	1,028
Airport	251	253	-	-	251	253
Community services	100	93	-	-	100	93
Water and sewer	4,131	4,286	-	-	4,131	4,286
Unallocated interest	372	332	-	-	372	332
Port and harbor	-	-	5,920	5,996	5,920	5,996
Total Expenses	17,156	17,107	5,920	5,996	23,076	23,103
Increase (decrease) in net position before transfers and special item	\$ 5,778	\$ 1,398	\$ (753)	\$ (705)	\$ 5,025	\$ 693

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Transfers	\$ 1	\$ (463)	\$ (1)	\$ 463	\$ -	\$ -
Special item	(101)	(3)	-	-	(101)	(3)
Increase (Decrease) In Net Position	5,678	932	(754)	(242)	4,924	690
Net Position, beginning	87,531	88,724	47,079	47,763	134,610	136,487
Net Position, ending	\$ 93,209	\$ 87,531	\$ 46,325	\$ 47,079	\$ 139,534	\$ 134,610

The City's net position increased by \$4,924. Revenues exceeded expenses in the governmental activities by \$5,778 and in the business-type activities expenses exceeded revenues by \$754. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased by \$4,429 in 2019 from 2018. This is mainly due to an increase of \$2,667, \$772, and \$690 in charges for services, capital grants and contributions, and other revenues, respectively.
- Expenses in the governmental activities increased by \$49 in 2019 from 2018. This is mainly due to a decrease of \$159 in public safety being offset by an increase of \$227 in public works.
- Revenues in the business-type activities decreased by \$125 in 2019 from 2018. This is mainly due to a decrease in capital grants and contributions of \$360 being offset by an increase of \$205 in charges for services.
- Expenses in the business-type activities also decreased by \$76 in 2019 from 2018.
- Sales Taxes reflect an increase from 2018. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2019 to 2018 are as follows:

Sales Taxes	2019	2018	Change
Fund			
General	\$ 8,741	\$ 6,413	\$ 2,328
Utility (Water & Sewer – HAWSP)	1,583	1,244	339
Total	\$ 10,324	\$ 7,657	\$ 2,667

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

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 fiscal year.

As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$30,163, an increase of \$6,776 compared to balances a year earlier. Of the ending balance, \$8,536, or 28% is unassigned. Most of the remaining fund balance is restricted for roads and police station construction \$9,099, committed for police station construction \$1,210, or assigned for future capital projects and other purposes \$11,127; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$784. The increase of total fund balance during the year is attributed to:

- General Fund net change in fund balance of \$2,897
- Utility Special Revenue Fund's fund balance increased by \$1,917. This is mainly due to increase in sales taxes of \$339, intergovernmental revenues of \$592, and net transfers in of \$780.
- Issuance of bonds for construction of city facilities of \$4,804.

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.
- General Fund Expenditures: Final Budget was above Original Budget by \$60 and actual expenditures were below Final Budget by \$194.
- 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 \$1,663.

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 December 31, 2019, totals \$133,344 (net of accumulated depreciation). This amount represents a \$213 decrease over the previous year.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2019

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 11,559	\$ 11,559	\$ 15,805	\$ 15,805	\$ 27,364	\$ 27,364
Construction in progress	4,802	844	183	583	4,985	1,427
Buildings	52,360	51,716	16,381	16,381	68,741	68,097
Improvements other than buildings	53,835	53,518	54,303	53,701	108,138	107,219
Machinery and equipment	16,686	16,597	3,163	3,163	19,849	19,760
Infrastructure	37,056	37,056	-	-	37,056	37,056
Accumulated depreciation	(93,459)	(90,193))	(39,330)	(37,172)	(132,789)	(127,365)
Total Capital Assets	\$ 82,839	\$ 81,097	\$ 50,505	\$ 52,461	\$ 133,344	\$ 133,558

Major Capital Asset Events During the 2019 Year Included

Capital Projects Completed

Governmental Funds:

- Water Storage Building
- City Hall Roof Replacement
- Police Department Equipment Upgrades

Port & Harbor (Enterprise Fund):

- Harbor Ramp 2 Restrooms

On-Going Projects

Governmental Funds:

- Police Station
- Sewer Plant HVAC Replacement
- Quiet Creek Tank Piping

Port & Harbor (Enterprise Fund):

- Barge Mooring Haul Out Repair Facility

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2019

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

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable - utility	\$ 8,731	\$ 9,612	\$ -	\$ -	\$ 8,731	\$ 9,612
General obligation bonds payable—police station	4,804	-	-	-	4,804	-
Capital Leases	27	58	-	-	27	58
Special assessment bond with government commitment	3,020	3,560	-	-	3,020	3,560
General obligation bond payable	-	-	2,915	3,060	2,915	3,060
Unamortized bond premium	-	-	321	346	321	346
Total	16,582	13,230	3,236	3,406	19,818	16,636
Net pension liability	9,758	9,478	1,912	1,878	11,670	11,356
Net OPEB liability	256	1,940	50	385	306	2,325
Compensated absences	702	681	260	260	962	941
Total Long-term Debt	\$ 27,298	\$ 25,329	\$ 5,458	\$ 5,929	\$ 32,756	\$ 31,258

Long-term liabilities - At the end of the 2019 year, the City of Homer had total debt outstanding of \$19,818 as detailed in Table A-4. This excludes \$11,670 related to net pension liability, \$306 related to the net OPEB liability, and \$962 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.

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2019

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

Economic Factors and Next Year's Budgets and Rates

The State's fiscal situation remains uncertain. The novel coronavirus pandemic has caused increased uncertainty in the City of Homer's future revenue and expenditure activities. However, the City of Homer is expected to receive approximately \$7,899 in federal funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which is expected to be utilized during 2020 and 2021.

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

December 31, 2019	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 26,878,867	1,999,811	28,878,678
Receivables, net of allowance for doubtful accounts:			
Accounts	369,826	315,287	685,113
Sales and property taxes	1,626,048	-	1,626,048
State and federal grants and loans	713,843	35,784	749,627
Assessments	6,618,500	-	6,618,500
Internal balances	167,377	(167,377)	-
Inventory	432,949	-	432,949
Prepaid items	189,870	63,945	253,815
Restricted cash and investments	2,922,452	317,980	3,240,432
Capital assets not being depreciated:			
Land and land improvements	11,559,401	15,804,641	27,364,042
Construction work in progress	4,802,012	182,951	4,984,963
Other capital assets, net of accumulated depreciation	66,477,903	34,517,735	100,995,638
Total Assets	122,759,048	53,070,757	175,829,805
Deferred Outflows of Resources:			
Related to pensions	763,202	149,501	912,703
Related to OPEB	577,420	113,108	690,528
Total Deferred Outflows of Resources	1,340,622	262,609	1,603,231
Total Assets and Deferred Outflows of Resources	\$ 124,099,670	53,333,366	177,433,036

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

Accounts payable	\$ 644,024	96,484	740,508
Enstar FMA refunds	1,865,178	-	1,865,178
Accrued payroll and related liabilities	143,631	17,743	161,374
Accrued interest payable	86,174	11,358	97,532
Prepaid rentals and deposits	54,890	1,117,067	1,171,957
Unearned revenue	47,011	18,000	65,011
Unearned grant revenue	5,237	-	5,237
Unearned lease revenue	-	144,000	144,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	559,000	96,000	655,000
Notes payable	869,522	-	869,522
Capital lease	27,617	-	27,617
General obligation bonds payable	190,000	150,000	340,000
Special assessment bond payable with government commitment to Kenai Peninsula Borough	556,686	-	556,686

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Net Position, continued

December 31, 2019	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	143,403	164,010	307,413
Notes payable	7,861,086	-	7,861,086
General obligation bonds payable including bond premium	4,614,048	3,086,424	7,700,472
Special assessment bond payable with government commitment to Kenai Peninsula Borough	2,462,976	-	2,462,976
Net pension liability	9,757,589	1,911,376	11,668,965
Net OPEB liability	256,105	50,168	306,273
Total Liabilities	30,144,177	6,862,630	37,006,807
Deferred Inflows of Resources:			
Pension related	383,335	75,090	458,425
OPEB related	362,969	71,101	434,070
Total Deferred Inflows of Resources	746,304	146,191	892,495
Net Position			
Net investment in capital assets	70,929,495	47,268,903	118,198,398
Restricted for:			
Roads and trails	7,376,132	-	7,376,132
Special service district	70,140	-	70,140
Unrestricted (deficit)	14,833,422	(944,358)	13,889,064
Total Net Position	93,209,189	46,324,545	139,533,734
Total Liabilities, Deferred Inflows of Resources, and Net Position	124,099,670	53,333,366	177,433,036

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Year Ended December 31, 2019

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 3,182,225	1,023,697	117,967	82,245	(1,958,316)	-	(1,958,316)
Public safety	4,095,116	242,727	672,450	-	(3,179,939)	-	(3,179,939)
Public works	4,027,873	178,663	53,019	-	(3,796,191)	-	(3,796,191)
Library	996,102	-	43,473	-	(952,629)	-	(952,629)
Airport	251,165	218,798	2,959	-	(29,408)	-	(29,408)
Community services	99,865	42,279	-	-	(57,586)	-	(57,586)
Water	2,590,671	2,302,176	38,101	1,002,459	752,065	-	752,065
Sewer	1,540,143	1,867,603	28,828	-	356,288	-	356,288
Unallocated interest	372,322	-	-	-	(372,322)	-	(372,322)
Total Governmental Activities	17,155,482	5,875,943	956,797	1,084,704	(9,238,038)	-	(9,238,038)
Business-type Activities							
Port and harbor	5,920,040	4,963,416	70,760	49,062	-	(836,802)	(836,802)
Total	\$ 23,075,522	10,839,359	1,027,557	1,133,766	(9,238,038)	(836,802)	(10,074,840)
General Revenues							
Property taxes				\$ 3,680,016	-		3,680,016
Sales taxes				10,323,783	-		10,323,783
Grants and entitlements not restricted to a specific purpose				48,996	59,647		108,643
Investment income				867,720	23,300		891,020
Other income				100,011	-		100,011
Loss on Disposal				(4,073)	-		(4,073)
Transfers				922	(922)		-
Total General Revenues, Transfers, and Loss on Disposal				15,017,375	82,025		15,099,400
Special Item - construction of gas pipeline on behalf of third parties				(100,729)	-		(100,729)
Change in Net Position				5,678,608	(754,777)		4,923,831
Beginning Net Position				87,530,581	47,079,322		134,609,903
Ending Net Position				\$ 93,209,189	46,324,545		139,533,734

See accompanying notes to basic financial statements.

