



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, October 11, 2021 at 5:00 PM

In Person at City Hall Cowles Council Chambers

By Zoom Webinar

<https://cityofhomer.zoom.us/j/953097829?pwd=RVVmSlc1YnpUUExhbFE0b0NwSCtqUT09>

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

Webinar ID: 953 097 829 Passcode: 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)

- a. Presentation of 2020 Audit - Bikky Shrestha, BDO USA, LLP.

COMMENTS OF THE AUDIENCE

ADJOURNMENT NO LATER THAN 5:50 P.M.

Next Regular Meeting is Monday, October 25, 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 Single Audit Reports
Year Ended December 31, 2020

City of Homer, Alaska

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

Year Ended December 31, 2020



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		1-4
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		30-63
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget and Actual:		
General Fund	D-1	65
Utility Special Revenue Fund	D-2	66
CARES Special Revenue Fund	D-3	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		72-73

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	77-78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	79-80
General Fund:		
Balance Sheets	G-1	82
Schedules of Revenues, Expenditures, and Changes in Fund Balance – with 2020 Budget and Actual	G-2	83-87
Utility Special Revenue Fund:		
Combining Balance Sheet	H-1	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	H-2	90
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficits)	H-3	91
Port of Homer Enterprise Fund:		
Statements of Net Position	I-1	93-94
Statements of Revenues, Expenses, and Changes in Net Position	I-2	95
Statements of Cash Flows	I-3	96-97
Combining Schedule of Net Position	I-4	98-99
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Deficits)	I-5	100
Internal Service Funds:		
Combining Statement of Net Position	J-1	102
Combining Statement of Revenues, Expenses, and Changes in Net Position	J-2	103
Combining Statement of Cash Flows	J-3	104
Health Insurance Internal Service Fund:		
Statements of Net Position	J-4	105
Statements of Revenues, Expenses, and Changes in Net Position	J-5	106
Statements of Cash Flows	J-6	107

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	108
Statements of Revenues, Expenses, and Changes in Net Position (Deficit)	J-8	109
Statements of Cash Flows	J-9	110

Schedule of Expenditures of Federal Awards	K-1	111
--	-----	-----

Notes to Schedule of Expenditures of Federal Awards		112
---	--	-----

Single Audit Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		114-115
---	--	---------

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		116-118
---	--	---------

Schedule of Findings and Questioned Costs		119
---	--	-----

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Homer, Alaska as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Homer's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Homer's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 6 through 16, budgetary comparison information on pages 65 through 67, and the Schedules of Net Pension and OPEB liability, and City Contributions to the Public Employees' Retirement System Pension and OPEB Plans on page 68 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Homer's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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, 2019 (not presented herein), and have issued our report thereon dated December 7, 2020, 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, 2019 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the City of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Homer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Homer's internal control over financial reporting and compliance.

BDO USA, LLP

City of Homer, Alaska
September 30, 2021

Management's Discussion and Analysis

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2020

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, 2020. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this *section*.

Financial Highlights

- The assets and deferred outflows of resources of the City of Homer exceeded its liabilities and deferred inflows of resources on December 31, 2020, by \$141,468,553 (Net Position). Of this amount, unrestricted net position of \$16,826,475 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$1,934,819 from current year activity. For the fiscal year, governmental type activities increased by \$2,542,344 and business type activities decreased by \$607,525.

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$30,900,410, an increase of \$736,984 from the prior year. A combination of factors contributed to the increase, but primarily due to CARES Act funding covering payroll costs and an overall decrease in capital outlay spending. The Gas-Line Capital Project fund resulted in an increase of \$251,320 to the fund balance; The HART-Road Capital Project fund resulted in a increase of \$558,228 to the fund balance; the Utility (Water & Sewer) Special Revenue fund balance increased by \$972,229; the City Facilities fund balance decreased by \$3,257,773; the General fund balance increased by \$1,955,810; all other Non-Major fund balances have a net increase of \$244,158.

- At the end of the current year, the fund balance for the General fund was \$12,007,397. Of this amount, \$11,361,052 was unassigned and available for future use.
- At year-end, the City of Homer's outstanding governmental debt totaled \$25,505,309. Business-type debt outstanding was \$5,054,380. These figures include both external debt (bonds, loans, capital leases) as well as accrued leave and net pension and OPEB liabilities.

Overview of the Financial Statements

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

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

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2020

- 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, 2020

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, 2020

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

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

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

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

Notes to the Financial Statements

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

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

Government-wide Financial Analysis

At the close of the 2020 fiscal year, the City's net position (assets exceeding liabilities) totaled \$141,468 (see Table A-1). Of this amount, \$116,569 or 82%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Homer uses these capital assets to

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2020

provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted.

The restricted balance of \$8,073 in the governmental activities is for capital projects. The total unrestricted amount totals \$16,826 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	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 40,754	\$ 39,920	\$ 3,733	\$ 2,566	\$ 44,487	\$ 42,486
Capital assets	83,628	82,839	48,430	50,505	132,058	133,344
Total Assets	124,382	122,759	52,163	53,071	176,545	175,830
Deferred outflows	1,349	1,341	234	262	1,583	1,603
Total Assets and Deferred Outflows	125,731	124,100	52,397	53,333	178,128	177,433
Liabilities						
Noncurrent liabilities	25,505	27,299	5,055	5,457	30,560	32,756
Other liabilities	3,604	2,846	1,474	1,405	5,078	4,251
Total Liabilities	29,109	30,145	6,529	6,862	35,638	37,007
Deferred inflows	870	746	151	146	1,021	892
Total Liabilities and Deferred Inflows	29,979	30,891	6,680	7,008	36,659	37,899
Net Position						
Net investment in capital assets	71,201	70,930	45,368	47,269	116,569	118,199
Restricted	8,073	7,446	-	-	8,073	7,446
Unrestricted	16,477	14,833	349	(944)	16,826	13,889
Total Net Position	\$ 95,751	\$ 93,209	\$ 45,717	\$ 46,325	\$ 141,468	\$ 139,534

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2020

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for services	\$ 5,405	\$ 5,876	\$ 5,087	\$ 4,964	\$ 10,492	\$ 10,840
Operating grants and contributions	11,021	957	90	71	11,111	1,028
Capital grants and contributions	595	1,085	72	49	667	1,134
General Revenues						
Property taxes	3,789	3,680	-	-	3,789	3,680
Sales taxes	9,070	10,324	-	-	9,070	10,324
Other	720	1,012	110	83	830	1,095
Total Revenues	30,600	22,934	5,359	5,167	35,959	28,101
Expenses						
General						
government	4,986	3,182	-	-	4,986	3,182
Public safety	5,137	4,095	-	-	5,137	4,095
Public works	4,128	4,029	-	-	4,128	4,029
Library	1,012	996	-	-	1,012	996
Airport	268	251	-	-	268	251
Community						
services	7,671	100	-	-	7,671	100
Water and sewer	4,456	4,131	-	-	4,456	4,131
Unallocated						
interest	395	372	-	-	395	372
Port and harbor	-	-	5,970	5,920	5,970	5,920
Total Expenses	28,053	17,156	5,970	5,920	34,023	23,076
Increase (decrease) in net position before transfers and special item	\$ 2,547	\$ 5,778	\$ (611)	\$ (753)	\$ 1,936	\$ 5,025

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2020

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Transfers	\$ (3)	\$ 1	\$ 3	\$ (1)	-	-
Special item	(2)	(101)	-	-	(2)	(101)
Increase (Decrease) In Net Position	2,542	5,678	(608)	(754)	1,934	4,924
Net Position, beginning	93,209	87,531	46,325	47,079	139,534	134,610
Net Position, ending	\$ 95,751	\$ 93,209	\$ 45,717	\$ 46,325	\$ 141,468	\$ 139,534

The City's net position increased by \$1,934. Revenues exceeded expenses in the governmental activities by \$2,542 and in the business-type activities expenses exceeded revenues by \$608. Key elements of the increases and decreases follow:

- Revenues in the governmental activities increased by \$7,666 in 2020 from 2019. This is mainly due to an increase of \$9,574 grants and contributions and decrease of \$2,017 in sales taxes, charges for services, and other revenues.
- Expenses in the governmental activities increased by \$10,947 in 2020 from 2019. This is mainly due to an increase of \$7,571 in community services, \$1,804 in general government, and \$1,042 in public safety.
- Revenues in the business-type activities increased by \$192 in 2020 from 2019. This is mainly due to an increase of \$123 in charges for services.
- Expenses in the business-type activities also increased by \$50 in 2020 from 2019.
- Sales Taxes reflect a decrease from 2019. This breakdown shows the Sales Taxes by fund to receive them. Changes in sales tax dollars from 2020 to 2019 are as follows:

Sales Taxes	2020	2019	Change
Fund			
General	\$ 5,705	\$ 6,399	\$ (694)
Utility (Water & Sewer – HAWSP)	1,402	1,583	(181)
HART Roads Capital Project	1,262	1,503	(241)
Police Station Debt Service SRF	561	665	(104)
Hart Trails Capital Project	140	174	(34)
Total	\$ 9,070	\$ 10,324	\$ (1,254)

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2020

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, 2020, the City's governmental funds reported combined ending fund balances of \$30,900, an increase of \$736 compared to balances a year earlier. Of the ending balance, \$10,628, or 34% is unassigned. The remaining fund balance is restricted for roads and trails \$8,073, committed for police station debt service \$805, or assigned for future capital projects and other purposes \$10,348; and non-spendable in the form of inventory, inter-fund loan and prepaid items \$1,046. The increase of total fund balance during the year is attributed to:

- General Fund net change in fund balance of \$1,956.
- Utility Special Revenue Fund's fund balance increased by \$972. This is mainly due to a decrease in capital outlay of \$719 as compared to 2019.
- Increase in the remaining funds of \$1,067 mainly from the Gas Line Capital Projects Fund of \$251 and HART Roads Capital Projects Fund of \$558.
- Decrease in City Facilities Capital Projects Fund of \$3,258 due to the construction of the police station.

Government Funds (General and Utility Special Revenue) Budgetary Highlights

- General Fund Revenue: Final Budget and Original Budget excluded PERS relief revenue from the State of Alaska, and actual revenues were above Final Budget by \$1,238.
- General Fund Expenditures: Final Budget and Original Budget excluded PERS relief expenditures and actual expenditures were below Final Budget by \$707.
- 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 \$427.

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, 2020, totals \$132,058 (net of accumulated depreciation). This amount represents a \$1,286 decrease over the previous year.

City of Homer, Alaska

Management's Discussion and Analysis December 31, 2020

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 11,559	\$ 11,559	\$ 15,805	\$ 15,805	\$ 27,364	\$ 27,364
Construction in progress	154	4,802	63	183	217	4,985
Buildings	59,696	52,360	16,381	16,381	76,077	68,741
Improvements other than buildings	54,891	53,835	54,516	54,303	109,407	108,138
Machinery and equipment	17,760	16,686	3,163	3,163	20,923	19,849
Infrastructure	37,056	37,056	-	-	37,056	37,056
Accumulated depreciation	(97,488)	(93,459)	(41,498)	(39,330)	(138,986)	(132,789)
Total Capital Assets	\$ 83,628	\$ 82,839	\$ 48,430	\$ 50,505	\$ 132,058	\$ 133,344

Major Capital Asset Events During the 2020 Year Included

Capital Projects Completed

Governmental Funds:

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

Port & Harbor (Enterprise Fund):

- Barge Mooring Haul Out Repair Facility
- Ice Plant Upgrade

On-Going Projects

Governmental Funds:

- Public Works – HART improvements
- City Hall Covid-19 Retrofits

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

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2020

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable – utility	\$ 7,860	\$ 8,731	\$ -	\$ -	\$ 7,860	\$ 8,731
Capital Leases	-	27	-	-	-	27
Special assessment bond with government commitment	2,460	3,020	-	-	2,460	3,020
General obligation bond payable	3,910	4,100	2,765	2,915	6,675	7,015
Unamortized bond premium	657	704	297	321	954	1,025
Total	14,887	16,582	3,062	3,236	17,949	19,818
Net pension liability	9,804	9,758	1,707	1,912	11,511	11,670
Net OPEB liability	-	256	-	50	-	306
Compensated absences	814	702	286	260	1,100	962
Total Long-term Debt	\$ 25,505	\$ 27,298	\$ 5,055	\$ 5,458	\$ 30,560	\$ 32,756

Long-term liabilities - At the end of the 2020 year, the City of Homer had total debt outstanding of \$17,949 as detailed in Table A-4. This excludes \$11,511 related to net pension liability and \$1,100 related to the compensated absences.

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

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

City of Homer, Alaska
Management's Discussion and Analysis
December 31, 2020

Economic Factors and Next Year's Budgets and Rates

The State's fiscal situation remains uncertain. The novel coronavirus pandemic has caused increased uncertainty in the City of Homer's future revenue and expenditure activities. However, the City of Homer will utilize the remaining CARES Act funding of approximately \$300 and is expected to receive federal funding from the American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Funds (ARPA CSLFRF) which is expected to be utilized during 2021-2024.

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

Requests for Information

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

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

Basic Financial Statements

City of Homer, Alaska

Statement of Net Position

December 31, 2020	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 27,767,245	3,030,282	30,797,527
Receivables, net of allowance for doubtful accounts:			
Accounts	685,881	245,744	931,625
Sales and property taxes	1,761,022	-	1,761,022
State and federal grants and loans	2,085,919	68	2,085,987
Assessments	5,308,531	-	5,308,531
Internal balances	104,764	(104,764)	-
Inventory	577,217	-	577,217
Prepaid items	374,771	100,405	475,176
Restricted cash and investments	1,270,000	317,980	1,587,980
Net OPEB assets	817,760	142,390	960,150
Capital assets not being depreciated:			
Land and land improvements	11,559,401	15,804,641	27,364,042
Construction work in progress	154,290	63,295	217,585
Other capital assets, net of accumulated depreciation	71,914,330	32,561,986	104,476,316
Total Assets	124,381,131	52,162,027	176,543,158
Deferred Outflows of Resources:			
Related to pensions	854,172	148,730	1,002,902
Related to OPEB	495,297	86,242	581,539
Total Deferred Outflows of Resources	1,349,469	234,972	1,584,441
Total Assets and Deferred Outflows of Resources	\$ 125,730,600	52,396,999	178,127,599

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

Accounts payable	\$ 1,096,353	108,167	1,204,520
Enstar FMA refunds	1,971,808	-	1,971,808
Accrued payroll and related liabilities	365,542	45,321	410,863
Accrued interest payable	74,335	10,842	85,177
Prepaid rentals and deposits	66,589	1,165,846	1,232,435
Unearned revenue	22,827	18,000	40,827
Unearned grant revenue	6,673	-	6,673
Unearned lease revenue	-	126,000	126,000
Noncurrent liabilities:			
Due within one year:			
Accrued leave	533,000	91,000	624,000
Notes payable	871,081	-	871,081
General obligation bonds payable	200,000	160,000	360,000
Special assessment bond payable with government commitment to Kenai Peninsula Borough	579,489	-	579,489

City of Homer, Alaska

Statement of Net Position, continued

December 31, 2020	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	\$ 281,165	194,564	475,729
Notes payable	6,988,882	-	6,988,882
General obligation bonds payable including bond premium	4,367,111	2,901,699	7,268,810
Special assessment bond payable with government commitment to Kenai Peninsula Borough	1,880,456	-	1,880,456
Net pension liability	9,804,125	1,707,117	11,511,242
Total Liabilities	29,109,436	6,528,556	35,637,992
Deferred Inflows of Resources:			
Pension related	194,219	33,818	228,037
OPEB related	675,412	117,605	793,017
Total Deferred Inflows of Resources	869,631	151,423	1,021,054
Net Position			
Net investment in capital assets	71,200,947	45,368,223	116,569,170
Restricted for:			
Roads and trails	8,066,640	-	8,066,640
Special service district	6,268	-	6,268
Unrestricted	16,477,678	348,797	16,826,475
Total Net Position	95,751,533	45,717,020	141,468,553
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 125,730,600	52,396,999	178,127,599

See accompanying notes to basic financial statements.

City of Homer, Alaska
Statement of Activities
Year Ended December 31, 2020

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	\$ 4,985,469	834,300	2,016,315	-	(2,134,854)	-	(2,134,854)
Public safety	5,136,555	403,921	1,231,684	-	(3,500,950)	-	(3,500,950)
Public works	4,128,080	173,562	73,307	-	(3,881,211)	-	(3,881,211)
Library	1,012,040	-	35,473	-	(976,567)	-	(976,567)
Airport	268,271	172,725	3,751	-	(91,795)	-	(91,795)
Community services	7,671,043	15,883	7,573,279	-	(81,881)	-	(81,881)
Water	2,709,415	2,134,136	47,329	594,527	66,577	-	66,577
Sewer	1,747,027	1,671,087	39,815	-	(36,125)	-	(36,125)
Unallocated interest	394,790	-	-	-	(394,790)	-	(394,790)
Total Governmental Activities	28,052,690	5,405,614	11,020,953	594,527	(11,031,596)	-	(11,031,596)
Business-type Activities							
Port and harbor	5,969,698	5,087,747	90,217	71,867	-	(719,867)	(719,867)
Total	\$ 34,022,388	10,493,361	11,111,170	666,394	(11,031,596)	(719,867)	(11,751,463)
General Revenues							
Property taxes					\$ 3,789,065	-	3,789,065
Sales taxes					9,070,270	-	9,070,270
Grants and entitlements not restricted to a specific purpose					48,278	71,970	120,248
Investment income					669,351	37,796	707,147
Other income					1,901	-	1,901
Transfers					(2,576)	2,576	-
Total General Revenues and Transfers					13,576,289	112,342	13,688,631
Special Item - construction of gas pipeline on behalf of third parties					(2,349)	-	(2,349)
Change in Net Position					2,542,344	(607,525)	1,934,819
Beginning Net Position					93,209,189	46,324,545	139,533,734
Ending Net Position					\$ 95,751,533	45,717,020	141,468,553

See accompanying notes to basic financial statements.

City of Homer, Alaska

Governmental Funds
Balance Sheet

	Major Funds							Total Governmental Funds
	General	Utility Special Revenue	CARES Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	
December 31, 2020								
Assets								
Cash and investments	\$ 8,872,675	6,066,095	-	502,440	313,971	6,272,850	5,657,447	27,685,478
Receivables, net of allowance:								
Accounts	188,108	232,943	246,206	-	18,624	-	-	685,881
Property taxes	143,700	-	-	-	-	-	-	143,700
Sales taxes	1,043,307	232,709	-	-	-	217,196	124,110	1,617,322
Assessments	-	2,961,524	-	-	1,870,307	-	476,700	5,308,531
State and federal grants	93,979	113,449	1,714,547	163,944	-	-	-	2,085,919
Interfund loans	104,764	-	-	-	-	-	-	104,764
Due from other funds	1,852,009	-	-	-	-	-	-	1,852,009
Inventory	32,351	544,866	-	-	-	-	-	577,217
Prepaid and other assets	337,916	26,855	-	-	-	-	10,000	374,771
Restricted cash and investments	-	-	-	-	1,270,000	-	-	1,270,000
Total Assets	\$ 12,668,809	10,178,441	1,960,753	666,384	3,472,902	6,490,046	6,268,257	41,705,592
Liabilities								
Accounts payable	\$ 187,501	125,965	472,616	204,335	-	24,448	80,475	1,095,340
Accrued payroll and related liabilities	305,173	41,576	18,793	-	-	-	-	365,542
Unearned revenue	-	-	-	-	-	-	22,827	22,827
Unearned grant revenue	-	-	-	-	-	-	6,673	6,673
Customer deposits	20,888	45,701	-	-	-	-	-	66,589
Enstar FMA refunds	-	-	-	-	1,971,808	-	-	1,971,808
Due to other funds	-	-	1,456,332	-	-	-	363,690	1,820,022
Total Liabilities	513,562	213,242	1,947,741	204,335	1,971,808	24,448	473,665	5,348,801
Deferred Inflows of Resources								
Deferred property taxes	147,850	-	-	-	-	-	-	147,850
Special assessments not yet due	-	2,961,524	-	-	1,870,307	-	476,700	5,308,531
Total Deferred Inflows of Resources	147,850	2,961,524	-	-	1,870,307	-	476,700	5,456,381
Total Liabilities and Deferred Inflows of Resources	661,412	3,174,766	1,947,741	204,335	3,842,115	24,448	950,365	10,805,182
Fund Balances								
Nonspendable	475,031	571,721	-	-	-	-	-	1,046,752
Restricted	-	-	-	-	-	6,465,598	1,607,310	8,072,908
Committed	4,493,489	-	-	-	-	-	804,705	5,298,194
Assigned	171,314	6,431,954	13,012	462,049	-	-	3,269,567	10,347,896
Unassigned (deficit)	6,867,563	-	-	-	(369,213)	-	(363,690)	6,134,660
Total Fund Balances (Deficit)	12,007,397	7,003,675	13,012	462,049	(369,213)	6,465,598	5,317,892	30,900,410
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,668,809	10,178,441	1,960,753	666,384	3,472,902	6,490,046	6,268,257	41,705,592

See accompanying notes to basic financial statements.