City of Homer, Alaska
Governmental Funds
Balance Sheet

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
December 31, 2019							
Assets							
Cash and investments	\$ 8,307,578	4,903,438	2,384,743	-	5,693,799	5,316,643	26,606,201
Receivables, net of allowance:							
Accounts	172,180	196,875	-	-	-	771	369,826
Property taxes	100,544	-	-	-	-	-	100,544
Sales taxes	961,069	228,826	-	-	213,571	122,038	1,525,504
Assessments	-	3,393,907	-	2,678,450	-	546,143	6,618,500
State and federal grants	159,663	442,433	45,129	-	-	66,618	713,843
Interfund loans	161,122	-	-	-	-	6,255	167,377
Due from other funds	402,580	-	-	-	-	-	402,580
Inventory	27,691	405,258	-	-	-	-	432,949
Prepaid items	168,902	20,968	-	-	-	-	189,870
Restricted cash and investments	-	-	1,652,452	1,270,000	-	-	2,922,452
Total Assets	\$ 10,461,329	9,591,705	4,082,324	3,948,450	5,907,370	6,058,468	40,049,646
Liabilities							
Accounts payable	\$ 165,541	107,937	362,502	-	-	9,118	645,098
Accrued payroll and related liabilities	127,669	15,962	-	-	-	-	143,631
Unearned revenue	-	-	-	-	-	47,011	47,011
Unearned grant revenue	-	-	-	-	-	5,237	5,237
Customer deposits	12,437	42,453	-	-	-	-	54,890
Enstar FMA refunds	-	-	-	1,865,178	-	-	1,865,178
Due to other funds	-	-	-	25,355	-	377,225	402,580
Total Liabilities	305,647	166,352	362,502	1,890,533	-	438,591	3,163,625
Deferred Inflows of Resources							
Deferred property taxes	104,095	-	-	-	-	-	104,095
Deferred assessments	-	3,393,907	-	2,678,450	-	546,143	6,618,500
Total Deferred Inflows of Resources	104,095	3,393,907	-	2,678,450	-	546,143	6,722,595
Total Liabilities and Deferred Inflows of Resources	409,742	3,560,259	362,502	4,568,983	-	984,734	9,886,220
Fund Balances							
Nonspendable	357,715	426,226	-	-	-	-	783,941
Restricted	-	-	1,652,452	-	5,907,370	1,538,902	9,098,724
Committed	-	-	593,137	-	-	616,883	1,210,020
Assigned	171,314	5,605,220	1,474,233	-	-	3,283,920	10,534,687
Unassigned (deficit)	9,522,558	-	-	(620,533)	-	(365,971)	8,536,054
Total Fund Balances (Deficit)	10,051,587	6,031,446	3,719,822	(620,533)	5,907,370	5,073,734	30,163,426
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,461,329	9,591,705	4,082,324	3,948,450	5,907,370	6,058,468	40,049,646

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2019

Total fund balances for governmental funds		\$ 30,163,426
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	\$ 11,559,401	
Construction in progress	4,802,012	
Buildings	52,359,789	
Improvements other than buildings	53,835,002	
Machinery and equipment	16,686,586	
Infrastructure	37,055,664	
Accumulated depreciation	<u>(93,459,138)</u>	
Total Capital Assets		82,839,316
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	104,095	
Special assessments not yet due	<u>6,618,500</u>	
Total Other Long-term Assets		6,722,595
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.		273,740
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	(86,174)	
Note payable to Kenai Peninsula Borough	(3,019,662)	
Notes payable - Utility	(8,730,608)	
Bonds payable - Police Station, including premiums	(4,804,048)	
Capital leases	(27,617)	
Accrued leave	(702,403)	
Net pension liability	(9,757,589)	
Net OPEB liability	<u>(256,105)</u>	
Total Long-term Liabilities		(27,384,206)
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	763,202	
Deferred outflows of resources related to OPEB	577,420	
Deferred inflows of resources related to pensions	(383,335)	
Deferred inflows of resources related to OPEB	<u>(362,969)</u>	
Total Deferred Pension Items		594,318
Total Net Position of Governmental Activities		<u>\$ 93,209,189</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds

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

Year Ended December 31, 2019	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
Revenues							
Property taxes	\$ 3,651,365	-	-	-	-	29,630	3,680,995
Sales and use taxes	6,398,988	1,583,087	-	-	1,503,204	838,504	10,323,783
Permits and licenses	41,152	-	-	-	-	-	41,152
Intergovernmental	916,369	640,158	429,230	-	-	103,914	2,089,671
Charges for services	2,205,197	3,946,563	-	-	-	-	6,151,760
Special assessments	-	426,218	-	1,047,965	-	67,251	1,541,434
Investment income	188,592	105,161	134,690	46,396	180,137	212,744	867,720
Fines and forfeitures	28,798	-	-	-	-	-	28,798
Donations	-	-	-	-	-	5,362	5,362
Other	-	100,011	-	-	-	(4,536)	95,475
Total Revenues	13,430,461	6,801,198	563,920	1,094,361	1,683,341	1,252,869	24,826,150
Expenditures							
Current:							
General government	3,201,579	-	-	-	115,085	58,063	3,374,727
Public safety	4,359,655	-	-	-	-	-	4,359,655
Public works	2,557,981	-	-	-	-	-	2,557,981
Library	873,440	-	-	-	-	-	873,440
Airport	196,901	-	-	-	-	-	196,901
Community services	94,000	-	-	-	-	-	94,000
Water	-	2,090,696	-	-	-	-	2,090,696
Sewer	-	1,522,675	-	-	-	-	1,522,675
Debt service:							
Principal	-	881,066	-	536,819	-	28,045	1,445,930
Interest	-	149,933	-	145,339	-	103,041	398,313
Capital outlay	-	1,019,555	3,984,541	-	20,126	712,146	5,736,368
Total Expenditures	11,283,556	5,663,925	3,984,541	682,158	135,211	901,295	22,650,686
Excess of Revenues Over (Under) Expenditures	2,146,905	1,137,273	(3,420,621)	412,203	1,548,130	351,574	2,175,464
Other Financing Sources (Uses)							
Issuance of bonds	-	-	4,804,048	-	-	-	4,804,048
Transfers in	1,671,930	779,535	572,277	-	-	1,075,744	4,099,486
Transfers out	(922,329)	-	-	-	(1,680,431)	(1,599,790)	(4,202,550)
Net Other Financing Sources (Uses)	749,601	779,535	5,376,325	-	(1,680,431)	(524,046)	4,700,984
Special Item - construction of gas pipeline on behalf of third parties	-	-	-	(100,729)	-	-	(100,729)
Net Change in Fund Balances	2,896,506	1,916,808	1,955,704	311,474	(132,301)	(172,472)	6,775,719
Beginning Fund Balances (Deficit)	7,155,081	4,114,638	1,764,118	(932,007)	6,039,671	5,246,206	23,387,707
Ending Fund Balances (Deficit)	\$ 10,051,587	6,031,446	3,719,822	(620,533)	5,907,370	5,073,734	30,163,426

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2019

Net change in fund balances - total governmental funds		\$ 6,775,719
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 capital outlays (\$5,411,359) exceeded depreciation (\$3,664,507) and loss on disposal (\$4,073)		1,742,779
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.		(1,251,946)
Repayment of the principal of the long-term debt (\$1,445,930) consumes current financial resources in governmental funds. The issuance of long-term debt (\$4,804,048) provides current financial resources in governmental funds. This transaction has no effect on the net position.		(3,358,118)
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the decrease in accrued interest payable.		25,991
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued leave	\$ (21,054)	
Increase in net pension liability and related deferred accounts	546,581	
Increase in net OPEB liability and related deferred accounts	<u>1,028,801</u>	
		1,554,328
Internal service funds are used by management to charge the cost of health insurance and accrued leave cash-outs to individual funds. A portion of the net income of these activities is reported with governmental activities.		<u>189,855</u>
Change in Net Position of Governmental Activities		<u>\$ 5,678,608</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Net Position

December 31, 2019	Major Enterprise Fund Port of Homer	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,942,518	\$ 329,959
Accounts receivable, net of allowance for doubtful accounts	315,287	-
State and federal grants receivable	35,784	-
Prepaid items	63,945	-
Total Current Assets	2,357,534	329,959
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	182,951	-
Other capital assets, net of accumulated depreciation	34,517,735	-
Restricted cash and investments	317,980	-
Total Noncurrent Assets	50,823,307	-
Total Assets	53,180,841	329,959
Deferred Outflows of Resources:		
Pension related	149,501	-
OPEB related	113,108	-
Total Deferred Outflows of Resources	262,609	-
Total Assets and Deferred Outflows of Resources	\$ 53,443,450	\$ 329,959

See accompanying notes to basic financial statements.

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

December 31, 2019	Major Enterprise Fund Port of Homer	Internal Service Funds
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 96,484	\$ (1,074)
Accrued payroll and related liabilities	17,743	-
Accrued leave	96,000	-
Accrued interest payable	11,358	-
General obligation bonds payable	150,000	-
Prepaid berth rentals and deposits	1,117,067	-
Unearned lease revenue	18,000	-
Interfund loans	33,291	-
Total Current Liabilities	1,539,943	(1,074)
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	144,000	-
Interfund loans	134,086	-
Accrued leave long term	164,010	-
General obligation bonds payable including bond premium	3,086,424	-
Net pension liabilities	1,911,376	-
Net OPEB liabilities	50,168	-
Total Noncurrent Liabilities	5,490,064	-
Total Liabilities	7,030,007	(1,074)
Deferred Inflows of Resources:		
Pension related	75,090	-
OPEB related	71,101	-
Total Deferred Inflows of Resources	146,191	-
Net Position		
Net investment in capital assets	47,268,903	-
Unrestricted (deficit)	(1,001,651)	331,033
Total Net Position	46,267,252	331,033
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 53,443,450	\$ 329,959
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	57,293	
Net Position of Business-type Activities	\$ 46,324,545	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31, 2019</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 4,789,847	\$ -
Interfund charges	-	1,888,166
Employee health contributions	-	162,144
Total Operating Revenues	4,789,847	2,050,310
Operating Expenses		
Operations	2,465,448	185,403
Administration	1,175,768	27,411
Depreciation	2,156,999	-
Employee incentive fees	-	120,968
Insurance premiums	-	1,613,641
Total Operating Expenses	5,798,215	1,947,423
Operating income (loss)	(1,008,368)	102,887
Nonoperating Revenues (Expense)		
Investment income	23,300	-
Interest expense	(138,843)	-
State PERS relief	70,760	-
Other income	101,939	-
Cruise ship tax	71,630	-
Fish tax	59,647	-
Total Nonoperating Revenues (Expense)	188,433	-
Income (loss) before transfers and capital contributions	(819,935)	102,887
Transfers in (out)	(922)	103,986
Capital contributions	49,062	-
Change in net position	(771,795)	206,873
Beginning Net Position	47,039,047	124,160
Ending Net Position	46,267,252	\$ 331,033
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	17,018	
Change in Net Position of Business-type Activities	\$ (754,777)	

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Cash Flows

<i>Year Ended December 31, 2019</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,886,865	\$ -
Receipts from interfund services provided and employee contributions	-	2,050,310
Payments to suppliers	(1,958,107)	-
Payments to employees	(2,096,253)	(306,371)
Payments for insurance, claims, and administration	-	(1,642,180)
Net cash flows from (for) operating activities	832,505	101,759
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	(922)	103,986
Net cash flows from (for) noncapital financing activities	(922)	103,986
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(150,000)	-
Interest paid on long-term debt	(163,569)	-
Capital contributions received	246,583	-
Cruise ship tax and fish tax received	131,277	-
Acquisition of property, plant and equipment	(196,334)	-
Decrease in interfund loan	300,000	-
Increase in interfund loan	(478,588)	-
Net cash flows from (for) capital and related financing activities	(310,631)	-
Cash Flows from Investing Activities		
Investment income received	23,300	-
Net Increase in Cash and Investments	544,252	205,745
Beginning Cash and Investments	1,716,246	124,214
Ending Cash and Investments	\$ 2,260,498	\$ 329,959
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 1,942,518	\$ 329,959
Restricted cash and investments	317,980	-
Total Cash and Investments	\$ 2,260,498	\$ 329,959

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2019	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from Operating Activities		
Operating Income (loss)	\$ (1,008,368)	\$ 102,887
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,156,999	-
Noncash expense - PERS relief	70,760	-
Increase in allowance for doubtful accounts	7,929	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues and expense, net	101,939	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(80,773)	-
Inventory	13,419	-
Prepaid items	(18,542)	-
Deferred outflows of resources related to pensions	14,048	-
Deferred outflows of resources related to OPEB	509	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(140,545)	(1,128)
Accrued payroll and related liabilities	(3,691)	-
Unearned grant revenue	-	-
Accrued leave	(743)	-
Prepaid berth rentals and deposits	85,923	-
Net pension liability	33,094	-
Net OPEB liabilities	(334,276)	-
Deferred inflows of resources related to pensions	27,949	-
Deferred inflows of resources related to OPEB	(75,126)	-
Net Cash Flows from Operating Activities	\$ 832,505	\$ 101,759

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

1. Summary of Significant Accounting Policies

Organization and Services Provided

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

Scope and Presentation

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Reporting Entity

The City has reviewed the standards established by the Governmental Accounting Standards Board (GASB) and determined that the City has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

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 fiscal 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 fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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 *City Facilities Fund* accounts for all activities related to the construction of the police department including issuance of bonds.

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

Year Ended December 31, 2019

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. The City's expenditures for the Utility Special Revenue Fund exceeded the final budget amounts due to Capital outlay in excess of \$1,019,555.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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.

Cash and Investments

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

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

Receivables and Payables

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

Property Taxes

Property taxes are a lien on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute, Title 29.45.240, the City establishes the mill rate levy by June 15. The City is located within the Kenai Peninsula Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills for one-half of the taxes are mailed prior to July 1 and are payable on August 15; tax bills for the second half of the taxes are mailed by October 1 and are payable on November 15. City property tax revenues in the fund financial statements are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal period.

At December 31, 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 period for services sold but not billed at such date. The Port of Homer bills annual moorage charges in advance, which are presented as unearned revenue at year-end.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

Inventory

Inventory of the Enterprise Fund is carried at average cost and is charged to expense in accordance with the consumption method of accounting for inventory.

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

Prepaid Items

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

Capital Assets

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

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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 reported in the governmental fund financial statements only if 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.

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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.

Deferred Outflows/Inflows

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

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

Pensions and OPEB

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

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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

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 December 31, 2019.

Bank deposits	\$ 4,712,017
Investments	27,407,093
Total Cash and Investments	\$ 32,119,110
Cash and investments	\$ 30,531,130
Restricted cash and investments	1,587,980
Total Cash and Investments	\$ 32,119,110

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

General Investments

Investment Policy

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

1. U.S. Treasury securities – 5 years;
2. Other obligations of the U.S. Government, its agencies and instrumentalities – five years;
3. Repurchase agreements of acceptable securities listed in (1) or (2) above which meet a margin requirement of 102%;
4. Units of the Alaska Municipal League Investment Pool;
5. Certificates of deposit and other deposits that are collateralized;
6. Uncollateralized deposits to the extent that the deposits are insured by the FDIC or FSLIC;
7. Taxable bonds or notes; graded AA or higher by Moody's or S&P – five years;
8. Commercial paper; graded P1 or higher by Moody's or A1 or higher by S&P – five years;
9. Bankers' acceptances; rated at least AA by Moody's or S&P; and
10. Money market mutual funds.

Investments in taxable bonds and notes, commercial paper, or bankers' acceptances must meet a minimum rating as determined by Moody's Investor Services or Standard and Poor's.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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 December 31, 2019 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	\$ 1,172,856	\$ 1,172,856	\$ -	\$ -
Resolution FDG Corp Bonds	2,995,419	2,995,419	-	-
Federal National MTG Assn. Bonds	3,902,908	3,902,908	-	-
Certificates of deposit	7,757,173	2,120,049	5,637,124	-
Total Subject to Interest Rate Risk	15,828,356	10,191,232	5,637,124	-
Pooled investments (AMLIP)	10,274,345	-	-	-
Money market	1,304,392	-	-	-
Total Investments	\$ 27,407,093	\$ 10,191,232	\$ 5,637,124	\$ -

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 December 31, 2019, the share value of investments in the AML pool is approximately equal to fair value.

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 \$9,061,565 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2019. The City's investment in AMLIP is measured at net asset value, as of December 31, 2019. Management believes that these values approximate fair value. All government securities and certificates of deposit are Level 2 investments on the fair value hierarchy.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

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 December 31, 2019, 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	\$215,391	961,069	102,634	159,663	-	(45,301)	1,393,456
Utility Special Revenue	228,565	228,826	-	442,433	3,393,907	(31,690)	4,262,041
City Facilities	-	-	-	45,129	-	-	45,129
Gas Line Capital Project	-	-	-	-	2,678,450	-	2,678,450
HART Roads Capital Project	-	213,571	-	-	-	-	213,571
Port of Homer Enterprise	416,945	-	-	35,784	-	(101,658)	351,071
Nonmajor Funds	771	122,038	-	66,618	546,143	-	735,570
Total Receivables	\$861,672	1,525,504	102,634	749,627	6,618,500	(178,649)	9,679,288

At December 31, 2019, 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	\$ 104,095
Special assessments not yet due:	
Nonmajor Special Revenue Fund	546,143
Utility Special Revenue Fund	3,393,907
Gas Line Capital Project Fund	2,678,450
Total Deferred Inflows of Resources	\$ 6,722,595

Unearned Grant Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
Nonmajor Funds	\$ 5,237

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

4. Interfund Balances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2019 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 779,535
Nonmajor governmental funds	142,794
From HART Roads Capital Project Fund to:	
General Fund	1,671,930
City Facilities Capital Project Fund	8,501
From nonmajor governmental funds to:	
City Facilities Capital Project Fund	563,776
Internal Service Fund	103,986
Nonmajor Governmental Funds	932,950
From Port of Homer Enterprise Fund to nonmajor governmental funds	922
Total Transfers to Other Funds	\$ 4,203,472

Interfund transfers are routinely recorded throughout the year. In 2019, transfers from the general fund are to fund capital depreciation reserves and operating subsidies. Transfers from nonmajor governmental funds to the General Fund were to pay off debt and to other nonmajor funds were for the police station capital project. At December 31, 2019, an interfund balance of \$25,355 was owed from the Gas Line Capital Project Fund to the General Fund. At December 31, 2019, an interfund balance of \$377,225 was owed from the nonmajor governmental funds for capital projects to the General Fund.

Interfund Loan

In 2011, the City underwent an extensive energy audit with the goal of identifying areas for energy savings and efficiencies. Numerous minor upgrades or repairs were conducted in this effort. Most of these costs were funded by fund balances set aside in the prior year along with grant funds. The City approved and recorded an interfund loan from the Energy Revolving Loan Capital Project Fund to the Port of Homer Enterprise Fund in the amount of \$29,294 to fund a portion of the Port related upgrades. The Port will repay the loan in \$3,291 annual installments over nine years. The loan had a balance of \$6,255 as of December 31, 2019.

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 December 31, 2019 the outstanding balance was \$161,122.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

5. Capital Assets

Capital asset activity for the year ended December 31, 2019 follows:

	Balance January 1, 2019	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2019
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,559,401	-	-	11,559,401
Construction in progress	844,254	4,402,783	(445,025)	4,802,012
Total assets not being depreciated	12,403,655	4,402,783	(445,025)	16,361,413
<i>Capital assets being depreciated:</i>				
Buildings	51,715,487	644,302	-	52,359,789
Improvements other than buildings	53,517,863	317,139	-	53,835,002
Machinery and equipment	16,597,074	492,160	(402,648)	16,686,586
Infrastructure	37,055,664	-	-	37,055,664
Total assets being depreciated	158,886,088	1,453,601	(402,648)	159,937,041
<i>Less accumulated depreciation for:</i>				
Buildings	32,018,361	797,077	-	32,815,438
Improvements other than buildings	27,379,341	1,418,102	-	28,797,443
Machinery and equipment	11,212,558	471,288	(398,575)	11,285,271
Infrastructure	19,582,946	978,040	-	20,560,986
Total accumulated depreciation	90,193,206	3,664,507	-	93,459,138
Total assets being depreciated, net	68,692,882	(2,210,906)	(4,073)	66,477,903
Governmental Activities Capital Assets, net	\$ 81,096,537	2,191,877	(449,098)	82,839,316

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

	Balance January 1, 2019	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2019
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	582,682	146,426	(546,157)	182,951
Total assets not being depreciated	16,387,323	146,426	(546,157)	15,987,592
<i>Capital assets being depreciated:</i>				
Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	53,701,795	601,065	-	54,302,860
Machinery and equipment	3,163,574	-	-	3,163,574
Total assets being depreciated	73,246,017	601,065	-	73,847,082
<i>Less accumulated depreciation for:</i>				
Buildings	10,164,551	379,261	-	10,543,812
Improvements other than buildings	24,135,789	1,718,543	-	25,854,332
Machinery and equipment	2,872,008	59,195	-	2,931,203
Total accumulated depreciation	37,172,348	2,156,999	-	39,329,347
Total capital assets being depreciated, net	36,073,669	(1,555,934)	-	34,517,735
Business-Type Activities Capital Assets, net	\$ 52,460,992	(1,409,508)	(546,157)	50,505,327

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

Depreciation expense was charged to the functions as follows for the year ended December 31, 2019:

Governmental Activities

General government	\$ 171,622
Public safety	308,509
Public works	1,167,688
Library	218,257
Airport	70,551
Parks and recreation	255,534
Water utility	1,034,155
Sewer utility	438,191

Total Depreciation Expense – Governmental Activities	\$ 3,664,507
---	---------------------

Business-type Activities

Port and harbor	\$ 2,156,999
-----------------	--------------

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	(468,000)
	\$ 162,000
Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	144,000
Total Unearned Lease Revenue	\$ 162,000

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2019:

Governmental Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
Notes payable:					
\$3,462,403 2002 Sewer Utility Alaska Clean Water loan, due in annual installments of \$121,973 plus interest at 1.5% through August 18, 2025	\$ 853,801	-	121,972	731,829	121,972
\$3,389,321 2002 Water Utility Alaska Drinking Water loan, due in annual installments of \$143,078 plus interest at 1.5% through August 18, 2025	1,001,546	-	143,078	858,468	143,078
\$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	942,977	-	79,587	863,390	66,415
\$1,086,870 Sewer Utility Alaska Clean Water loan, due in annual installments of \$54,344 plus interest at 1.5% through November 14, 2034	869,496	-	54,344	815,152	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	1,478,005	-	95,661	1,382,344	97,096

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

Governmental Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
\$8,000,000 (maximum) 2006 Water Utility Alaska Drinking Water loan, due in annual installments of \$364,001, plus interest at 1.5% through December 28, 2029	\$ 4,004,016	-	364,002	3,640,014	364,001
\$255,000 (maximum) Water Utility Alaska Drinking Water due in annual principal installments of \$9,546 plus interest at 1.5% through March 1, 2037	181,379	-	9,546	171,833	9,546
\$817,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$4,994 including interest at 1.5% through March 1, 2037	78,281	-	3,601	74,680	3,655
\$600,000 (maximum) Water Utility Alaska Drinking Water loan, due in annual installments of \$12,308 including interest at 1.5% through March 1, 2028	202,173	-	9,275	192,898	9,415
\$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.	3,559,817	-	540,155	3,019,662	556,686

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

Governmental Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
\$4,100,000 2019 Series A General Obligation Police Station Bonds, due in annual installments of \$190,000-\$375,000 plus interest at 5% through May 1, 2034.	-	4,100,000	-	4,100,000	190,000
Unamortized bond premium	-	704,048	-	704,048	-
Capital Leases: \$149,599 dump truck capital lease payable in equal monthly installments of \$2,650 including interest through September 2020	\$ 58,310	-	30,693	27,617	27,617
Accrued leave	681,349	548,930	527,876	702,403	559,000
Net pension liability	9,477,714	279,875	-	9,757,589	-
Net OPEB liability	1,939,885	-	1,683,780	256,105	-
Total Governmental Activities Long-Term Liabilities	\$ 25,328,749	5,632,853	3,663,570	27,298,032	2,202,825

All of the Utility Special Revenue Fund water and sewer charges and connection fees have been pledged for the repayment of the Alaska Drinking Water and Alaska Clean Water loans.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

Business-type Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
\$3,375,000 Series 2013 Harbor General Obligation Bonds, due in annual installments of \$145,000- \$280,000 plus interest at 2% through June of 2033.	\$ 3,060,000	-	145,000	2,915,000	150,000
Unamortized bond premium	346,150	-	24,726	321,424	-
Accrued leave	260,321	93,195	93,506	260,010	95,000
Net pension liability	1,878,282	33,094	-	1,911,376	-
Net OPEB liability	384,444	-	334,276	50,168	-
Total Business-type Activities Long-Term Liabilities	\$ 5,929,197	126,289	597,508	5,457,978	245,000

Governmental activities accrued leave, pension and OPEB are 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 December 31,</i>	Notes Payable			Special Assessment Bond Payable (KPB Loan)		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 869,522	131,143	1,000,665	556,686	123,026	679,712
2021	871,175	118,086	989,261	579,366	100,345	679,711
2022	872,852	105,003	977,855	602,970	76,741	679,711
2023	874,555	91,897	966,452	627,536	52,175	679,711
2024	876,282	78,765	955,047	653,104	26,608	679,712
2025-2029	3,348,045	219,764	3,567,809	-	-	-
2030-2034	939,989	40,198	980,187	-	-	-
2035-2037	78,188	2,349	80,537	-	-	-
	\$ 8,730,608	787,205	9,517,813	3,019,662	378,895	3,398,557

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

Annual debt service requirements to maturity for the bonds follow:

Governmental Activities

Year Ending December 31,	G. O. Bonds Payable		
	Principal	Interest	Total
2020	\$ 190,000	205,000	395,000
2021	200,000	195,500	395,500
2022	210,000	185,500	395,500
2023	220,000	175,000	395,000
2024	230,000	164,000	394,000
2025-2029	1,340,000	634,750	1,974,750
2030-2034	1,710,000	264,750	1,974,750
	\$ 4,100,000	1,824,500	5,924,500

Business-type Activities

Year Ending December 31,	G. O. Bonds Payable		
	Principal	Interest	Total
2020	\$ 150,000	136,300	286,300
2021	160,000	130,100	290,100
2022	165,000	123,600	288,600
2023	170,000	116,900	286,900
2024	180,000	109,000	289,000
2025-2029	1,050,000	396,250	1,446,250
2030-2034	1,040,000	107,250	1,147,250
	\$ 2,915,000	1,119,400	4,034,400

The City acquired a dump truck under a capital lease agreement. The asset has a recorded cost of \$185,996 and a net book value (net of depreciation) at December 31, 2019 of \$92,981. The asset has an expected useful life of 10 years.