City of Homer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2020

Total fund balances for governmental funds		\$ 30,900,410
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	154,290	
Buildings	59,696,239	
Improvements other than buildings	54,891,135	
Machinery and equipment	17,759,676	
Infrastructure	37,055,664	
Accumulated depreciation	<u>(97,488,384)</u>	
Total Capital Assets		83,628,021
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes receivable	147,850	
Special assessments not yet due	<u>5,308,531</u>	
Total Other Long-term Assets		5,456,381
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.		48,767
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	(74,335)	
Note payable to Kenai Peninsula Borough	(2,459,945)	
Notes payable - Utility	(7,859,963)	
Bonds payable - Police Station, including premiums	(4,567,111)	
Accrued leave	(814,165)	
Net pension liability	(9,804,125)	
Net OPEB assets	<u>817,760</u>	
Total Long-term Liabilities		(24,761,884)
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	854,172	
Deferred outflows of resources related to OPEB	495,297	
Deferred inflows of resources related to pensions	(194,219)	
Deferred inflows of resources related to OPEB	<u>(675,412)</u>	
Total Deferred Pension Items		<u>479,838</u>
Total Net Position of Governmental Activities		<u>\$ 95,751,533</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, 2020	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Utility Special Revenue	CARES Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project		
Revenues								
Property taxes	\$ 3,718,482	-	-	-	-	-	26,828	3,745,310
Sales and use taxes	5,705,499	1,401,880	-	-	-	1,261,822	701,069	9,070,270
Permits and licenses	43,425	-	-	-	-	-	-	43,425
Intergovernmental	1,555,388	173,157	9,345,363	508,514	-	-	6,640	11,589,062
Charges for services	2,239,725	3,756,236	-	-	-	-	-	5,995,961
Special assessments	-	481,370	-	-	924,474	-	81,116	1,486,960
Investment income	207,849	127,748	2,122	48,566	11,353	152,136	119,577	669,351
Fines and forfeitures	10,100	-	-	-	-	-	-	10,100
Donations	-	-	-	-	-	-	10,145	10,145
Other	-	-	63,013	1,901	-	-	1,538	66,452
Total Revenues	13,480,468	5,940,391	9,410,498	558,981	935,827	1,413,958	946,913	32,687,036
Expenditures								
Current:								
General government	3,135,343	-	1,822,084	-	-	118,630	44,615	5,120,672
Public safety	4,774,940	-	-	-	-	-	-	4,774,940
Public works	2,666,318	-	-	-	-	-	-	2,666,318
Library	816,125	-	-	-	-	-	-	816,125
Airport	196,466	-	-	-	-	-	-	196,466
Community services	94,000	-	7,575,402	-	-	-	-	7,669,402
Water	-	2,092,129	-	-	-	-	-	2,092,129
Sewer	-	1,635,761	-	-	-	-	-	1,635,761
Debt service:								
Principal	-	870,645	-	-	559,717	-	216,257	1,646,619
Interest	-	132,235	-	-	122,441	-	200,250	454,926
Capital outlay	-	300,546	-	3,816,454	-	128,290	625,621	4,870,911
Total Expenditures	11,683,192	5,031,316	9,397,486	3,816,454	682,158	246,920	1,086,743	31,944,269
Excess of Revenues Over (Under) Expenditures	1,797,276	909,075	13,012	(3,257,473)	253,669	1,167,038	(139,830)	742,767
Other Financing Sources (Uses)								
Transfers in	658,680	99,629	-	-	-	-	551,565	1,309,874
Transfers out	(500,146)	(36,475)	-	(300)	-	(608,810)	(167,577)	(1,313,308)
Net Other Financing Sources (Uses)	158,534	63,154	-	(300)	-	(608,810)	383,988	(3,434)
Special Item - construction of gas pipeline on behalf of third parties	-	-	-	-	(2,349)	-	-	(2,349)
Net Change in Fund Balances	1,955,810	972,229	13,012	(3,257,773)	251,320	558,228	244,158	736,984
Beginning Fund Balances (Deficit)	10,051,587	6,031,446	-	3,719,822	(620,533)	5,907,370	5,073,734	30,163,426
Ending Fund Balances (Deficit)	\$12,007,397	7,003,675	13,012	462,049	(369,213)	6,465,598	5,317,892	30,900,410

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, 2020**

Net change in fund balances - total governmental funds	\$ 736,984
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 (\$4,817,951) exceeded depreciation (\$4,029,246)	788,705
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.	(1,266,214)
Repayment of the principal of the long-term debt (\$1,694,916) consumes current financial resources in governmental funds. This transaction has no effect on the net position.	1,694,916
Accrued interest on long-term debt is not reported in the funds until the liability matures. This is the decrease in accrued interest payable.	11,839
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	\$ (111,762)
Increase in net pension liability and related deferred accounts	233,550
Increase in net OPEB liability and related deferred accounts	<u>679,299</u>
	801,087
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>(224,973)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,542,344</u>

See accompanying notes to basic financial statements.

City of Homer, Alaska
Proprietary Funds
Statement of Net Position

<i>December 31, 2020</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,016,325	\$ 95,724
Accounts receivable, net of allowance for doubtful accounts	245,744	-
State and federal grants receivable	68	-
Prepaid items	100,405	-
Total Current Assets	3,362,542	95,724
Noncurrent Assets		
Capital assets not being depreciated:		
Land and land improvements	15,804,641	-
Construction work in progress	63,295	-
Other capital assets, net of accumulated depreciation	32,561,986	-
Restricted cash and investments	317,980	-
Net OPEB assets	142,390	-
Total Noncurrent Assets	48,890,292	-
Total Assets	52,252,834	95,724
Deferred Outflows of Resources:		
Pension related	148,730	-
OPEB related	86,242	-
Total Deferred Outflows of Resources	234,972	-
Total Assets and Deferred Outflows of Resources	\$ 52,487,806	\$ 95,724

See accompanying notes to basic financial statements.

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

December 31, 2020	Major Enterprise Fund Port of Homer	Internal Service Funds
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 108,167	\$ 1,013
Accrued payroll and related liabilities	45,321	-
Accrued leave	91,000	-
Accrued interest payable	10,842	-
General obligation bonds payable	160,000	-
Prepaid berth rentals and deposits	1,165,846	-
Unearned lease revenue	18,000	-
Due to other funds	-	31,987
Interfund loans	36,255	-
Total Current Liabilities	1,635,431	33,000
Noncurrent Liabilities, Net of Current Portion		
Unearned lease revenue	126,000	-
Interfund loans	68,509	-
Accrued leave long term	194,564	-
General obligation bonds payable including bond premium	2,901,699	-
Net pension liabilities	1,707,117	-
Total Noncurrent Liabilities	4,997,889	-
Total Liabilities	6,633,320	33,000
Deferred Inflows of Resources:		
Pension related	33,818	-
OPEB related	117,605	-
Total Deferred Inflows of Resources	151,423	-
Net Position		
Net investment in capital assets	45,368,223	-
Unrestricted (deficit)	334,840	62,724
Total Net Position	45,703,063	62,724
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 52,487,806	\$ 95,724
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>13,957</u>	
Net Position of Business-type Activities	<u>\$ 45,717,020</u>	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31, 2020</i>	Major Enterprise Fund Port of Homer	Internal Service Funds
Operating Revenues		
Port and harbor charges for services	\$ 4,921,548	\$ -
Interfund charges	-	1,705,934
Employee health contributions	-	189,272
Total Operating Revenues	4,921,548	1,895,206
Operating Expenses		
Operations	2,485,122	253,429
Administration	1,146,429	30,557
Depreciation	2,169,002	-
Employee incentive fees	-	119,348
Insurance premiums	-	1,761,039
Total Operating Expenses	5,800,553	2,164,373
Operating income (loss)	(879,005)	(269,167)
Nonoperating Revenues (Expense)		
Investment income	37,796	-
Interest expense	(125,809)	-
State PERS relief	90,217	-
Other income	95,309	-
Cruise ship tax	70,890	-
Fish tax	71,970	-
Total Nonoperating Revenues (Expense)	240,373	-
Income (loss) before transfers and capital contributions	(638,632)	(269,167)
Transfers in (out)	2,576	858
Capital contributions	71,867	-
Change in net position	(564,189)	(268,309)
Beginning Net Position	46,267,252	331,033
Ending Net Position	45,703,063	\$ 62,724
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(43,336)	
Change in Net Position of Business-type Activities	\$ (607,525)	

See accompanying notes to basic financial statements.

City of Homer, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2020	Major Enterprise Fund Port of Homer	Internal Service Funds
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 5,117,179	\$ -
Receipts from interfund services provided and employee contributions	-	1,895,206
Payments to suppliers	(1,972,892)	-
Payments to employees	(1,904,035)	(372,777)
Payments for insurance, claims, and administration	-	(1,789,509)
Net cash flows from (for) operating activities	1,240,252	(267,080)
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	2,576	858
Net cash flows from (for) noncapital financing activities	2,576	858
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(149,999)	-
Interest paid on long-term debt	(151,051)	-
Capital contributions received	107,583	-
Cruise ship tax and fish tax received	142,860	-
Acquisition of property, plant and equipment	(93,597)	-
Increase in interfund loan	(62,613)	-
Net cash flows from (for) capital and related financing activities	(206,817)	-
Cash Flows from Investing Activities		
Investment income received	37,796	-
Net Increase in Cash and Investments	1,073,807	(266,222)
Beginning Cash and Investments	2,260,498	329,959
Ending Cash and Investments	\$ 3,334,305	\$ 63,737
Reconciliation of Cash to Statement of Net Position		
Unrestricted cash and investments	\$ 3,016,325	\$ 95,724
Restricted cash and investments	317,980	-
Total Cash and Investments	\$ 3,334,305	\$ 95,724

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2020	Major Enterprise Fund Port of Homer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating Income (loss)	\$ (879,005)	\$ (269,167)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,169,002	-
Noncash expense - PERS relief	90,217	-
Increase in allowance for doubtful accounts	(1,393)	-
Amortization of deferred lease revenue	(18,000)	-
Miscellaneous nonoperating revenues and expense, net	95,309	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	70,936	-
Prepaid items	(36,460)	-
Deferred outflows of resources related to pensions	771	-
Deferred outflows of resources related to OPEB	26,866	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	11,683	2,087
Accrued payroll and related liabilities	27,578	-
Accrued leave	25,554	-
Prepaid berth rentals and deposits	48,779	-
Net pension liability	(204,259)	-
Net OPEB assets	(192,558)	-
Deferred inflows of resources related to pensions	(41,272)	-
Deferred inflows of resources related to OPEB	46,504	-
Net Cash Flows from (for) Operating Activities	\$ 1,240,252	\$ (267,080)

See accompanying notes to basic financial statements.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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, 2020

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 *CARES Special Revenue Fund* accounts for the activities of the City's response to COVID-19 including grants to individuals and organization, administration of the grant program, and other cost in response to the pandemic.

The *City Facilities Capital Project 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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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

Major proprietary fund:

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

The City also reports Internal Service Funds which account for the activities relating to the City's 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

City of Homer, Alaska

Notes to Basic Financial Statements *Year Ended December 31, 2020*

information conform to the same basis of accounting.

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

Encumbrance accounting is employed during the year under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as appropriate constraints of fund balance if they meet the definitions and criteria described later in these footnotes.

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.

City of Homer, Alaska

Notes to Basic Financial Statements *Year Ended December 31, 2020*

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.

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.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

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

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

Accrued Leave

The City allows employees to accumulate earned, but unused personal leave benefits up to a maximum accumulation of 720 hours. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is 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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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

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

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

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

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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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.

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, 2020.

Bank deposits	\$ (260,466)
Investments	32,645,973
Total Cash and Investments	\$ 32,385,507
Cash and investments	\$ 30,797,527
Restricted cash and investments	1,587,980
Total Cash and Investments	\$ 32,385,507

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;

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Aside from the investment policy stated above, the City has no specific policy with respect to interest rate risk. Investment maturities at December 31, 2020 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	\$ 1,586,559	\$ -	\$ 1,586,559	\$ -
Federal Home Loan Mortgage Bonds	828,908	-	828,908	-
Federal National MTG Assn. Bonds	919,225	-	919,225	-
Certificates of deposit	14,056,895	1,493,940	12,562,955	-
Total Subject to Interest Rate Risk	17,391,587	1,493,940	15,897,647	-
Pooled investments (AMLIP)	14,897,260	-	-	-
Money market	357,126	-	-	-
Total Investments	\$ 32,645,973	\$ 1,493,940	\$ 15,897,647	\$ -

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, 2020, the share value of investments in the AML pool is approximately equal to fair value.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

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 \$15,254,386 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2020. The City's investment in AMLIP is measured at net asset value, as of December 31, 2020. Management believes that these values approximate fair value. All government securities and certificates of deposit with maturities greater than one year are Level 2 investments on the fair value hierarchy.