Future minimum payments under the capital lease agreement is as follows:

Governmental Activities

Year Ending December 31,	Capital Leases Payable		
	Principal	Interest	Total
2020	\$ 27,617	335	27,952

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

In 2013, the City entered into a loan agreement with the Kenai Peninsula Borough to borrow up to \$12,700,000 for the design and construction of natural gas distribution improvements in the City. Concurrent with the issuance of the loan with the Borough, the City issued a \$12,700,000 natural gas distribution special assessment bond. The bond proceeds are to be used for the design and construction of natural gas distribution improvements in the City. After completion of the project, the City will establish an assessment district. This bond will be repaid from amounts to be levied against the property owners benefited by this construction in the assessment district. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

At December 31, 2014, the City had drawn \$12,359,388 on the loan to cover substantial completion of the project. In 2015, the City levied the customer special assessments, which requires the individuals to pay the assessment over a period of 10 years. Certain customers elected to pay the entire assessment up front. The City then used these funds to reduce the outstanding debt on the loan by approximately \$4.1 million. Because of the large reduction on the debt, and subsequent additional payments made on the loan, the loan has reamortized as noted on the payment schedule on the previous page and is expected to be paid in full in September 2024.

Debt Covenants

The Kenai Peninsula Borough gasoline loan required that a reserve account be established in the amount of \$1,270,000 from the date of the first drawdown. The City has complied with this covenant through the establishment of a dedicated investment account (reported as restricted cash and investments) in the Gas Line Capital Project Fund.

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.

Remainder of this page intentionally left blank

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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	City Facilities	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Nonspendable:							
Inventory	\$ 27,691	405,258	-	-	-	-	432,949
Prepaid items	168,902	20,968	-	-	-	-	189,870
Interfund loans	161,122	-	-	-	-	-	161,122
Total nonspendable	357,715	426,226	-	-	-	-	783,941
Restricted:							
Roads and trails	-	-	-	-	5,907,370	1,468,762	7,376,132
Special service district	-	-	-	-	-	70,140	70,140
Police station construction	-	-	1,652,452	-	-	-	1,652,452
Total Restricted	-	-	1,652,452	-	5,907,370	1,538,902	9,098,724
Committed:							
Police station debt service and construction	-	-	593,137	-	-	616,883	1,210,020
Assigned:							
Library	-	-	-	-	-	173,497	173,497
Public safety	-	-	-	-	-	44,990	44,990
Community schools	-	-	-	-	-	270	270
Sustainability	-	-	-	-	-	15,544	15,544
Water and sewer	-	5,605,220	-	-	-	-	5,605,220
PERS benefits	171,314	-	-	-	-	27,901	199,215
Capital and land	-	-	1,474,233	-	-	3,021,718	5,784,999
Total assigned	171,314	5,605,220	1,474,233	-	-	3,283,920	10,534,687
Unassigned (deficit)	9,522,558	-	-	(620,533)	-	(365,971)	8,536,054
Total Fund Balances \$	10,051,587	6,031,446	3,719,822	(620,533)	5,907,370	5,073,734	30,163,426

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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 losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2019.

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.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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

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

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

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" 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.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer 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 years ended June 30, 2018 and June 30, 2019 were determined in the June 30, 2017 and June 30, 2018 actuarial valuations, respectively.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2019

City contribution rates for the 2019 calendar year were as follows:

<i>January 1, 2019 to June 30, 2019</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	16.17%	23.21%	5.58%
Postemployment healthcare	5.83%	4.37%	-%
Total Contribution Rates	22.00%	27.58%	5.58%

<i>July 1, 2019 to December 31, 2019</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.72%	23.73%	6.62%
Postemployment healthcare	6.28%	4.89%	-%
Total Contribution Rates	22.00%	28.62%	6.62%

In 2019, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2018 to June 30, 2019	City Fiscal Year January 1, 2019 to December 31, 2019
Employer contributions pension (including DBUL)	\$ 801,186	\$ 786,093
Employer contributions OPEB	339,496	356,685
Nonemployer contributions (on-behalf pension)	394,025	431,874
Total Contributions	\$ 1,534,707	\$ 1,574,652

In addition, employee contributions to the Plan for pension totaled \$198,136 during the City's fiscal year.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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

At December 31, 2019, 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	\$ 11,668,965
State's proportionate share associated with the City	4,631,725

Total Net Pension Liability	\$ 16,300,690
------------------------------------	----------------------

Net OPEB Liability - ARHCT

City proportionate share	\$ 316,184
State's proportionate share associated with the City	125,707

Total Net OPEB Liability - ARHCT	\$ 441,891
---	-------------------

Net OPEB Liability (Asset) - ODD

City proportionate share	\$ (80,515)
State's proportionate share associated with the City	-

Total Net OPEB Liability (Asset) - ODD	\$ (80,515)
---	--------------------

Net OPEB Liability - RMP

City proportionate share	\$ 70,604
State's proportionate share associated with the City	-

Total Net OPEB Liability - RMP	\$ 70,604
---------------------------------------	------------------

The net pension/OPEB liabilities were measured as of June 30, 2019, 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, 2018. The City's proportion of the net pension/OPEB liabilities were based on a projection of the City's long-term share of contributions to the pension/OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

The City's proportionate share of the net pension/OPEB liability measured at June 30, 2019 was as follows:

City's proportionate share	Measurement Period Fiscal Year 2019	Measurement Period Fiscal Year 2018	Change
Net Pension Liability	0.21316%	0.22854%	(0.01538%)
Net OPEB Liability - ARHCT	0.21309%	0.22850%	(0.01541%)
Net OPEB Liability (Asset) - ODD	0.33209%	0.30999%	0.02210%
Net OPEB Liability - RMP	0.29512%	0.30999%	(0.01487%)

For the year ended December 31, 2019, the City recognized pension and OPEB expense (benefit) of \$1,780,452 and (\$2,114,984), respectively for PERS in the Statement of Activities. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related		OPEB Related	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows/Inflows of Resources:				
Difference between expected and actual experience	\$ -	(172,746)	-	(242,802)
Change in assumptions	357,252	-	453,745	(1,540)
Net difference between projected and actual earnings on pension plan investments	167,308	-	-	(139,765)
Change in proportion and differences in proportional share	-	(285,679)	47,757	(49,963)
City contributions subsequent to the measurement date	388,143	-	189,026	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 912,703	(458,425)	690,528	(434,070)

The \$388,143 and \$189,026 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 December 31, 2020.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

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 December 31,</i>	Pension Related	OPEB Related	Total
2020	\$ 84,465	98,567	183,032
2021	(123,526)	(109,367)	(232,893)
2022	47,470	34,168	81,638
2023	57,726	44,311	102,037
2024	-	(123)	(123)
Thereafter	-	(124)	(124)
Total Amortization	\$ 66,135	67,432	133,567

Actuarial Assumptions

The total pension/OPEB liability for the measurement period ended June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019. The actuarial assumptions used in the June 30, 2018 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 2019 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

Year Ended December 31, 2019

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.
-----------	---

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	8.16%
Global equity (non-US)	7.51%
Intermediate treasuries	1.58%
Opportunistic	3.96%
Real assets	4.76%
Private equity	11.39%
Cash equivalents	0.83%

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 nonemployer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Discount Rate Sensitivity

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
PERS				
Net Pension Liability	0.21316%	\$ 15,400,986	11,668,965	8,543,519
Net OPEB Liability - ARHCT	0.21309%	\$ 2,543,306	316,184	(1,515,867)
Net OPEB Liability (Asset) - ODD	0.33209%	\$ (76,374)	(80,515)	(83,863)
Net OPEB Liability (Asset) - RMP	0.29512%	\$ 177,332	70,604	(9,748)

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/dr/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 year ended December 31, 2019, the City was required to contribute 5% of covered salary into the Plan.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

The City and employee contributions to PERS for DC pensions for the year ended December 31, 2019 were \$193,557 and \$309,691, respectively. The City contribution amount was recognized as pension expense/expenditures. During the City's fiscal year forfeitures for DC pension used to offset the City's expense/expenditures was \$5,388.

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 year ended December 31, 2019 were as follows:

	Other Tier IV	Police/Fire Tier IV
Alaska retiree healthcare trust	5.83%	5.83%
Retiree medical plan	0.94%	0.94%
Occupational death and disability benefits	0.26%	0.76%
Total Contribution Rates	7.03%	7.53%

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, 2019, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,122 per year for each full-time employee, and \$1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2019, the City contributed \$129,304 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
Year Ended December 31, 2019

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 and infrastructure	0.35%
Debt service for construction of police station	0.30%
General Fund – undesignated	3.00%
Kenai Peninsula Borough	3.00%
Total Sales Tax Percentage	8.15%

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

15. Deferred Compensation Plan

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

16. Related Parties

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

17. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition,

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. 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 2020, 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 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 2020.

On March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was signed into law. The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. It also appropriated certain relief funds, for which the City of Homer became eligible to receive approximately \$7,899,000. This aid is expected to be utilized during 2020 and 2021, and is subject to certain federal criteria. The City will continue to examine the impact that the CARES Act may have. Currently, the City is unable to determine the full impact that the CARES Act will have on the City's financial condition, results of operations, or liquidity.

Effective January 1, 2020, the City of Homer 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.

18. 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 83 – *Certain Asset Retirement Obligations* – Effective for year-end December 31, 2020, with earlier application encouraged – This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

GASB 84 – *Fiduciary Activities* – Effective for year-end December 31, 2020, with earlier application encouraged – This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 – *Leases* – Effective for year-end December 31, 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 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - *Accounting for Interest Cost incurred before the End of a Construction Period* - Effective for year-end December 31, 2021, 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 90 – *Majority Equity Interests* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement clarifies the definition of and classification of majority equity interests in legally separate organizations. It also clarifies measurement of component units in which governments have one hundred percent equity interest.

GASB 91 – *Conduit Debt Obligations* – Effective for year-end December 31, 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.

GASB 92 – *Omnibus 2020* – Provisions of this statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminologies used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end December 31, 2021. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2019

GASB 93 – Replacement of Interbank Offered Rates – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end December 31, 2022. The requirements in paragraph 11b are required to be implemented for year-end December 31, 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 December 31, 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 December 31, 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 December 31, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end December 31, 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

Changes in Fund Balance - Budget and Actual						
Year Ended December 31, 2019	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Property taxes	\$ 3,406,952	3,406,952	3,651,365	-	3,651,365	244,413
Sales and use taxes	5,408,322	5,359,237	6,398,988	-	6,398,988	1,039,751
Permits and licenses	34,963	34,961	41,152	-	41,152	6,191
Intergovernmental	569,700	618,785	916,369	(294,185)	622,184	3,399
Charges for services	2,156,372	2,156,372	2,205,197	-	2,205,197	48,825
Interest Income	34,346	34,346	188,592	-	188,592	154,246
Fines and forfeitures	24,865	24,866	28,798	-	28,798	3,932
Total Revenues	11,635,520	11,635,519	13,430,461	(294,185)	13,136,276	1,500,757
Expenditures						
General government	3,193,887	3,193,886	3,201,579	-	3,201,579	7,693
Public safety	4,318,661	4,318,661	4,359,655	-	4,359,655	40,994
Public works	2,719,148	2,779,148	2,557,981	-	2,557,981	(221,167)
Library	932,402	932,402	873,440	-	873,440	(58,962)
Airport	219,842	219,842	196,901	-	196,901	(22,941)
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	11,477,940	11,537,939	11,283,556	-	11,283,556	(254,383)
Excess of Revenues Over (under) Expenditures	157,580	97,580	2,146,905	(294,185)	1,852,720	1,755,140
Other Financing Sources (Uses)						
Transfers in	614,843	614,843	1,671,930	-	1,671,930	1,057,087
Transfers out	(772,423)	(712,423)	(922,329)	-	(922,329)	(209,906)
Net Change in Fund Balance	\$ -	-	2,896,506	(294,185)	2,602,321	2,602,321
Fund Balance, beginning			7,155,081		7,155,081	
Fund Balance, ending			\$ 10,051,587		\$ 9,757,402	

See accompanying notes to required supplementary information.

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

Year Ended December 31, 2019	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Sales taxes	\$ 1,338,809	1,338,809	1,583,087	-	1,583,087	244,278
Intergovernmental	-	-	640,158	(66,929)	573,229	573,229
Charges for services	3,729,021	3,737,312	3,946,563	-	3,946,563	209,251
Water and sewer special assessments	-	-	426,218	-	426,218	426,218
Investment income	9,294	1,003	105,161	-	105,161	104,158
Other	-	-	100,011	-	100,011	100,011
Total Revenues	5,077,124	5,077,124	6,801,198	(66,929)	6,734,269	1,657,145
Expenditures						
Water	2,114,194	2,151,694	2,090,696	(38,101)	2,052,595	99,099
Sewer	1,533,942	1,531,442	1,522,675	(28,828)	1,493,847	37,595
Debt service:						
Principal	868,835	868,835	881,066	-	881,066	(12,231)
Interest	172,665	172,665	149,933	-	149,933	22,732
Total debt service	1,041,500	1,041,500	1,030,999	-	1,030,999	10,501
Capital outlay	-	-	1,019,555	-	1,019,555	(1,019,555)
Total Expenditures	4,689,636	4,724,636	5,663,925	(66,929)	5,596,996	(872,360)
Excess of Revenues Over (Under)						
Expenditures	387,488	352,488	1,137,273	-	1,137,273	784,785
Other Financing Sources (Uses)						
Transfers in	73,779	-	779,535	-	779,535	779,535
Transfers out	(33,398)	(199,035)	-	-	-	199,035
Net Change in Fund Balance	\$ 427,869	153,453	1,916,808	-	1,916,808	1,763,355
Fund Balance, beginning			4,114,638			
Fund Balance, ending			\$ 6,031,446			

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>Years Ended December 31,</i>	<i>Measurement Period Ended June 30,</i>	<i>City's Proportion of the Net Pension Liability</i>	<i>City's Proportionate Share of the Net Pension Liability</i>	<i>State of Alaska Proportionate Share of the Net Pension Liability</i>	<i>Total Net Pension Liability</i>	<i>City's Covered Payroll</i>	<i>City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll</i>	<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>
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	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*

*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)

Year Ended December 31,	Measurement Period Ended June 30,	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability (asset)	State of Alaska proportionate share of the net OPEB liability (asset)	Total net OPEB liability (asset)	City's covered- employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (assets)
<u>Alaska Retiree Healthcare Trust Plan (ARHCT):</u>								
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%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>								
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%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>								
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%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*

*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>Years Ended December 31,</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
2019	\$ 786,093	\$ 786,093	\$ -	\$ 6,616,896	11.880%
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	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*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)

Year Ended December 31,	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>					
2019	\$ 298,559	\$ 298,559	\$ -	\$ 6,616,896	4.512%
2018	271,357	271,357	-	6,651,553	4.080%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>					
2019	\$ 14,066	\$ 14,066	\$ -	\$ 6,616,896	0.213%
2018	10,678	10,678	-	6,651,553	0.161%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>					
2019	\$ 44,061	\$ 44,061	\$ -	\$ 6,616,896	0.666%
2018	35,366	35,366	-	6,651,553	0.532%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

*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 for the General Fund and Utility Special Revenue Fund on the modified accrual basis used to reflect actual revenues and expenditures.

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

- a. By the third Friday in October, the City Manager presents the budget proposal for the next 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. The City's expenditures for the Utility Special Revenue Fund exceeded the final budget amounts due to Capital outlay in excess of \$1,019,552.

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 December 31, 2019, the Plan measurement date is June 30, 2019.
- There were no changes in benefit terms from the prior measurement period.
- The investment return/discount rate changed from 8.00% in the prior measurement period to 7.38% in the current measurement period. There were no other changes in assumptions 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.

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Police Station Debt – 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.

Ocean Dr Loop 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.

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										
	Police Station Debt Service 154	HART Assess- ments 155	Non- capital Projects 157	Retainage Reimburse- ments 159	Seawall Assess- ments 173	PERS Funding 615	Fire Depart- ment Donations 802	Library Donations 803	Animal Shelter Donations 804	Community Schools 805	Sustain- ability 807
December 31, 2019											
Assets											
Cash and investments	\$ 525,353	780,628	-	47,077	-	27,901	44,655	173,497	335	270	15,544
Receivables, net:											
Interfund loan	-	-	-	-	-	-	-	-	-	-	-
State and federal grants	-	-	66,618	-	-	-	-	-	-	-	-
Sales taxes	91,530	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	416,558	-	-	129,585	-	-	-	-	-	-
Total Assets	\$ 616,883	1,197,186	66,618	47,077	129,585	27,901	44,655	173,497	335	270	15,544
Liabilities											
Accounts payable	\$ -	-	669	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	47,011	-	-	-	-	-	-	-
Unearned grant revenue	-	-	5,237	-	-	-	-	-	-	-	-
Due to other funds	-	-	11,254	-	365,971	-	-	-	-	-	-
Deferred assessments	-	416,558	-	-	129,585	-	-	-	-	-	-
Total Liabilities	-	416,558	17,160	47,011	495,556	-	-	-	-	-	-
Fund Balances											
Restricted:											
Roads and trails	-	780,628	-	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	616,883	-	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	173,497	-	-	-
Public safety	-	-	-	-	-	-	44,655	-	335	-	-
Community schools	-	-	-	-	-	-	-	-	-	270	-
Sustainability	-	-	-	-	-	-	-	-	-	-	15,544
PERS benefits	-	-	-	-	-	27,901	-	-	-	-	-
Capital and land	-	-	49,458	66	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(365,971)	-	-	-	-	-	-
Total Fund Balances	616,883	780,628	49,458	66	(365,971)	27,901	44,655	173,497	335	270	15,544
Total Liabilities and Fund Balances	\$ 616,883	1,197,186	66,618	47,077	129,585	27,901	44,655	173,497	335	270	15,544

Exhibit F-1, continued

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

	Special Revenue Funds		Capital Project Funds						Total Nonmajor
	Ocean Dr Loop Assessments	Total Special Revenue Funds	Land Reserves	Fleet Reserve Allocation	Capital Outlay Reserves	HART Trails	Energy Revolving Loan	Total Capital Project Funds	Governmental Funds
December 31, 2019	808		150	152	156	165	620		
Assets									
Cash and investments	\$ 70,140	1,685,400	199,814	946,329	1,550,763	657,626	276,711	3,631,243	5,316,643
Receivables, net:									
Interfund loan	-	-	-	-	-	-	6,255	6,255	6,255
State and federal grants	-	66,618	-	-	-	-	-	-	66,618
Sales taxes	-	91,530	-	-	-	30,508	-	30,508	122,038
Other	-	-	-	-	-	-	771	771	771
Special assessments	-	546,143	-	-	-	-	-	-	546,143
Total Assets	\$ 70,140	2,389,691	199,814	946,329	1,550,763	688,134	283,737	3,668,777	6,058,468
Liabilities									
Accounts payable	\$ -	669	-	-	8,419	-	30	8,449	9,118
Unearned revenue	-	47,011	-	-	-	-	-	-	47,011
Unearned grant revenue	-	5,237	-	-	-	-	-	-	5,237
Due to other funds	-	377,225	-	-	-	-	-	-	377,225
Deferred assessments	-	546,143	-	-	-	-	-	-	546,143
Total Liabilities	-	976,285	-	-	8,419	-	30.00	8,449	984,734
Fund Balances									
Restricted:									
Roads and trails	-	780,628	-	-	-	688,134	-	688,134	1,468,762
Special service district	70,140	70,140	-	-	-	-	-	-	70,140
Committed:									
Police station debt service	-	616,883	-	-	-	-	-	-	616,883
Assigned:									
Library	-	173,497	-	-	-	-	-	-	173,497
Public safety	-	44,990	-	-	-	-	-	-	44,990
Community schools	-	270	-	-	-	-	-	-	270
Sustainability	-	15,544	-	-	-	-	-	-	15,544
PERS benefits	-	27,901	-	-	-	-	-	-	27,901
Capital and land	-	49,524	199,814	946,329	1,542,344	-	283,707	2,972,194	3,021,718
Unassigned (deficit)	-	(365,971)	-	-	-	-	-	-	(365,971)
Total Fund Balances	70,140	1,413,406	199,814	946,329	1,542,344	688,134	283,707	3,660,328	5,073,734
Total Liabilities and Fund Balances	\$ 70,140	2,389,691	199,814	946,329	1,550,763	688,134	283,737	3,668,777	6,058,468

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended	Special Revenue Funds										
	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	Sustain- ability
<u>December 31, 2019</u>	154	155	157	159	173	615	802	803	804	805	807
Revenues											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	664,701	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	103,914	-	-	-	-	-	-	-	-
Investment income	54,113	21,706	1,060	-	-	5,840	898	77	-	-	337
Special assessment	-	57,765	-	-	9,486	-	-	-	-	-	-
Donations	-	-	-	-	-	-	1,785	3,576	-	-	-
Other	-	-	(4,536)	-	-	-	-	-	-	-	-
Total Revenues	718,814	79,471	100,438	-	9,486	5,840	2,683	3,653	-	-	337
Expenditures											
Current -											
General government	-	-	29,292	-	-	-	-	-	-	-	-
Debt service principal	-	-	-	-	-	-	-	-	-	-	-
Debt service interest	101,931	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	101,931	-	29,292	-	-	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	616,883	79,471	71,146	-	9,486	5,840	2,683	3,653	-	-	337
Other Financing Sources (Uses)											
Issuance of bonds	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	7,390	-	-	-	-	165,892	-	-	-
Transfers out	-	-	(56,698)	-	(501,714)	-	-	-	-	-	-
Net Change in Fund Balances	616,883	79,471	21,838	-	(492,228)	5,840	2,683	169,545	-	-	337
Fund Balances, beginning	-	701,157	27,620	66	126,257	22,061	41,972	3,952	335	270	15,207
Fund Balances, ending	\$ 616,883	780,628	49,458	66	(365,971)	27,901	44,655	173,497	335	270	15,544