3. Accounts Receivable, Valuation Allowances, Deferred Inflows and Unearned Revenues

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2020, 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	\$205,959	1,043,307	169,132	93,979	-	(43,283)	1,469,094
Utility	255,466	232,709	-	113,449	2,961,524	(22,523)	3,540,625
CARES	246,206	-	-	1,714,547	-	-	1,960,753
City Facilities	-	-	-	163,944	-	-	163,944
Gas Line	18,624	-	-	-	1,870,307	-	1,888,931
HART Roads	-	217,196	-	-	-	-	217,196
Port of Homer							
Enterprise	347,402	-	-	68	-	(100,265)	245,812
Nonmajor Funds	-	124,110	-	-	476,700	-	600,810
Total							
Receivables	\$1,072,264	1,617,322	169,132	2,085,987	5,308,531	(166,071)	10,087,165

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

At December 31, 2020, 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	\$ 147,850
Special assessments not yet due:	
Nonmajor Special Revenue Fund	476,700
Utility Special Revenue Fund	2,961,524
Gas Line Capital Project Fund	1,870,307
Total Deferred Inflows of Resources	\$ 5,456,381

Unearned Grant Revenue

Grant drawdowns prior to meeting all eligibility requirements:	
Nonmajor Funds	\$ 6,673

4. Interfund Balances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2020 follows:

Transfers

From General Fund to:	
Utility Special Revenue Fund	\$ 63,154
Nonmajor governmental funds	436,992
From Utility Special Revenue Fund to:	
General Fund	36,475
From HART Roads Capital Project Fund to:	
General Fund	608,810
From City Facilities Capital Project Fund to:	
General Fund	300
From nonmajor governmental funds to:	
General Fund	49,570
Internal Service Fund	858
Nonmajor Governmental Funds	114,573
Port of Homer Enterprise Fund	2,576
Total Transfers to Other Funds	\$ 1,313,308

Interfund transfers are routinely recorded throughout the year. In 2020, 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

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

for the police station capital project. At December 31, 2020, an interfund balance of \$1,456,332 was owed from the CARES Special Revenue Fund to the General Fund. At December 31, 2020, an interfund balance of \$363,690 was owed from the nonmajor governmental funds for capital projects to the General Fund. At December 31, 2020, an interfund balance of \$31,987 was owed from the internal service fund for capital projects to the General Fund.

Interfund Loan

In 2018, the General Fund loaned \$300,000 to the Port of Homer Enterprise Fund in order to purchase land from the Alaska Mental Health Trust Authority. The loan is due in annual payment of \$30,000 plus interest at 3% per year payable over ten years. At December 31, 2020 the outstanding balance was \$ 104,764.

5. Capital Assets

Capital asset activity for the year ended December 31, 2020 follows:

	Balance January 1, 2020	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2020
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 11,559,401	-	-	11,559,401
Construction in progress	4,802,012	154,290	(4,802,012)	154,290
Total assets not being depreciated	16,361,413	154,290	(4,802,012)	11,713,691
<i>Capital assets being depreciated:</i>				
Buildings	52,359,789	7,336,450	-	59,696,239
Improvements other than buildings	53,835,002	1,056,133	-	54,891,135
Machinery and equipment	16,686,586	1,073,090	-	17,759,676
Infrastructure	37,055,664	-	-	37,055,664
Total assets being depreciated	159,937,041	9,465,673		169,402,714
<i>Less accumulated depreciation for:</i>				
Buildings	32,815,438	1,015,454	-	33,830,892
Improvements other than buildings	28,797,443	1,470,134	-	30,267,577
Machinery and equipment	11,285,271	565,618	-	11,850,889
Infrastructure	20,560,986	978,040	-	21,539,026
Total accumulated depreciation	93,459,138	4,029,246	-	97,488,384

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

Total assets being depreciated, net	66,477,903	5,436,427	-	71,914,330
-------------------------------------	------------	-----------	---	------------

Governmental Activities Capital

Assets, net	\$ 82,839,316	5,590,717	(4,802,012)	83,628,021
--------------------	----------------------	------------------	--------------------	-------------------

	Balance January 1, 2020	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2020
--	-------------------------------	---	---	---------------------------------

Business-type Activities

Capital assets not being depreciated:

Land and land improvements	\$ 15,804,641	-	-	15,804,641
Construction in progress	182,951	93,597	(213,253)	63,295

Total assets not being depreciated	15,987,592	93,597	(213,253)	15,867,936
------------------------------------	------------	--------	-----------	------------

Capital assets being depreciated:

Buildings	16,380,648	-	-	16,380,648
Improvements other than buildings	54,302,860	213,253	-	54,516,113
Machinery and equipment	3,163,574	-	-	3,163,574

Total assets being depreciated	73,847,082	213,253	-	74,060,335
--------------------------------	------------	---------	---	------------

Less accumulated depreciation for:

Buildings	10,543,812	379,261	-	10,923,073
Improvements other than buildings	25,854,332	1,730,548	-	27,584,880
Machinery and equipment	2,931,203	59,193	-	2,990,396

Total accumulated depreciation	39,329,347	2,169,002	-	41,498,349
--------------------------------	------------	-----------	---	------------

Total capital assets being depreciated, net	34,517,735	(1,955,749)	-	32,561,986
---	------------	-------------	---	------------

Business-Type Activities Capital

Assets, net	\$ 50,505,327	(1,862,152)	(213,253)	48,429,922
--------------------	----------------------	--------------------	------------------	-------------------

City of Homer, Alaska
Notes to Basic Financial Statements
Year Ended December 31, 2020

Depreciation expense was charged to the functions as follows for the year ended December 31, 2020:

Governmental Activities	
General government	\$ 183,740
Public safety	506,679
Public works	1,481,538
Library	215,663
Airport	76,057
Water utility	1,083,795
Sewer utility	481,774

Total Depreciation Expense – Governmental Activities	\$ 4,029,246
---	---------------------

Business-type Activities	
Port and harbor	\$ 2,169,002

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	(486,000)

	\$ 144,000
--	------------

Current unearned revenue	\$ 18,000
Noncurrent unearned revenue	126,000

Total Unearned Lease Revenue	\$ 144,000
-------------------------------------	-------------------

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2020:

Governmental Activities	Balance January 1, 2020	Additions	Retired	Balance December 31, 2020	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	\$ 731,829	-	121,975	609,854	121,973
\$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	858,468	-	143,076	715,392	143,077
\$1,591,733 2012 Sewer Utility Alaska Clean Water loan, due in annual installments of \$66,415 plus interest at 1.5% through August 6, 2032	863,390	-	67,538	795,852	66,321
\$1,086,870 Sewer Utility Alaska Clean Water loan, due in annual installments of \$54,344 plus interest at 1.5% through November 14, 2034	815,152	-	54,343	760,809	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	1,382,344	-	97,096	1,285,248	98,553

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

Governmental Activities	Balance January 1, 2020	Additions	Retired	Balance December 31, 2020	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	\$ 3,640,014	-	364,001	3,276,013	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	171,833	-	9,546	162,287	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	74,680	-	3,655	71,025	3,710
\$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	192,898	-	9,415	183,483	9,556
\$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.	3,019,662	-	559,717	2,459,945	579,489

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

	Balance January 1, 2020	Additions	Retired	Balance December 31, 2020	Due Within One Year
Governmental Activities					
\$4,100,000 2020 Series A General Obligation Police Station Bonds, due in annual installments of \$190,000-\$375,000 plus interest at 5% through May 1, 2034.	4,100,000	-	190,000	3,910,000	200,000
Unamortized bond premium	704,048	-	46,937	657,111	-
Capital Leases:					
\$149,599 dump truck capital lease payable in equal monthly installments of \$2,650 including interest through September 2020	\$ 27,617	-	27,617	-	-
Accrued leave	702,403	542,677	430,915	814,165	533,000
Total Governmental Activities Long-Term Liabilities	\$ 17,284,338	542,677	2,125,831	15,701,184	2,183,570
Business-type Activities					
\$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.	\$ 2,915,000	-	150,000	2,765,000	160,000
Unamortized bond premium	321,424	-	24,725	296,699	-
Accrued leave	260,010	98,457	72,903	285,564	91,000
Total Business-type Activities Long-Term Liabilities	\$ 3,496,434	98,457	247,628	3,347,263	251,000

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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.

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

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

Governmental Activities <i>Year Ending December 31,</i>	Notes Payable			Special Assessment Bond Payable (KPB Loan)		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 871,081	118,086	989,167	579,489	100,345	679,711
2022	872,758	105,003	977,761	603,098	76,741	679,711
2023	874,461	91,897	966,358	627,669	52,175	679,711
2024	876,188	78,765	954,953	649,689	26,608	679,712
2025	877,940	65,601	943,541	-	-	-
2026-2030	2,727,699	169,478	2,897,177	-	-	-
2031-2035	707,536	26,056	733,592	-	-	-
2036-2037	52,300	1,176	53,476	-	-	-
	\$ 7,859,963	656,062	8,516,025	2,459,945	255,346	2,715,291

Annual debt service requirements to maturity for the bonds follow:

Governmental Activities <i>Year Ending December 31,</i>	G. O. Bonds Payable		
	Principal	Interest	Total
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	245,000	152,500	397,500
2026-2030	1,405,000	567,750	1,972,750
2031-2034	1,400,000	179,250	1,579,250
	\$ 3,910,000	1,619,500	5,529,500

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

Business-type Activities Year Ending December 31,	G. O. Bonds Payable		
	Principal	Interest	Total
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	190,000	99,750	289,750
2026-2030	1,100,000	342,500	1,442,500
2031-2034	800,000	61,250	861,250
	\$ 2,765,000	983,100	3,748,100

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. After completion of the project, the City established 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, the loan was 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 gasline 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.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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	CARES Special Revenue	City Facilities Capital Project	Gas Line Capital Project	HART Roads Capital Project	Nonmajor Funds	Totals
Nonspendable:								
Inventory	\$ 32,351	544,866	-	-	-	-	-	577,217
Prepaid items	337,916	26,855	-	-	-	-	-	364,771
Interfund loans	104,764	-	-	-	-	-	-	104,764
Total nonspendable	475,031	571,721	-	-	-	-	-	1,046,752
Restricted:								
Roads and trails	-	-	-	-	-	6,465,598	1,601,042	8,066,640
Special service district	-	-	-	-	-	-	6,268	6,268
Total Restricted	-	-	-	-	-	6,465,598	1,607,310	8,072,908
Committed:								
Emergency use	4,493,489	-	-	-	-	-	-	4,493,489
Police station debt service	-	-	-	-	-	-	804,705	804,705
Total Committed	4,493,489	-	-	-	-	-	804,705	5,298,194
Assigned:								
Library	-	-	-	-	-	-	176,293	176,293
Public safety	-	-	-	-	-	-	50,366	50,366
Community services	-	-	13,012	-	-	-	-	13,012
Community schools	-	-	-	-	-	-	270	270
Sustainability	-	-	-	-	-	-	15,630	15,630
Water and sewer	-	6,431,954	-	-	-	-	-	6,431,954
PERS benefits	171,314	-	-	-	-	-	29,371	200,685
Capital and land	-	-	-	462,049	-	-	2,997,637	3,459,686
Total assigned	171,314	6,431,954	13,012	462,049	-	-	3,269,567	10,347,896
Unassigned (deficit)	6,867,563	-	-	-	(369,213)	-	(363,690)	6,134,660
Total Fund Balances	\$12,007,397	7,003,675	13,012	462,049	(369,213)	6,465,598	5,317,892	30,900,410

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

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, 2020.