Exhibit F-2, continued

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended December 31, 2019	Special Revenue Funds		Capital Project Funds					Total Capital Project Funds	Total Nonmajor Govern- mental Funds
	Ocean Dr Loop Assess- ments 808	Total Special Revenue Funds	Land Reserves 150	Fleet Reserve Allocation 152	Capital Outlay Reserves 156	HART Trails 165	Energy Revolving Loan 620		
Revenues									
Property taxes	\$ 29,630	29,630	-	-	-	-	-	-	29,630
Sales taxes	-	664,701	-	-	-	173,803	-	173,803	838,504
Intergovernmental	-	103,914	-	-	-	-	-	-	103,914
Investment income	-	84,031	-	33,325	77,531	17,857	-	128,713	212,744
Special assessment	-	67,251	-	-	-	-	-	-	67,251
Donations	-	5,361	-	-	1	-	-	1	5,362
Other	-	(4,536)	-	-	-	-	-	-	(4,536)
Total Revenues	29,630	950,352	-	33,325	77,532	191,660	-	302,517	1,252,869
Expenditures									
Current -									
General government	-	29,292	-	-	-	28,771	-	28,771	58,063
Debt service principal	-	-	-	28,045	-	-	-	28,045	28,045
Debt service interest	-	101,931	-	1,110	-	-	-	1,110	103,041
Capital outlay	25,855	25,855	-	245,071	395,874	5,102	40,244	686,291	712,146
Total Expenditures	25,855	157,078	-	274,226	395,874	33,873	40,244	744,217	901,295
Excess of Revenues Over (Under) Expenditures	3,775	793,274	-	(240,901)	(318,342)	157,787	(40,244)	(441,700)	351,574
Other Financing Sources (Uses)									
Issuance of bonds	-	-	-	-	-	-	-	-	-
Transfers in	-	173,282	-	414,767	391,862	-	95,833	902,462	1,075,744
Transfers out	-	(558,412)	-	(95,500)	(888,100)	(38,005)	(19,773)	(1,041,378)	(1,599,790)
Net Change in Fund Balances	3,775	408,144	-	78,366	(814,580)	119,782	35,816	(580,616)	(172,472)
Fund Balances, beginning	66,365	1,005,262	199,814	867,963	2,356,924	568,352	247,891	4,240,944	5,246,206
Fund Balances, ending	\$ 70,140	1,413,406	199,814	946,329	1,542,344	688,134	283,707	3,660,328	5,073,734

General Fund

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

City of Homer, Alaska

100 - General Fund
Balance Sheets

<i>December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 8,307,578	\$ 5,355,651
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$1,862 (\$8,719 in 2018)	100,544	114,979
Sales taxes	961,069	393,314
Assessments	-	-
Grants receivables	159,663	133,772
Accounts receivable, net of allowance for doubtful accounts of \$43,211 (\$26,827 in 2018)	172,180	119,843
Total Receivables	1,393,456	761,908
Due from other funds	402,580	896,181
Interfund loan receivable	161,122	339,710
Inventory	27,691	42,108
Prepaid items	168,902	176,365
Total Assets	\$ 10,461,329	\$ 7,571,923
Liabilities		
Accounts payable	\$ 165,541	\$ 142,083
Accrued payroll and related liabilities	127,669	132,898
Unearned revenue	-	19,383
Customer deposits	12,437	17,404
Total Liabilities	305,647	311,768
Deferred Inflows of Resources		
Deferred assessments	-	-
Deferred property taxes	104,095	105,074
Total Deferred Inflows of Resources	104,095	105,074
Total Liabilities and Deferred Inflows of Resources	409,742	416,842
Fund Balance		
Nonspendable	357,715	558,183
Assigned - PERS benefits	171,314	171,314
Unassigned	9,522,558	6,425,584
Total Fund Balance	10,051,587	7,155,081
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 10,461,329	\$ 7,571,923

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2019 Budget and Actual

Year Ended December 31,	2019					2018
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 3,406,952	3,651,365	-	3,651,365	244,413	3,493,713
Sales and use taxes	5,359,237	6,398,988	-	6,398,988	1,039,751	6,412,983
Total taxes	8,766,189	10,050,353	-	10,050,353	1,284,164	9,906,696
Permits and licenses	34,961	41,152	-	41,152	6,191	46,814
Intergovernmental:						
State PERS relief	-	294,185	(294,185)	-	-	206,427
Utility cooperative	24,968	23,996	-	23,996	(972)	24,657
Alcohol beverage tax	24,117	25,000	-	25,000	883	25,650
Public safety	528,800	528,866	-	528,866	66	648,407
Library grants	6,900	10,322	-	10,322	3,422	2,116
Public works	34,000	34,000	-	34,000	-	34,000
Total intergovernmental	618,785	916,369	(294,185)	622,184	3,399	941,257
Charges for services:						
Administrative services	1,397,334	1,395,834	-	1,395,834	(1,500)	1,179,764
Ambulance services	178,760	122,725	-	122,725	(56,035)	141,706
Fire contracts	86,195	91,204	-	91,204	5,009	88,594
Camping fees	212,054	178,663	-	178,663	(33,391)	181,114
Rental and leases	-	-	-	-	-	8,601
Airport services	148,733	218,798	-	218,798	70,065	203,822
Community school fees	38,348	42,279	-	42,279	3,931	38,063
Miscellaneous services	94,948	155,694	-	155,694	60,746	130,129
Total charges for services	2,156,372	2,205,197	-	2,205,197	48,825	1,971,793
Interest Income	34,346	188,592	-	188,592	154,246	64,372
Special assessments	-	-	-	-	-	-
Fines and forfeitures	24,866	28,798	-	28,798	3,932	15,980
Total Revenues	\$ 11,635,519	13,430,461	(294,185)	13,136,276	1,500,757	12,946,912

City of Homer, Alaska
 100 - General Fund
 Schedules of Revenues, Expenditures, and
 Changes in Fund Balance - with 2019 Budget and Actual, continued

Year Ended December 31,			2019			2018
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures						
General government:						
City council/mayor:						
Salaries and benefits	\$ 14,056	17,918	-	17,918	3,862	\$ 12,864
Maintenance and operations	373,059	422,742	-	422,742	49,683	325,166
Total city council/mayor	387,115	440,660	-	440,660	53,545	338,030
City clerk:						
Salaries and benefits	309,496	321,325	-	321,325	11,829	295,057
Maintenance and operations	55,211	44,409	-	44,409	(10,802)	42,014
Total city clerk	364,707	365,734	-	365,734	1,027	337,071
City manager:						
Salaries and benefits	248,083	242,248	-	242,248	(5,835)	257,171
Maintenance and operations	26,140	26,439	-	26,439	299	18,619
Total city manager	274,223	268,687	-	268,687	(5,536)	275,790
Personnel:						
Salaries and benefits	128,295	132,179	-	132,179	3,884	122,194
Maintenance and operations	50,589	48,792	-	48,792	(1,797)	36,558
Total personnel	178,884	180,971	-	180,971	2,087	158,752
Economic development:						
Salaries and benefits	106,414	111,002	-	111,002	4,588	103,277
Maintenance and operations	65,778	60,919	-	60,919	(4,859)	56,676
Total economic development	172,192	171,921	-	171,921	(271)	159,953
Information technology:						
Salaries and benefits	225,124	233,451	-	233,451	8,327	217,659
Maintenance and operations	95,427	76,498	-	76,498	(18,929)	69,168
Total information technology	320,551	309,949	-	309,949	(10,602)	286,827
HERC Building -						
Maintenance and operations	51,898	47,741	-	47,741	(4,157)	40,225
Community recreation:						
Salaries and benefits	125,275	124,048	-	124,048	(1,227)	119,855
Maintenance and operations	28,536	22,476	-	22,476	(6,060)	23,363
Total community recreation	153,811	146,524	-	146,524	(7,287)	143,218
Finance:						
Salaries and benefits	613,253	628,133	-	628,133	14,880	589,351
Maintenance and operations	84,001	69,246	-	69,246	(14,755)	52,951
Total Finance	697,254	697,379	-	697,379	125	642,302
Planning and zoning:						
Salaries and benefits	346,535	360,311	-	360,311	13,776	345,369
Maintenance and operations	27,798	17,281	-	17,281	(10,517)	11,128
Total planning and zoning	374,333	377,592	-	377,592	3,259	356,497

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2019 Budget and Actual, continued

Year Ended December 31,	2019					2018
	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	\$ 133,686	109,189	-	109,189	(24,497)	\$ 113,224
Leave cash out -						
Salaries and benefits	85,232	85,232	-	85,232	-	161,373
Total general government	3,193,886	3,201,579	-	3,201,579	7,693	3,013,262
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	254,371	233,878	-	233,878	(20,493)	115,458
Maintenance and operations	181,559	153,135	-	153,135	(28,424)	141,506
Total fire - administration	435,930	387,013	-	387,013	(48,917)	256,964
Fire services:						
Salaries and benefits	252,102	259,076	-	259,076	6,974	230,975
Maintenance and operations	68,700	73,452	-	73,452	4,752	56,192
Total fire services	320,802	332,528	-	332,528	11,726	287,167
Emergency medical services:						
Salaries and benefits	252,102	259,283	-	259,283	7,181	230,973
Maintenance and operations	50,600	44,465	-	44,465	(6,135)	40,821
Total emergency medical service	302,702	303,748	-	303,748	1,046	271,794
Fire grant - assistant chief -						
Salaries and benefits	-	-	-	-	-	131,576
Total fire grant - assistant chief	-	-	-	-	-	131,576
Total emergency services	1,059,434	1,023,289	-	1,023,289	(36,145)	947,501
Police department:						
Police administration:						
Salaries and benefits	133,530	143,059	-	143,059	9,529	134,677
Maintenance and operations	267,933	237,404	-	237,404	(30,529)	209,961
Total police administration	401,463	380,463	-	380,463	(21,000)	344,638
Police dispatch:						
Salaries and benefits	577,386	590,223	-	590,223	12,837	529,500
Maintenance and operations	38,500	26,571	-	26,571	(11,929)	34,158
Total police dispatch	615,886	616,794	-	616,794	908	563,658
Police investigation:						
Salaries and benefits	186,662	205,826	-	205,826	19,164	196,800
Maintenance and operations	29,100	19,156	-	19,156	(9,944)	19,714
Total police investigation	215,762	224,982	-	224,982	9,220	216,514

City of Homer, Alaska
 100 - General Fund
 Schedules of Revenues, Expenditures, and
 Changes in Fund Balance - with 2019 Budget and Actual, continued

Year Ended December 31,	2019					2018
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public safety, continued						
Police department, continued						
Police patrol:						
Salaries and benefits	\$ 1,162,359	1,244,668	-	1,244,668	82,309	\$ 1,196,245
Maintenance and operations	7,500	3,445	-	3,445	(4,055)	4,430
Total police patrol	1,169,859	1,248,113	-	1,248,113	78,254	1,200,675
Jail:						
Salaries and benefits	530,596	570,982	-	570,982	40,386	580,914
Maintenance and operations	108,338	84,245	-	84,245	(24,093)	79,425
Total jail	638,934	655,227	-	655,227	16,293	660,339
Animal control -						
Maintenance and operations	217,323	210,787	-	210,787	(6,536)	215,027
Total animal control	217,323	210,787	-	210,787	(6,536)	215,027
Total police department	3,259,227	3,336,366	-	3,336,366	77,139	3,200,851
Total public safety	4,318,661	4,359,655	-	4,359,655	40,994	4,148,352
Public works:						
Administration:						
Salaries and benefits	108,184	82,433	-	82,433	(25,751)	81,160
Maintenance and operations	70,301	49,582	-	49,582	(20,719)	47,050
Total administration	178,485	132,015	-	132,015	(46,470)	128,210
Maintenance:						
Salaries and benefits	269,862	286,487	-	286,487	16,625	216,483
Maintenance and operations	132,975	99,450	-	99,450	(33,525)	112,626
Total maintenance	402,837	385,937	-	385,937	(16,900)	329,109
Roads:						
Salaries and benefits	461,974	472,670	-	472,670	10,696	475,071
Maintenance and operations	306,296	266,139	-	266,139	(40,157)	262,583
Total roads	768,270	738,809	-	738,809	(29,461)	737,654
Parks:						
Salaries and benefits	279,227	308,217	-	308,217	28,990	236,931
Maintenance and operations	165,590	143,604	-	143,604	(21,986)	142,379
Total parks	444,817	451,821	-	451,821	7,004	379,310
Motor pool:						
Salaries and benefits	185,786	160,353	-	160,353	(25,433)	181,599
Maintenance and operations	420,200	372,404	-	372,404	(47,796)	314,509
Total motor pool	605,986	532,757	-	532,757	(73,229)	496,108

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2019 Budget and Actual, continued