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

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

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

Historical Context and Special Funding Situation

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer 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, 2019 and June 30, 2020 were determined in the June 30, 2018 and June 30, 2019 actuarial valuations, respectively.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

City contribution rates for the 2020 calendar year were as follows:

<i>January 1, 2020 to June 30, 2020</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%

<i>July 1, 2020 to December 31, 2020</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.42%	26.58%	8.85%
Postemployment healthcare	6.58%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

In 2020, the City was credited with the following contributions into the pension/OPEB plan.

	Measurement Period July 1, 2019 to June 30, 2020	City Fiscal Year January 1, 2020 to December 31, 2020
Employer contributions pension (including DBUL)	\$ 810,372	\$ 920,104
Employer contributions OPEB	396,492	346,599
Nonemployer contributions (on-behalf pension)	493,190	608,217
Total Contributions	\$ 1,700,054	\$ 1,874,920

In addition, employee contributions to the Plan for pension totaled \$191,893 during the City's fiscal year.

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

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

At December 31, 2020, the City reported a liability for its proportionate share of the net pension/OPEB liability that reflected a reduction for State pension support provided to the City. The amounts recognized by the City for its proportional share, the related State proportion, and the total is as follows:

Net Pension Liability

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

Net OPEB Asset - ARHCT

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

Net OPEB Asset - ODD

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

Net OPEB Liability - RMP

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

The net pension/OPEB liabilities were measured as of June 30, 2020, and the total pension/OPEB liability used to calculate the net pension/OPEB liability for each Plan was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the net pension/OPEB liabilities were based on a projection of the City's long-term share of contributions

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

to the pension/OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

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

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

For the year ended December 31, 2020, the City recognized pension and OPEB expense (benefit) of \$441,795 and (\$451,888), respectively for PERS in the Statement of Activities. At December 31, 2020, 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	\$ 36,517	-	354,630	(109,030)
Change in assumptions	-	-	31,775	(675,846)
Net difference between projected and actual earnings on pension plan investments	468,509	-	13,534	-
Change in proportion and differences in proportional share	-	(228,037)	42,469	(8,141)
City contributions subsequent to the measurement date	497,876	-	139,131	-
Total Deferred Outflows/Inflows Related to Pensions	\$ 1,002,902	(228,037)	581,539	(793,017)

The \$497,876 and \$139,131 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, 2020

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
2021	\$ (183,240)	(659,456)	(842,696)
2022	164,761	120,733	285,494
2023	174,147	130,018	304,165
2024	121,321	89,174	210,495
2025	-	(9,813)	(9,813)
Thereafter	-	(21,265)	(21,265)
Total Amortization	\$ 276,989	(350,609)	(73,620)

Actuarial Assumptions

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

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

Mortality	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 2.50% annually. 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	6.24%
Global equity (non-US)	6.67%
Aggregate bonds	(0.16)%
Opportunistic	3.01%
Real assets	3.82%
Private equity	10.00%
Cash equivalents	(1.09)%

Discount Rate

The discount rate used to measure the total pension/OPEB liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and 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, 2020

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

Pension Plan Fiduciary Net Position

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

10. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/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, 2020, 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, 2020

The City and employee contributions to PERS for DC pensions for the year ended December 31, 2020 were \$214,366 and \$386,185, 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 \$0.

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, 2020 were as follows:

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

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of **all employees of all employers** in the plan". As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,122 per year for each full-time employee, and \$1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2020, the City contributed \$152,282 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, 2020

13. Designated Sales Tax

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

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

Total Sales Tax Percentage	7.85%
-----------------------------------	--------------

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

14. Deferred Compensation Plan

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

15. Related Parties

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

16. Significant and Subsequent Events

COVID-19

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,

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, 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 2021, 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.

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 was awarded \$7,899,085. The City also received additional CARES funding from the KPB of \$2,251,059. This majority of the CARES awards were utilized during 2020 in the form of Economic Relief Grants to individuals and organizations. The remainder was used to cover public health equipment and supplies, public safety payroll, administration of grants, and overtime payroll costs. The City used \$1,210,882 of this funding in 2021.

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 2021.

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

Long-term Liabilities

The City refinanced \$2,300,000 of Harbor bonds in May of 2021 to take advantage of a lower interest rate. Principal payments are due annually on December 1st and range from \$20,000 to \$260,000. The last payment to be made in 2033.

City of Homer, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2020

17. New Accounting Pronouncements

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

GASB 87 – Leases – Effective for year-end 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 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 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 2020-3, 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.

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

City of Homer, Alaska

Notes to Basic Financial Statements

Year Ended December 31, 2020

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

	Budget		Actual GAAP	Budget to GAAP	Actual Budget	Variance with
Year Ended December 31, 2020	Original	Final	Basis	Difference	Basis	Final Budget
Revenues						
Property taxes	\$ 3,475,776	3,475,776	3,718,482	-	3,718,482	242,706
Sales and use taxes	5,458,952	5,458,952	5,705,499	-	5,705,499	246,547
Permits and licenses	41,526	41,526	43,425	-	43,425	1,899
Intergovernmental	612,485	612,485	1,555,388	(430,855)	1,124,533	512,048
Charges for services	2,157,967	2,157,967	2,239,725	-	2,239,725	81,758
Interest income	43,662	43,662	207,849	-	207,849	164,187
Fines and forfeitures	20,762	20,762	10,100	-	10,100	(10,662)
Total Revenues	11,811,130	11,811,130	13,480,468	(430,855)	13,049,613	1,238,483
Expenditures						
General government	3,244,426	3,244,426	3,135,343	(144,605)	2,990,738	253,688
Public safety	4,732,779	4,732,779	4,774,940	(184,282)	4,590,658	142,121
Public works	2,782,180	2,782,180	2,666,318	(73,307)	2,593,011	189,169
Library	900,395	900,395	816,125	(24,909)	791,216	109,179
Airport	205,583	205,583	196,466	(3,752)	192,714	12,869
Community services	94,000	94,000	94,000	-	94,000	-
Total Expenditures	11,959,363	11,959,363	11,683,192	(430,855)	11,252,337	707,026
Excess of Revenues Over (under) Expenditures	(148,233)	(148,233)	1,797,276	-	1,797,276	1,945,509
Other Financing Sources (Uses)						
Transfers in	648,380	648,380	658,680	-	658,680	10,300
Transfers out	(500,147)	(500,147)	(500,146)	-	(500,146)	1
Net Change in Fund Balance	\$ -	-	1,955,810	-	1,955,810	1,955,810
Fund Balance, beginning			10,051,587		10,051,587	
Fund Balance, ending			\$ 12,007,397		\$ 12,007,397	

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, 2020	Budget		Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Sales taxes	\$ 1,363,821	1,363,821	1,401,880	-	1,401,880	38,059
Intergovernmental	-	-	173,157	(87,144)	86,013	86,013
Charges for services	3,642,037	3,642,037	3,756,236	-	3,756,236	114,199
Water and sewer special assessments	452,000	452,000	481,370	-	481,370	29,370
Investment income	18,671	18,671	127,748	-	127,748	109,077
Total Revenues	5,476,529	5,476,529	5,940,391	(87,144)	5,853,247	376,718
Expenditures						
Water	2,018,899	2,018,899	2,092,129	(47,329)	2,044,800	(25,901)
Sewer	1,608,867	1,608,867	1,635,761	(39,815)	1,595,946	12,921
Debt service:						
Principal	1,001,606	1,001,606	870,645	-	870,645	130,961
Interest	148,286	148,286	132,235	-	132,235	16,051
Total debt service	1,149,892	1,149,892	1,002,880	-	1,002,880	147,012
Capital outlay	217,058	217,058	300,546	-	300,546	(83,488)
Total Expenditures	4,994,716	4,994,716	5,031,316	(87,144)	4,944,172	50,544
Excess of Revenues Over Expenditures	481,813	481,813	909,075	-	909,075	427,262
Other Financing Sources (Uses)						
Transfers in	99,629	99,629	99,629	-	99,629	-
Transfers out	(36,475)	(36,475)	(36,475)	-	(36,475)	-
Net Change in Fund Balance	\$ 544,967	544,967	972,229	-	972,229	427,262
Fund Balance, beginning			6,031,446			
Fund Balance, ending			\$ 7,003,675			

See accompanying notes to required supplementary information.

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

Year Ended December 31, 2020	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 10,150,145	10,150,145	9,345,363	(804,782)
Investment income	-	-	2,122	2,122
Other	-	-	63,013	63,013
Total Revenues	10,150,145	10,150,145	9,410,498	(739,647)
Expenditures				
General government	1,936,230	1,936,230	1,822,084	114,146
Community services	8,213,915	8,213,915	7,575,402	638,513
Total Expenditures	10,150,145	10,150,145	9,397,486	752,659
Excess of Revenues Over (Under)				
Expenditures	-	-	13,012	13,012
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Change in Fund Balance	\$ -	-	13,012	13,012
Fund Balance, beginning			-	
Fund Balance, ending			\$ 13,012	

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>
2020	2020	0.19507%	\$ 11,511,242	\$ 4,762,499	\$ 16,273,741	\$ 7,101,307	162.10%	0.00%
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	*	*	*	*	*	*	*

*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)

Years 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>								
2020	2020	0.19511%	\$ (883,569)	\$ -	\$ (883,569)	\$7,101,307	-12.44%	0.00%
2019	2019	0.21309%	316,184	125,707	441,891	6,616,896	4.78%	98.13%
2018	2018	0.22850%	2,345,089	680,139	3,025,228	6,635,180	35.34%	88.12%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>								
2020	2020	0.36393%	\$ (99,207)	\$ -	\$ (99,207)	\$7,101,307	-1.40%	0.00%
2019	2019	0.33209%	(80,515)	-	(80,515)	6,616,896	-1.22%	-297.43%
2018	2018	0.30999%	(60,206)	-	(60,206)	6,635,180	-0.91%	-270.62%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>								
2020	2020	0.31899%	\$ 22,626	\$ -	\$ 22,626	\$7,101,307	0.32%	0.00%
2019	2019	0.29512%	70,604	-	70,604	6,616,896	1.07%	-83.17%
2018	2018	0.01854%	39,446	-	39,446	6,635,180	0.59%	88.71%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*

*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
2020	\$ 920,104	\$ 920,104	\$ -	\$ 7,546,508	12.192%
2019	786,093	786,093	-	6,663,123	11.798%
2018	843,414	843,414	-	6,651,553	12.680%
2017	820,166	820,166	-	6,619,157	12.391%
2016	1,031,207	1,031,207	-	6,414,407	16.076%
2015	644,804	644,804	-	6,402,816	10.071%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*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)**

Years 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>					
2020	\$ 265,264	\$ 265,264	\$ -	\$ 7,546,508	3.515%
2019	298,559	298,559	-	6,663,123	4.481%
2018	271,357	271,357	-	6,651,553	4.080%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
<u>Occupational Death and Disability (ODD):</u>					
2020	\$ 18,882	\$ 18,882	\$ -	\$ 7,546,508	0.250%
2019	14,066	14,066	-	6,663,123	0.211%
2018	10,678	10,678	-	6,651,553	0.161%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
<u>Retiree Medical Plan (RMP):</u>					
2020	\$ 62,453	\$ 62,453	\$ -	\$ 7,546,508	0.828%
2019	44,061	44,061	-	6,663,123	0.661%
2018	35,366	35,366	-	6,651,553	0.532%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

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

See accompanying notes to required supplementary information.

City of Homer, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedules

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

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

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

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

2. Pension/OPEB Disclosures

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

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

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

- This table is presented based on the Plan measurement date. For December 31, 2020, the Plan measurement date is June 30, 2020.
- There were no changes in benefit terms from the prior measurement period.
- There were no 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.

City of Homer, Alaska

Notes to Required Supplementary Information

Changes in Assumptions:

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

Supplementary Information

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

Nonmajor Governmental Funds, continued

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the financial resources expended to acquire or construct major capital assets of a relatively permanent nature. Such financial resources include grants, contributions, bond proceeds, and operating transfers from other funds.

Capital Project Funds provide a formal mechanism to ensure that revenues dedicated to a certain project are used only for that project and enable the City administration to report to grantors of Capital Project Fund revenue that their requirements regarding the use of the revenues are fully satisfied.

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

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, 2020											
Assets											
Cash and investments	\$ 711,621	878,836	52,680	22,827	-	29,371	50,031	166,372	335	270	15,630
Receivables, net:											
Sales taxes	93,084	-	-	-	-	-	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-	-	-	10,000	-	-	-
Special assessments	-	348,925	-	-	127,775	-	-	-	-	-	-
Total Assets	\$ 804,705	1,227,761	52,680	22,827	127,775	29,371	50,031	176,372	335	270	15,630
Liabilities											
Accounts payable	\$ -	-	121	-	-	-	-	79	-	-	-
Unearned revenue	-	-	-	22,827	-	-	-	-	-	-	-
Unearned grant revenue	-	-	6,673	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	363,690	-	-	-	-	-	-
Special assessments not yet due	-	348,925	-	-	127,775	-	-	-	-	-	-
Total Liabilities	-	348,925	6,794	22,827	491,465	-	-	79	-	-	-
Fund Balances											
Restricted:											
Roads and trails	-	878,836	-	-	-	-	-	-	-	-	-
Special service district	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Police station debt service	804,705	-	-	-	-	-	-	-	-	-	-
Assigned:											
Library	-	-	-	-	-	-	-	176,293	-	-	-
Public safety	-	-	-	-	-	-	50,031	-	335	-	-
Community schools	-	-	-	-	-	-	-	-	-	270	-
Sustainability	-	-	-	-	-	-	-	-	-	-	15,630
PERS benefits	-	-	-	-	-	29,371	-	-	-	-	-
Capital and land	-	-	45,886	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(363,690)	-	-	-	-	-	-
Total Fund Balances	804,705	878,836	45,886	-	(363,690)	29,371	50,031	176,293	335	270	15,630
Total Liabilities and Fund Balances	\$ 804,705	1,227,761	52,680	22,827	127,775	29,371	50,031	176,372	335	270	15,630

Exhibit F-1, continued

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

	Special Revenue Funds		Capital Project Funds						Total Nonmajor Governmental Funds
	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	
December 31, 2020	808	Funds	150	152	156	165	620	Funds	Funds
Assets									
Cash and investments	\$ 6,268	1,934,241	168,498	841,553	1,664,789	729,827	318,539	3,723,206	5,657,447
Receivables, net:									
Sales taxes	-	93,084	-	-	-	31,026	-	31,026	124,110
Prepaid and other assets	-	10,000	-	-	-	-	-	-	10,000
Special assessments	-	476,700	-	-	-	-	-	-	476,700
Total Assets	\$ 6,268	2,514,025	168,498	841,553	1,664,789	760,853	318,539	3,754,232	6,268,257
Liabilities									
Accounts payable	\$ -	200	-	25,144	16,484	38,647	-	80,275	80,475
Unearned revenue	-	22,827	-	-	-	-	-	-	22,827
Unearned grant revenue	-	6,673	-	-	-	-	-	-	6,673
Due to other funds	-	363,690	-	-	-	-	-	-	363,690
Special assessments not yet due	-	476,700	-	-	-	-	-	-	476,700
Total Liabilities	-	870,090	-	25,144	16,484	38,647	-	80,275	950,365
Fund Balances									
Restricted:									
Roads and trails	-	878,836	-	-	-	722,206	-	722,206	1,601,042
Special service district	6,268	6,268	-	-	-	-	-	-	6,268
Committed:									
Police station debt service	-	804,705	-	-	-	-	-	-	804,705
Assigned:									
Library	-	176,293	-	-	-	-	-	-	176,293
Public safety	-	50,366	-	-	-	-	-	-	50,366
Community schools	-	270	-	-	-	-	-	-	270
Sustainability	-	15,630	-	-	-	-	-	-	15,630
PERS benefits	-	29,371	-	-	-	-	-	-	29,371
Capital and land	-	45,886	168,498	816,409	1,648,305	-	318,539	2,951,751	2,997,637
Unassigned (deficit)	-	(363,690)	-	-	-	-	-	-	(363,690)
Total Fund Balances	6,268	1,643,935	168,498	816,409	1,648,305	722,206	318,539	3,673,957	5,317,892
Total Liabilities and Fund Balances	\$ 6,268	2,514,025	168,498	841,553	1,664,789	760,853	318,539	3,754,232	6,268,257

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

Year Ended December 31, 2020	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
Revenues											
Property taxes	\$ -	-	-	-	-	-	-	-	-	-	-
Sales taxes	560,752	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	6,640	-	-	-	-	-	-	-	-
Investment income	17,320	19,373	307	-	-	1,470	231	19	-	-	86
Special assessment	-	78,835	-	-	2,281	-	-	-	-	-	-
Donations	-	-	-	-	-	-	5,145	5,000	-	-	-
Other	-	-	-	1,538	-	-	-	-	-	-	-
Total Revenues	578,072	98,208	6,947	1,538	2,281	1,470	5,376	5,019	-	-	86
Expenditures											
Current -											
General government	-	-	10,519	1,604	-	-	-	2,223	-	-	-
Debt service principal	190,000	-	-	-	-	-	-	-	-	-	-
Debt service interest	200,250	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	390,250	-	10,519	1,604	-	-	-	2,223	-	-	-
Excess of Revenues Over (Under) Expenditures	187,822	98,208	(3,572)	(66)	2,281	1,470	5,376	2,796	-	-	86
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	187,822	98,208	(3,572)	(66)	2,281	1,470	5,376	2,796	-	-	86
Fund Balances, beginning	616,883	780,628	49,458	66	(365,971)	27,901	44,655	173,497	335	270	15,544
Fund Balances, ending	\$ 804,705	878,836	45,886	-	(363,690)	29,371	50,031	176,293	335	270	15,630

City of Homer, Alaska

Nonmajor Governmental Funds

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

Year Ended December 31, 2020	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	\$ 26,828	26,828	-	-	-	-	-	-	26,828
Sales taxes	-	560,752	-	-	-	140,317	-	140,317	701,069
Intergovernmental	-	6,640	-	-	-	-	-	-	6,640
Investment income	-	38,806	-	24,705	39,008	17,058	-	80,771	119,577
Special assessment	-	81,116	-	-	-	-	-	-	81,116
Donations	-	10,145	-	-	-	-	-	-	10,145
Other	-	1,538	-	-	-	-	-	-	1,538
Total Revenues	26,828	725,825	-	24,705	39,008	157,375	-	221,088	946,913
Expenditures									
Current -									
General government	-	14,346	-	-	612	29,657	-	30,269	44,615
Debt service principal	-	190,000	-	26,257	-	-	-	26,257	216,257
Debt service interest	-	200,250	-	-	-	-	-	-	200,250
Capital outlay	90,700	90,700	31,316	196,861	241,096	54,076	11,572	534,921	625,621
Total Expenditures	90,700	495,296	31,316	223,118	241,708	83,733	11,572	591,447	1,086,743
Excess of Revenues Over (Under) Expenditures	(63,872)	230,529	(31,316)	(198,413)	(202,700)	73,642	(11,572)	(370,359)	(139,830)
Other Financing Sources (Uses)									
Transfers in	-	-	-	196,500	308,661	-	46,404	551,565	551,565
Transfers out	-	-	-	(128,007)	-	(39,570)	-	(167,577)	(167,577)
Net Change in Fund Balances	(63,872)	230,529	(31,316)	(129,920)	105,961	34,072	34,832	13,629	244,158
Fund Balances, beginning	70,140	1,413,406	199,814	946,329	1,542,344	688,134	283,707	3,660,328	5,073,734
Fund Balances, ending	\$ 6,268	1,643,935	168,498	816,409	1,648,305	722,206	318,539	3,673,957	5,317,892

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

December 31,	2020	2019
Assets		
Cash and investments	\$ 8,872,675	\$ 8,307,578
Receivables		
Property taxes - delinquent, net of allowance for doubtful accounts of \$25,432 (\$1,862 in 2019)	143,700	100,544
Sales taxes	1,043,307	961,069
Grants receivables	93,979	159,663
Accounts receivable, net of allowance for doubtful accounts of \$17,851 (\$43,211 in 2019)	188,108	172,180
Total Receivables	1,469,094	1,393,456
Due from other funds	1,852,009	402,580
Interfund loan receivable	104,764	161,122
Inventory	32,351	27,691
Prepaid items	337,916	168,902
Total Assets	\$ 12,668,809	\$ 10,461,329
Liabilities		
Accounts payable	\$ 187,501	\$ 165,541
Accrued payroll and related liabilities	305,173	127,669
Customer deposits	20,888	12,437
Total Liabilities	513,562	305,647
Deferred Inflows of Resources		
Deferred property taxes	147,850	104,095
Total Deferred Inflows of Resources	147,850	104,095
Total Liabilities and Deferred Inflows of Resources	661,412	409,742
Fund Balance		
Nonspendable	475,031	357,715
Committed	4,493,489	-
Assigned - PERS benefits	171,314	171,314
Unassigned	6,867,563	9,522,558
Total Fund Balance	12,007,397	10,051,587
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 12,668,809	\$ 10,461,329

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2020 Budget and Actual

Year Ended December 31,	2020					2019
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Revenues						
Taxes:						
Property taxes	\$ 3,475,776	3,718,482	-	3,718,482	242,706	3,651,365
Sales and use taxes	5,458,952	5,705,499	-	5,705,499	246,547	6,398,988
Total taxes	8,934,728	9,423,981	-	9,423,981	489,253	10,050,353
Permits and licenses	41,526	43,425	-	43,425	1,899	41,152
Intergovernmental:						
Federal grants	-	507,570	-	507,570	507,570	-
State PERS relief	-	430,855	(430,855)	-	-	294,185
Utility cooperative	24,752	23,828	-	23,828	(924)	23,996
Alcohol beverage tax	24,933	24,450	-	24,450	(483)	25,000
Public safety	528,800	534,685	-	534,685	5,885	528,866
Library grants	-	-	-	-	-	10,322
Public works	34,000	34,000	-	34,000	-	34,000
Total intergovernmental	612,485	1,555,388	(430,855)	1,124,533	512,048	916,369
Charges for services:						
Administrative services	1,399,902	1,399,902	-	1,399,902	-	1,395,834
Ambulance services	189,644	296,851	-	296,851	107,207	122,725
Fire contracts	86,059	96,970	-	96,970	10,911	91,204
Camping fees	185,272	126,674	-	126,674	(58,598)	178,663
Airport services	163,454	172,725	-	172,725	9,271	218,798
Community school fees	38,779	15,883	-	15,883	(22,896)	42,279
Miscellaneous services	94,857	130,720	-	130,720	35,863	155,694
Total charges for services	2,157,967	2,239,725	-	2,239,725	81,758	2,205,197
Interest income	43,662	207,849	-	207,849	164,187	188,592
Fines and forfeitures	20,762	10,100	-	10,100	(10,662)	28,798
Total Revenues	\$ 11,811,130	13,480,468	(430,855)	13,049,613	1,238,483	13,430,461