Year Ended December 31,	2019					2018
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Engineer inspection:						
Salaries and benefits	\$ 174,558	126,028	-	126,028	(48,530)	\$ 164,787
Maintenance and operations	14,300	6,494	-	6,494	(7,806)	6,958
Total engineer inspection	188,858	132,522	-	132,522	(56,336)	171,745
Janitorial:						
Salaries and benefits	147,245	142,515	-	142,515	(4,730)	141,491
Maintenance and operations	42,650	41,605	-	41,605	(1,045)	42,060
Total Janitorial	189,895	184,120	-	184,120	(5,775)	183,551
Total public works	2,779,148	2,557,981	-	2,557,981	(221,167)	2,425,687
Library:						
Salaries and benefits	712,347	684,762	-	684,762	(27,585)	670,263
Maintenance and operations	220,055	188,678	-	188,678	(31,377)	181,934
Total library	932,402	873,440	-	873,440	(58,962)	852,197
Airport:						
Salaries and benefits	95,407	93,770	-	93,770	(1,637)	81,334
Maintenance and operations	124,435	103,131	-	103,131	(21,304)	108,171
Total airport	219,842	196,901	-	196,901	(22,941)	189,505
Non-Departmental:						
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	94,000	-	94,000	-	94,000
Debt service on loans:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total debt service on loans	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	11,537,939	11,283,556	-	11,283,556	(254,383)	10,723,003
Excess of Revenues Over Expenditures	97,580	2,146,905	(294,185)	1,852,720	1,755,140	2,223,909
Other Financing Sources (Uses):						
Transfers in	614,843	1,671,930	-	1,671,930	1,057,087	14,576
Transfers out	(712,423)	(922,329)	-	(922,329)	(209,906)	(2,290,433)
Net Change in Fund Balance	\$ -	2,896,506	(294,185)	2,602,321	2,602,321	(51,948)
Fund Balance, beginning		7,155,081		7,155,081		7,207,029
Fund Balance, ending		\$ 10,051,587		9,757,402		\$ 7,155,081

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

<i>December 31, 2019</i>	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Assets					
Cash and investments	\$ 164,016	1,946,924	(1,937,315)	4,729,813	4,903,438
Receivables					
Accounts	196,875	-	-	-	196,875
Sales taxes	-	228,826	-	-	228,826
Assessments	-	3,393,907	-	-	3,393,907
State and Federal grants and loans	-	-	442,433	-	442,433
Total Receivables	196,875	3,622,733	442,433	-	4,262,041
Inventory	405,258	-	-	-	405,258
Prepaid	20,968	-	-	-	20,968
Total Assets	\$ 787,117	5,569,657	(1,494,882)	4,729,813	9,591,705
Liabilities					
Accounts payable	\$ 55,094	-	3,420	49,423	107,937
Accrued payroll and related liabilities	15,962	-	-	-	15,962
Customer deposits	42,453	-	-	-	42,453
Total Liabilities	113,509	-	3,420	49,423	166,352
Deferred Inflows of Resources					
Deferred assessments	-	3,393,907	-	-	3,393,907
Total Liabilities and Deferred Inflows of Resources	113,509	3,393,907	3,420	49,423	3,560,259
Fund Balances (Deficits)					
Nonspendable - inventory and prepaid	426,226	-	-	-	426,226
Assigned - water and sewer	247,382	2,175,750	(1,498,302)	4,680,390	5,605,220
Total Fund Balances (Deficits)	673,608	2,175,750	(1,498,302)	4,680,390	6,031,446
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 787,117	5,569,657	(1,494,882)	4,729,813	9,591,705

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

Year Ended December 31, 2019	Budget	Actual	Variance
Revenues			
Sales taxes	1,338,809	\$ 1,583,087	\$ 244,278
Intergovernmental	-	640,158	640,158
Other	-	100,011	100,011
Charges for services:			
Water charges and connection fees	2,015,298	2,190,568	175,270
Sewer charges and connection fees	1,722,014	1,755,995	33,981
Total charges for services	3,737,312	3,946,563	209,251
Water and sewer special assessments	-	426,218	426,218
Investment income	1,003	105,161	104,158
Total Revenues	5,077,124	6,801,198	1,724,074
Expenditures			
Water:			
Administration	630,904	643,808	(12,904)
Treatment plant	634,642	588,673	45,969
Water system testing	27,400	21,194	6,206
Pumping stations	97,020	88,521	8,499
Distribution system	303,476	305,560	(2,084)
Water reservoir	29,047	22,003	7,044
Water meters	239,972	224,953	15,019
Water hydrants	189,233	195,984	(6,751)
Total water	2,151,694	2,090,696	60,998
Sewer:			
Administration	402,246	393,377	8,869
Sewer plant operations	673,034	693,445	(20,411)
Sewer system testing	14,500	9,235	5,265
Sewer lift stations	199,213	194,147	5,066
Collection system	242,449	232,471	9,978
Total Sewer	1,531,442	1,522,675	8,767
Debt service:			
Principal	868,835	881,066	(12,231)
Interest	172,665	149,933	22,732
Total debt service	1,041,500	1,030,999	10,501
Capital outlay	-	1,019,555	(1,019,555)
Total Expenditures	4,724,636	5,663,925	(939,289)
Excess of Revenues Over (Under) Expenditures	352,488	1,137,273	784,785
Other Financing Sources (Uses)			
Transfers in	-	779,535	779,535
Transfers out	(199,035)	-	199,035
Net Change in Fund Balance	153,453	1,916,808	\$ 1,763,355
Fund Balance, beginning		4,114,638	
Fund Balance, ending		\$ 6,031,446	

City of Homer, Alaska

Utility Special Revenue Fund

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

	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
<i>Year Ended December 31, 2019</i>					
Revenues					
Sales taxes	\$ -	1,583,087	-	-	1,583,087
Intergovernmental	66,929	-	573,229	-	640,158
Other	-	100,011	-	-	100,011
Charges for services:					
Water charges and connection fees	2,190,568	-	-	-	2,190,568
Sewer charges and connection fees	1,755,995	-	-	-	1,755,995
Total charges for services	3,946,563	-	-	-	3,946,563
Water and sewer special assessments	-	426,218	-	-	426,218
Investment income	105,161	-	-	-	105,161
Total Revenues	4,118,653	2,109,316	573,229	-	6,801,198
Expenditures					
Water:					
Administration	499,951	143,857	-	-	643,808
Treatment plant	588,673	-	-	-	588,673
Water system testing	21,194	-	-	-	21,194
Pumping stations	88,521	-	-	-	88,521
Distribution system	305,560	-	-	-	305,560
Water reservoir	22,003	-	-	-	22,003
Water meters	224,953	-	-	-	224,953
Water hydrants	195,984	-	-	-	195,984
Total water	1,946,839	143,857	-	-	2,090,696
Sewer:					
Administration	393,377	-	-	-	393,377
Sewer plant operations	693,445	-	-	-	693,445
Sewer system testing	9,235	-	-	-	9,235
Sewer lift stations	194,147	-	-	-	194,147
Collection system	232,471	-	-	-	232,471
Total Sewer	1,522,675	-	-	-	1,522,675
Debt service:					
Principal	-	881,066	-	-	881,066
Interest	1,233	148,700	-	-	149,933
Total debt service	1,233	1,029,766	-	-	1,030,999
Capital outlay	-	-	822,345	197,210	1,019,555
Total Expenditures	3,470,747	1,173,623	822,345	197,210	5,663,925
Excess of Revenues Over (Under)					
Expenditures	647,906	935,693	(249,116)	(197,210)	1,137,273
Other Financing Sources (Uses)					
Transfers in	-	3,989,047	-	(3,209,512)	779,535
Transfers out	(3,300,117)	-	(27,106)	3,327,223	-
Net Change in Fund Balances	(2,652,211)	4,924,740	(276,222)	(79,499)	1,916,808
Fund Balances (Deficits), beginning	3,325,819	(2,748,990)	(1,222,080)	4,759,889	4,114,638
Fund Balances (Deficits), ending	673,608	2,175,750	(1,498,302)	4,680,390	6,031,446

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

December 31,	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,942,518	\$ 1,426,146
Receivables:		
Accounts, net of allowance for doubtful accounts of \$101,658 (\$93,729 in 2018)	315,287	242,443
State and federal grants	35,784	233,305
Inventory	-	13,419
Prepaid items	63,945	45,403
Total Current Assets	2,357,534	1,960,716
Restricted Cash and Investments		
Bond reserves	317,980	290,100
Property, Plant and Equipment		
Property, plant and equipment in service	73,847,082	73,246,017
Land and land improvements	15,804,641	15,804,641
Construction work in progress	182,951	582,682
Less accumulated depreciation	(39,329,347)	(37,172,348)
Net Property, Plant and Equipment	50,505,327	52,460,992
Total Assets	53,180,841	54,711,808
Deferred Outflows of Resources:		
Pension related	149,501	163,549
OPEB related	113,108	113,617
Total Deferred Outflows of Resources	262,609	277,166
Total Assets and Deferred Outflows of Resources	\$ 53,443,450	\$ 54,988,974

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

December 31,	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 96,484	\$ 237,029
Accrued payroll and related liabilities	17,743	21,434
Accrued leave	96,000	96,000
Accrued interest payable	11,358	11,790
General obligation bonds payable	150,000	145,000
Prepaid berth rentals and deposits	1,117,067	1,031,144
Unearned lease revenue	18,000	18,000
Interfund loan	33,291	66,939
Total Current Liabilities	1,539,943	1,627,336
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	144,000	162,000
Interfund loan	134,086	279,026
Accrued leave long term	164,010	164,321
General obligation bonds payable including bond premium	3,086,424	3,261,150
Net pension liabilities	1,911,376	1,878,282
Net OPEB liabilities	50,168	384,444
Total Noncurrent Liabilities	5,490,064	6,129,223
Total Liabilities	7,030,007	7,756,559
Deferred Inflows of Resources:		
Pension related	75,090	47,141
OPEB related	71,101	146,227
Total Deferred Inflows of Resources	146,191	193,368
Net Position		
Net investment in capital assets	47,268,903	49,054,842
Unrestricted (deficit)	(1,001,651)	(2,015,795)
Total Net Position	46,267,252	47,039,047
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 53,443,450	\$ 54,988,974

City of Homer, Alaska

Port of Homer Enterprise Fund

Statements of Revenues, Expenses, and Changes in Net Position

Year Ended December 31,	2019	2018
Operating Revenues		
Harbor	\$ 3,052,269	\$ 2,835,577
Main dock	307,440	290,805
Fish dock	573,228	558,664
Deep water dock	255,404	233,948
Rents, leases and storage	593,671	497,066
Fish grinder	7,835	7,975
Total Operating Revenues	4,789,847	4,424,035
Operating Expenses		
Harbor	1,583,603	1,634,736
Main dock	103,270	84,028
Fish dock	572,045	561,983
Deep water dock	184,997	213,511
Fish grinder	21,533	27,313
Administration	1,175,768	1,159,651
Depreciation	2,156,999	2,208,536
Total Operating Expenses	5,798,215	5,889,758
Operating Loss	(1,008,368)	(1,465,723)
Nonoperating Revenues (Expenses)		
Investment income	23,300	11,284
Interest expense	(138,843)	(131,965)
State PERS relief	70,760	50,398
Other income	101,939	118,995
Cruise ship tax	71,630	214,878
Fish tax	59,647	62,069
Net Nonoperating Revenues (Expenses)	188,433	325,659
Loss Before Transfers and Capital Contributions	(819,935)	(1,140,064)
Transfers in (out)	(922)	462,483
Capital contributions	49,062	409,138
Change in Net Position	(771,795)	(268,443)
Beginning Net Position	47,039,047	47,307,490
Ending Net Position	\$ 46,267,252	\$ 47,039,047

**Port of Homer Enterprise Fund
Statements of Cash Flows**

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 4,886,865	\$ 4,336,683
Payments to suppliers	(1,958,107)	(1,810,444)
Payments to employees	(2,096,253)	(1,960,032)
Net cash flows from (for) operating activities	832,505	566,207
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	(922)	462,483
Net cash flows from (for) noncapital financing activities	(922)	462,483
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(150,000)	(145,000)
Interest paid on long-term debt	(163,569)	(156,691)
Capital contributions received	246,583	183,347
Cruise ship tax and fish tax received	131,277	276,947
Acquisition of property, plant and equipment	(196,334)	(1,590,068)
Increase in interfund loan	300,000	300,000
Decrease in interfund loan	(478,588)	(93,928)
Net cash flows from (for) capital and related financing activities	(310,631)	(1,225,393)
Cash Flows from Investing Activities		
Investment income received	23,300	11,284
Net (Decrease) Increase in Cash and Investments	544,252	(185,419)
Beginning Cash and Investments	1,716,246	1,901,665
Ending Cash and Investments	\$ 2,260,498	\$ 1,716,246