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2020 Budget and Actual, continued

Year Ended December 31,	2020					2019
	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	17,594	-	17,594	(3,538)	\$ 17,918
Maintenance and operations	359,808	311,714	-	311,714	48,094	422,742
Total city council/mayor	373,864	329,308	-	329,308	44,556	440,660
City clerk:						
Salaries and benefits	315,108	373,344	(56,139)	317,205	(2,097)	321,325
Maintenance and operations	59,476	35,269	-	35,269	24,207	44,409
Total city clerk	374,584	408,613	(56,139)	352,474	22,110	365,734
City manager:						
Salaries and benefits	233,470	215,122	(9,644)	205,478	27,992	242,248
Maintenance and operations	30,533	24,730	-	24,730	5,803	26,439
Total city manager	264,003	239,852	(9,644)	230,208	33,795	268,687
Personnel:						
Salaries and benefits	132,243	119,221	(5,872)	113,349	18,894	132,179
Maintenance and operations	50,771	42,922	-	42,922	7,849	48,792
Total personnel	183,014	162,143	(5,872)	156,271	26,743	180,971
Economic development:						
Salaries and benefits	112,698	94,671	(4,509)	90,162	22,536	111,002
Maintenance and operations	66,761	59,613	-	59,613	7,148	60,919
Total economic development	179,459	154,284	(4,509)	149,775	29,684	171,921
Information technology:						
Salaries and benefits	230,982	234,471	(11,613)	222,858	8,124	233,451
Maintenance and operations	95,395	91,219	-	91,219	4,176	76,498
Total information technology	326,377	325,690	(11,613)	314,077	12,300	309,949
HERC Building -						
Maintenance and operations	52,421	46,614	-	46,614	5,807	47,741
Community recreation:						
Salaries and benefits	134,692	131,651	(6,463)	125,188	9,504	124,048
Maintenance and operations	28,731	19,533	-	19,533	9,198	22,476
Total community recreation	163,423	151,184	(6,463)	144,721	18,702	146,524
Finance:						
Salaries and benefits	627,416	653,047	(31,725)	621,322	6,094	628,133
Maintenance and operations	88,951	54,110	-	54,110	34,841	69,246
Total Finance	716,367	707,157	(31,725)	675,432	40,935	697,379
Planning and zoning:						
Salaries and benefits	350,629	374,456	(18,640)	355,816	(5,187)	360,311
Maintenance and operations	25,025	15,455	-	15,455	9,570	17,281
Total planning and zoning	375,654	389,911	(18,640)	371,271	4,383	377,592

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2020 Budget and Actual, continued

Year Ended December 31,		2020				2019
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
General government, continued:						
City hall complex -						
Maintenance and operations	\$ 130,617	115,944	-	115,944	14,673	\$ 109,189
Leave cash out -						
Salaries and benefits	104,643	104,643	-	104,643	-	85,232
Total general government	3,244,426	3,135,343	(144,605)	2,990,738	253,688	3,201,579
Public safety:						
Emergency services:						
Fire - administration:						
Salaries and benefits	336,000	322,375	(14,840)	307,535	28,465	233,878
Maintenance and operations	227,378	183,828	-	183,828	43,550	153,135
Total fire - administration	563,378	506,203	(14,840)	491,363	72,015	387,013
Fire services:						
Salaries and benefits	288,828	293,882	(13,377)	280,505	8,323	259,076
Maintenance and operations	86,500	45,307	-	45,307	41,193	73,452
Total fire services	375,328	339,189	(13,377)	325,812	49,516	332,528
Emergency medical services:						
Salaries and benefits	277,491	343,729	(16,139)	327,590	(50,099)	259,283
Maintenance and operations	60,050	51,334	-	51,334	8,716	44,465
Total emergency medical serv	337,541	395,063	(16,139)	378,924	(41,383)	303,748
Total emergency services	1,276,247	1,240,455	(44,356)	1,196,099	80,148	1,023,289
Police department:						
Police administration:						
Salaries and benefits	134,297	147,294	(8,358)	138,936	(4,639)	143,059
Maintenance and operations	278,308	281,664	-	281,664	(3,356)	237,404
Total police administration	412,605	428,958	(8,358)	420,600	(7,995)	380,463
Police dispatch:						
Salaries and benefits	581,404	609,077	(29,099)	579,978	1,426	590,223
Maintenance and operations	39,500	25,386	-	25,386	14,114	26,571
Total police dispatch	620,904	634,463	(29,099)	605,364	15,540	616,794
Police investigation:						
Salaries and benefits	187,774	212,494	(10,594)	201,900	(14,126)	205,826
Maintenance and operations	29,100	16,475	-	16,475	12,625	19,156
Total police investigation	216,874	228,969	(10,594)	218,375	(1,501)	224,982
Police patrol:						
Salaries and benefits	1,265,796	1,312,622	(63,318)	1,249,304	16,492	1,244,668
Maintenance and operations	7,500	1,929	-	1,929	5,571	3,445
Total police patrol	1,273,296	1,314,551	(63,318)	1,251,233	22,063	1,248,113

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and

Changes in Fund Balance - with 2020 Budget and Actual, continued

Year Ended December 31,		2020				2019
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public safety, continued						
Police department, continued						
Jail:						
Salaries and benefits	\$ 598,114	620,038	(28,557)	591,481	6,633	\$ 570,982
Maintenance and operations	113,750	95,506	-	95,506	18,244	84,245
Total jail	711,864	715,544	(28,557)	686,987	24,877	655,227
Animal control -						
Maintenance and operations	220,989	212,000	-	212,000	8,989	210,787
Total animal control	220,989	212,000	-	212,000	8,989	210,787
Total police department	3,456,532	3,534,485	(139,926)	3,394,559	61,973	3,336,366
Total public safety	4,732,779	4,774,940	(184,282)	4,590,658	142,121	4,359,655
Public works:						
Administration:						
Salaries and benefits	125,221	120,275	(5,747)	114,528	10,693	82,433
Maintenance and operations	76,284	63,653	-	63,653	12,631	49,582
Total administration	201,505	183,928	(5,747)	178,181	23,324	132,015
Maintenance:						
Salaries and benefits	243,836	278,292	(12,702)	265,590	(21,754)	286,487
Maintenance and operations	142,181	105,617	-	105,617	36,564	99,450
Total maintenance	386,017	383,909	(12,702)	371,207	14,810	385,937
Roads:						
Salaries and benefits	473,434	498,224	(23,674)	474,550	(1,116)	472,670
Maintenance and operations	293,698	257,905	-	257,905	35,793	266,139
Total roads	767,132	756,129	(23,674)	732,455	34,677	738,809
Parks:						
Salaries and benefits	272,379	251,590	(8,067)	243,523	28,856	308,217
Maintenance and operations	178,397	166,958	-	166,958	11,439	143,604
Total parks	450,776	418,548	(8,067)	410,481	40,295	451,821
Motor pool:						
Salaries and benefits	183,804	176,591	(8,074)	168,517	15,287	160,353
Maintenance and operations	411,700	354,142	-	354,142	57,558	372,404
Total motor pool	595,504	530,733	(8,074)	522,659	72,845	532,757
Engineer inspection:						
Salaries and benefits	157,770	157,076	(7,274)	149,802	7,968	126,028
Maintenance and operations	14,300	3,194	-	3,194	11,106	6,494
Total engineer inspection	172,070	160,270	(7,274)	152,996	19,074	132,522

City of Homer, Alaska

100 - General Fund

Schedules of Revenues, Expenditures, and
Changes in Fund Balance - with 2020 Budget and Actual, continued

Year Ended December 31,		2020				2019
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budget Basis	Variance	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Janitorial:						
Salaries and benefits	\$ 166,526	194,705	(7,769)	186,936	(20,410)	\$ 142,515
Maintenance and operations	42,650	38,096	-	38,096	4,554	41,605
Total Janitorial	209,176	232,801	(7,769)	225,032	(15,856)	184,120
Total public works	2,782,180	2,666,318	(73,307)	2,593,011	189,169	2,557,981
Library:						
Salaries and benefits	682,936	650,038	(24,909)	625,129	57,807	684,762
Maintenance and operations	217,459	166,087	-	166,087	51,372	188,678
Total library	900,395	816,125	(24,909)	791,216	109,179	873,440
Airport:						
Salaries and benefits	91,054	100,368	(3,752)	96,616	(5,562)	93,770
Maintenance and operations	114,529	96,098	-	96,098	18,431	103,131
Total airport	205,583	196,466	(3,752)	192,714	12,869	196,901
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
Total Expenditures	11,959,363	11,683,192	(430,855)	11,252,337	707,026	11,283,556
Excess of Revenues Over Expenditures	(148,233)	1,797,276	-	1,797,276	1,945,509	2,146,905
Other Financing Sources (Uses):						
Transfers in	648,380	658,680	-	658,680	10,300	1,671,930
Transfers out	(500,147)	(500,146)	-	(500,146)	1	(922,329)
Net Change in Fund Balance	\$ -	1,955,810	-	1,955,810	(1,955,810)	2,896,506
Fund Balance, beginning		10,051,587		10,051,587		7,155,081
Fund Balance, ending		\$ 12,007,397		12,007,397		\$10,051,587

Utility Special Revenue Fund

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

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

	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
December 31, 2020					
Assets					
Cash and investments	\$ 437,265	2,676,398	(1,534,016)	4,486,448	6,066,095
Receivables					
Accounts	232,943	-	-	-	232,943
Sales taxes	-	232,709	-	-	232,709
Assessments	-	2,961,524	-	-	2,961,524
State and Federal grants and loans	-	-	113,449	-	113,449
Total Receivables	232,943	3,194,233	113,449	-	3,540,625
Inventory	544,866	-	-	-	544,866
Prepaid	26,855	-	-	-	26,855
Total Assets	\$ 1,241,929	5,870,631	(1,420,567)	4,486,448	10,178,441
Liabilities					
Accounts payable	\$ 123,735	-	-	2,230	125,965
Accrued payroll and related liabilities	41,576	-	-	-	41,576
Customer deposits	45,701	-	-	-	45,701
Total Liabilities	211,012	-	-	2,230	213,242
Deferred Inflows of Resources					
Deferred assessments	-	2,961,524	-	-	2,961,524
Total Liabilities and Deferred Inflows of Resources	211,012	2,961,524	-	2,230	3,174,766
Fund Balances (Deficits)					
Nonspendable - inventory and prepaid	571,721	-	-	-	571,721
Assigned - water and sewer	459,196	2,909,107	(1,420,567)	4,484,218	6,431,954
Total Fund Balances (Deficits)	1,030,917	2,909,107	(1,420,567)	4,484,218	7,003,675
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,241,929	5,870,631	(1,420,567)	4,486,448	10,178,441