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

<i>Year Ended December 31,</i>	2019	2018
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (1,008,368)	\$ (1,465,723)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,156,999	2,208,536
Noncash expense - PERS relief	70,760	50,398
Increase in allowance for doubtful accounts	7,929	60,045
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	101,939	118,995
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(80,773)	(162,524)
Inventory	13,419	(2,060)
Prepaid items	(18,542)	(27,720)
Deferred outflows of resources related to pensions	14,048	(22,854)
Deferred outflows of resources related to OPEB	509	(92,001)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(140,545)	71,781
Accrued payroll and related liabilities	(3,691)	8,000
Unearned grant revenue	-	(151,813)
Accrued leave	(743)	31,354
Prepaid berth rentals and deposits	85,923	65,945
Net pension liability	33,094	(15,960)
Net OPEB liabilities	(334,276)	79,571.00
Deferred inflows of resources related to pensions	27,949	(158,022)
Deferred inflows of resources related to OPEB	(75,126)	(11,741.00)
Net Cash Flows from (for) Operating Activities	\$ 832,505	\$ 566,207

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	Total Port Fund
December 31, 2019					
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	\$ (553,116)	123,350	192,603	2,179,681	1,942,518
Receivables:					
Trade, net of allowance for doubtful accounts	315,287	-	-	-	315,287
State and federal grants	-	35,784	-	-	35,784
Inventory	-	-	-	-	-
Prepaid items	63,945	-	-	-	63,945
Total Current Assets	(173,884)	159,134	192,603	2,179,681	2,357,534
Restricted Cash and Investments					
Bond reserves	317,980	-	-	-	317,980
Property, plant and equipment:					
Property, plant and equipment in service	73,847,082	-	-	-	73,847,082
Land and land improvements	15,804,641	-	-	-	15,804,641
Construction work in progress	182,951	-	-	-	182,951
Less accumulated depreciation	(39,329,347)	-	-	-	(39,329,347)
Net Property, Plant and Equipment	50,505,327	-	-	-	50,505,327
Total Assets	50,649,423	159,134	192,603	2,179,681	53,180,841
Deferred Outflows of Resources:					
Pension related	149,501	-	-	-	149,501
OPEB related	113,108	-	-	-	113,108
Total Deferred Outflows of Resources	262,609	-	-	-	262,609
Total Assets and Deferred Outflows of Resources	\$ 50,912,032	159,134	192,603	2,179,681	53,443,450

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

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Total Port Fund
December 31, 2019					
Liabilities, Deferred Inflows of Resources, and Net Position					
Liabilities					
Current Liabilities					
Accounts payable	\$ 76,334	691	-	19,459	96,484
Accrued payroll and related liabilities	17,743	-	-	-	17,743
Accrued leave	96,000	-	-	-	96,000
Accrued interest payable	11,358	-	-	-	11,358
General obligation bonds payable	150,000	-	-	-	150,000
Prepaid berth rentals and deposits	1,117,067	-	-	-	1,117,067
Unearned lease revenue	18,000	-	-	-	18,000
Interfund loan	33,291	-	-	-	33,291
Total Current Liabilities	1,519,793	691	-	19,459	1,539,943
Noncurrent Liabilities, net of current portion:					
Unearned lease revenue	144,000	-	-	-	144,000
Interfund loan	134,086	-	-	-	134,086
Accrued leave long term	164,010	-	-	-	164,010
General obligation bonds payable including bond premium	3,086,424	-	-	-	3,086,424
Net pension liabilities	1,911,376	-	-	-	1,911,376
Net OPEB liabilities	50,168	-	-	-	50,168
Total Noncurrent Liabilities	5,490,064	-	-	-	5,490,064
Total Liabilities	7,009,857	691	-	19,459	7,030,007
Deferred Inflows of Resources:					
Pension related	75,090	-	-	-	75,090
OPEB related	71,101	-	-	-	71,101
Total Deferred Inflows of Resources	146,191	-	-	-	146,191
Net Position					
Net investment in capital assets	47,268,903	-	-	-	47,268,903
Unrestricted (deficit)	(3,512,919)	158,443	192,603	2,160,222	(1,001,651)
Total Net Position	43,755,984	158,443	192,603	2,160,222	46,267,252
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 50,912,032	159,134	192,603	2,179,681	53,443,450

City of Homer, Alaska

Port of Homer Enterprise Fund

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

	Port & Harbor 400	Capital Projects 415	Fleet Reserve 452	Capital Outlay Reserve 456	Crusie Ship Landing Tax 460	Total Port Fund
Year Ended December 31, 2019						
Operating Revenues						
Harbor	\$ 3,052,269	-	-	-	-	3,052,269
Main dock	307,440	-	-	-	-	307,440
Fish dock	573,228	-	-	-	-	573,228
Deep water dock	255,404	-	-	-	-	255,404
Rents, leases and storage	593,671	-	-	-	-	593,671
Fish grinder	7,835	-	-	-	-	7,835
Total Operating Revenues	4,789,847	-	-	-	-	4,789,847
Operating Expenses						
Harbor	1,520,775	557	-	62,271	-	1,583,603
Main dock	103,270	-	-	-	-	103,270
Fish dock	572,045	-	-	-	-	572,045
Deep water dock	184,997	-	-	-	-	184,997
Fish grinder	21,533	-	-	-	-	21,533
Administration	1,175,768	-	-	-	-	1,175,768
Depreciation	2,156,999	-	-	-	-	2,156,999
Total Operating Expenses	5,735,387	557	-	62,271	-	5,798,215
Operating Loss	(945,540)	(557)	-	(62,271)	-	(1,008,368)
Nonoperating Revenues (Expenses)						
Investment income	23,300	-	-	-	-	23,300
Interest expense	(138,843)	-	-	-	-	(138,843)
State PERS relief	70,760	-	-	-	-	70,760
Other income	90,214	11,400	-	325	-	101,939
Cruise ship tax	-	-	-	-	71,630	71,630
Fish tax	59,647	-	-	-	-	59,647
Net Nonoperating Revenues (Expenses)	105,078	11,400	-	325	71,630	188,433
Income (Loss) Before Transfers and Capital Contributions	(840,462)	10,843	-	(61,946)	71,630	(819,935)
Transfers in (out)	518,652	1,708,987	30,000	(2,186,931)	(71,630)	(922)
Capital contributions	-	49,062	-	-	-	49,062
Change in Net Position	(321,810)	1,768,892	30,000	(2,248,877)	-	(771,795)
Beginning Net Position	44,077,794	(1,610,449)	162,603	4,409,099	-	47,039,047
Ending Net Position	\$ 43,755,984	158,443	192,603	2,160,222	-	46,267,252

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

<i>December 31, 2019</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ 265,427	\$ 64,532	\$ 329,959
Liabilities and Net Position			
Current Liabilities			
Accounts Payable	(1,074)	-	(1,074)
Net Position			
Unrestricted	266,501	64,532	331,033
Total Liabilities and Net Position	\$ 265,427	\$ 64,532	\$ 329,959

City of Homer, Alaska

Internal Service Funds

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

<i>Year Ended December 31, 2019</i>	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 1,758,835	\$ 129,331	\$ 1,888,166
Employee health contributions	162,144	-	162,144
Total Operating Revenues	1,920,979	129,331	2,050,310
Operating Expenses			
Salaries and benefits	-	185,403	185,403
Insurance premiums	1,613,641	-	1,613,641
Administration	27,411	-	27,411
Employee incentive fees	120,968	-	120,968
Total Operating Expenses	1,762,020	185,403	1,947,423
Transfers in (out)	103,986	-	103,986
Change in Net Position	262,945	(56,072)	206,873
Beginning Net Position	3,556	120,604	124,160
Ending Net Position	\$ 266,501	\$ 64,532	\$ 331,033

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

<i>Year Ended December 31, 2019</i>	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 1,920,979	\$ 129,331	\$ 2,050,310
Payments to employees	(120,968)	(185,403)	(306,371)
Payments for insurance, claims, and administration	(1,642,180)	-	(1,642,180)
Net cash flows from (for) operating activities	157,831	(56,072)	101,759
Cash Flows from (for) Noncapital Financing Activities			
Transfers in (out)	103,986	-	103,986
Net Increase in Cash and Investments	261,817	(56,072)	205,745
Cash and Investments, beginning	3,610	120,604	124,214
Cash and Investments, ending	\$ 265,427	\$ 64,532	\$ 329,959
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities			
Operating income	\$ 158,959	\$ (56,072)	\$ 102,887
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	(1,128)	-	(1,128)
Net Cash Flows from (for) Operating Activities	\$ 157,831	\$ (56,072)	\$ 101,759

City of Homer, Alaska

600 - Health Insurance Internal Service Fund

Statements of Net Position

<i>December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 265,427	\$ 3,610
Liabilities and Net Position		
Current Liabilities		
Accounts Payable	(1,074)	54
Net Position		
Unrestricted	266,501	3,556
Total Liabilities and Net Position	\$ 265,427	\$ 3,610

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statements of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31,</i>	2019	2018
Operating Revenues		
Interfund insurance charges	\$ 1,758,835	\$ 1,621,275
Employee health contributions	162,144	173,958
Total Operating Revenues	1,920,979	1,795,233
Operating Expenses		
Insurance premiums	1,613,641	1,558,692
Administration	27,411	25,360
Employee incentive fees	120,968	110,988
Total Operating Expenses	1,762,020	1,695,040
Operating Income	158,959	100,193
Transfers in (out)	103,986	(1,000,000)
Change in Net Position	262,945	(899,807)
Beginning Net Position	3,556	903,363
Ending Net Position	\$ 266,501	\$ 3,556

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statements of Cash Flows

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided and employee contributions	\$ 1,920,979	\$ 1,795,233
Payments for insurance, claims, and administration	(1,642,180)	(1,583,998)
Payments to employees for incentive fees	(120,968)	(110,988)
Net cash flows from (for) operating activities	157,831	100,247
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	103,986	(1,000,000)
Net (Decrease) Increase in Cash and Investments	261,817	(899,753)
Cash and Investments, beginning	3,610	903,363
Cash and Investments, ending	\$ 265,427	\$ 3,610
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income	\$ 158,959	\$ 100,193
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Increase (decrease) in liabilities:		
Accounts payable	(1,128)	54
Net Cash Flows from (for) Operating Activities	\$ 157,831	\$ 100,247

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund
Statements of Net Position

<i>December 31,</i>	2019	2018
Current Assets		
Cash and investments	\$ 64,532	\$ 120,604
Net Position		
Unrestricted	\$ 64,532	\$ 120,604

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund

Statements of Revenues, Expenses, and Changes in Net Position (Deficit)

<i>Year Ended December 31,</i>	2019	2018
Operating Revenues		
Interfund leave cash-out charges	\$ 129,331	\$ 238,969
Operating Expenses		
Salaries and benefits	185,403	181,960
Change in Net Position	(56,072)	57,009
Beginning Net Position (Deficit)	120,604	63,595
Ending Net Position (Deficit)	\$ 64,532	\$ 120,604

City of Homer, Alaska
610 - Leave Cash-out Internal Service Fund
Statements of Cash Flows

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided	\$ 129,331	\$ 238,969
Payments to employees	(185,403)	(181,960)
Net cash flows from (for) operating activities	(56,072)	57,009
Net Increase (Decrease) in Cash and Investments	(56,072)	57,009
Cash and Investments, beginning	120,604	63,595
Cash and Investments, ending	\$ 64,532	\$ 120,604
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income (loss)	\$ (56,072)	\$ 57,009

Government Auditing Standards Report



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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 year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
December 7, 2020

City of Homer, Alaska
Schedule of Findings and Responses
Year Ended December 31, 2019

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

X no

Significant deficiency(ies) identified?

___ yes

X (none reported)

Noncompliance material to financial statements noted?

___ yes

X no

**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*.