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

Year Ended December 31, 2020	Budget	Actual	Variance
Revenues			
Sales taxes	1,363,821	\$ 1,401,880	\$ 38,059
Intergovernmental	-	173,157	173,157
Charges for services:			
Water charges and connection fees	1,999,781	2,106,308	106,527
Sewer charges and connection fees	1,642,256	1,649,928	7,672
Total charges for services	3,642,037	3,756,236	114,199
Water and sewer special assessments	452,000	481,370	29,370
Investment income	18,671	127,748	109,077
Total Revenues	5,476,529	5,940,391	463,862
Expenditures			
Water:			
Administration	507,429	627,075	(119,646)
Treatment plant	641,651	635,289	6,362
Water system testing	27,400	27,969	(569)
Pumping stations	97,610	96,030	1,580
Distribution system	323,079	365,178	(42,099)
Water reservoir	16,896	11,620	5,276
Water meters	206,704	134,190	72,514
Water hydrants	198,130	194,778	3,352
Total water	2,018,899	2,092,129	(73,230)
Sewer:			
Administration	433,137	410,800	22,337
Sewer plant operations	670,906	752,406	(81,500)
Sewer system testing	14,500	12,997	1,503
Sewer lift stations	212,902	212,502	400
Collection system	277,422	247,056	30,366
Total Sewer	1,608,867	1,635,761	(26,894)
Debt service:			
Principal	1,001,606	870,645	130,961
Interest	148,286	132,235	16,051
Total debt service	1,149,892	1,002,880	147,012
Capital outlay	217,058	300,546	(83,488)
Total Expenditures	4,994,716	5,031,316	(36,600)
Excess of Revenues Over Expenditures	481,813	909,075	427,262
Other Financing Sources (Uses)			
Transfers in	99,629	99,629	-
Transfers out	(36,475)	(36,475)	-
Net Change in Fund Balance	544,967	972,229	\$ 427,262
Fund Balance, beginning		6,031,446	
Fund Balance, ending		\$ 7,003,675	

City of Homer, Alaska

Utility Special Revenue Fund

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

<i>Year Ended December 31, 2020</i>	Utility Operations 200	HAWSP Debt Service 205	Utility Capital Projects 215	Utility Reserves 256	Total Utility Fund
Revenues					
Sales taxes	\$ -	1,401,880	-	-	1,401,880
Intergovernmental	87,144	-	86,013	-	173,157
Charges for services:					
Water charges and connection fees	2,106,308	-	-	-	2,106,308
Sewer charges and connection fees	1,649,928	-	-	-	1,649,928
Total charges for services	3,756,236	-	-	-	3,756,236
Water and sewer special assessments	-	481,370	-	-	481,370
Investment income	127,748	-	-	-	127,748
Total Revenues	3,971,128	1,883,250	86,013	-	5,940,391
Expenditures					
Water:					
Administration	478,788	148,287	-	-	627,075
Treatment plant	635,289	-	-	-	635,289
Water system testing	27,969	-	-	-	27,969
Pumping stations	96,030	-	-	-	96,030
Distribution system	365,178	-	-	-	365,178
Water reservoir	11,620	-	-	-	11,620
Water meters	134,190	-	-	-	134,190
Water hydrants	194,778	-	-	-	194,778
Total water	1,943,842	148,287	-	-	2,092,129
Sewer:					
Administration	410,800	-	-	-	410,800
Sewer plant operations	752,406	-	-	-	752,406
Sewer system testing	12,997	-	-	-	12,997
Sewer lift stations	212,502	-	-	-	212,502
Collection system	247,056	-	-	-	247,056
Total Sewer	1,635,761	-	-	-	1,635,761
Debt service:					
Principal	-	870,645	-	-	870,645
Interest	1,274	130,961	-	-	132,235
Total debt service	1,274	1,001,606	-	-	1,002,880
Capital outlay	-	-	8,278	292,268	300,546
Total Expenditures	3,580,877	1,149,893	8,278	292,268	5,031,316
Excess of Revenues Over (Under)					
Expenditures	390,251	733,357	77,735	(292,268)	909,075
Other Financing Sources (Uses)					
Transfers in	99,629	-	-	-	99,629
Transfers out	(132,571)	-	-	96,096	(36,475)
Net Change in Fund Balances	357,309	733,357	77,735	(196,172)	972,229
Fund Balances (Deficits), beginning	673,608	2,175,750	(1,498,302)	4,680,390	6,031,446
Fund Balances (Deficits), ending	1,030,917	2,909,107	(1,420,567)	4,484,218	7,003,675

Port of Homer Enterprise Fund

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

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

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

<i>December 31,</i>	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,016,325	\$ 1,942,518
Receivables:		
Accounts, net of allowance for doubtful accounts of \$101,658 (\$93,729 in 2019)	245,744	315,287
State and federal grants	68	35,784
Prepaid items	100,405	63,945
Total Current Assets	3,362,542	2,357,534
Noncurrent Assets		
Restricted cash and investments - bond reserves	317,980	317,980
Net OPEB assets	142,390	-
Property, Plant and Equipment		
Property, plant and equipment in service	74,060,335	73,847,082
Land and land improvements	15,804,641	15,804,641
Construction work in progress	63,295	182,951
Less accumulated depreciation	(41,498,349)	(39,329,347)
Net Property, Plant and Equipment	48,429,922	50,505,327
Total Noncurrent Assets	48,890,292	50,823,307
Total Assets	52,252,834	53,180,841
Deferred Outflows of Resources:		
Pension related	148,730	149,501
OPEB related	86,242	113,108
Total Deferred Outflows of Resources	234,972	262,609
Total Assets and Deferred Outflows of Resources	\$ 52,487,806	\$ 53,443,450

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

December 31,	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 108,167	\$ 96,484
Accrued payroll and related liabilities	45,321	17,743
Accrued leave	91,000	96,000
Accrued interest payable	10,842	11,358
General obligation bonds payable	160,000	150,000
Prepaid berth rentals and deposits	1,165,846	1,117,067
Unearned lease revenue	18,000	18,000
Interfund loan	36,255	33,291
Total Current Liabilities	1,635,431	1,539,943
Noncurrent Liabilities, net of current portion:		
Unearned lease revenue	126,000	144,000
Interfund loan	68,509	134,086
Accrued leave long term	194,564	164,010
General obligation bonds payable including bond premium	2,901,699	3,086,424
Net pension liabilities	1,707,117	1,911,376
Net OPEB liabilities	-	50,168
Total Noncurrent Liabilities	4,997,889	5,490,064
Total Liabilities	6,633,320	7,030,007
Deferred Inflows of Resources:		
Pension related	33,818	75,090
OPEB related	117,605	71,101
Total Deferred Inflows of Resources	151,423	146,191
Net Position		
Net investment in capital assets	45,368,223	47,268,903
Unrestricted (deficit)	334,840	(1,001,651)
Total Net Position	45,703,063	46,267,252
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 52,487,806	\$ 53,443,450

City of Homer, Alaska

Port of Homer Enterprise Fund

Statements of Revenues, Expenses, and Changes in Net Position

<i>Year Ended December 31,</i>	2020	2019
Operating Revenues		
Harbor	\$ 3,370,755	\$ 3,052,269
Main dock	233,554	307,440
Fish dock	453,422	573,228
Deep water dock	239,926	255,404
Rents, leases and storage	617,531	593,671
Fish grinder	6,360	7,835
Total Operating Revenues	4,921,548	4,789,847
Operating Expenses		
Harbor	1,634,691	1,583,603
Main dock	118,735	103,270
Fish dock	531,691	572,045
Deep water dock	180,978	184,997
Fish grinder	19,027	21,533
Administration	1,146,429	1,175,768
Depreciation	2,169,002	2,156,999
Total Operating Expenses	5,800,553	5,798,215
Operating Loss	(879,005)	(1,008,368)
Nonoperating Revenues (Expenses)		
Investment income	37,796	23,300
Interest expense	(125,809)	(138,843)
State PERS relief	90,217	70,760
Other income	95,309	101,939
Cruise ship tax	70,890	71,630
Fish tax	71,970	59,647
Net Nonoperating Revenues (Expenses)	240,373	188,433
Loss Before Transfers and Capital Contributions	(638,632)	(819,935)
Transfers in (out)	2,576	(922)
Capital contributions	71,867	49,062
Change in Net Position	(564,189)	(771,795)
Beginning Net Position	46,267,252	47,039,047
Ending Net Position	\$ 45,703,063	\$ 46,267,252

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

<i>Year Ended December 31,</i>	2020	2019
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 5,117,179	\$ 4,886,865
Payments to suppliers	(1,972,892)	(1,958,107)
Payments to employees	(1,904,035)	(2,096,253)
Net cash flows from (for) operating activities	1,240,252	832,505
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	2,576	(922)
Net cash flows from (for) noncapital financing activities	2,576	(922)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(149,999)	(150,000)
Interest paid on long-term debt	(151,051)	(163,569)
Capital contributions received	107,583	246,583
Cruise ship tax and fish tax received	142,860	131,277
Acquisition of property, plant and equipment	(93,597)	(196,334)
Decrease in interfund loan	(62,613)	(178,588)
Net cash flows from (for) capital and related financing activities	(206,817)	(310,631)
Cash Flows from Investing Activities		
Investment income received	37,796	23,300
Net Increase in Cash and Investments	1,073,807	544,252
Beginning Cash and Investments	2,260,498	1,716,246
Ending Cash and Investments	\$ 3,334,305	\$ 2,260,498

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

<i>Year Ended December 31,</i>	2020	2019
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (879,005)	\$ (1,008,368)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	2,169,002	2,156,999
Noncash expense - PERS relief	90,217	70,760
Increase (decrease) in allowance for doubtful accounts	(1,393)	7,929
Amortization of deferred lease revenue	(18,000)	(18,000)
Miscellaneous nonoperating revenues and expense, net	95,309	101,939
 (Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	70,936	(80,773)
Inventory	-	13,419
Prepaid items	(36,460)	(18,542)
Deferred outflows of resources related to pensions	771	14,048
Deferred outflows of resources related to OPEB	26,866	509
 Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	11,683	(140,545)
Accrued payroll and related liabilities	27,578	(3,691)
Accrued leave	25,554	(743)
Prepaid berth rentals and deposits	48,779	85,923
Net pension liability	(204,259)	33,094
Net OPEB (assets) liabilities	(192,558)	(334,276)
Deferred inflows of resources related to pensions	(41,272)	27,949
Deferred inflows of resources related to OPEB	46,504	(75,126)
Net Cash Flows from (for) Operating Activities	\$ 1,240,252	\$ 832,505

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	Cruise Ship Landing Tax 460	Total Port Fund
December 31, 2020						
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and investments	\$ 18,733	239,531	214,394	2,472,777	70,890	3,016,325
Receivables:						
Trade, net of allowance for doubtful accounts	245,744	-	-	-	-	245,744
State and federal grants	-	68	-	-	-	68
Inventory	-	-	-	-	-	-
Prepaid items	100,405	-	-	-	-	100,405
Total Current Assets	364,882	239,599	214,394	2,472,777	70,890	3,362,542
Noncurrent Assets						
Restricted cash and investments - bond reserves	317,980	-	-	-	-	317,980
Net OPEB assets	142,390	-	-	-	-	142,390
Property, plant and equipment:						
Property, plant and equipment in service	74,060,335	-	-	-	-	74,060,335
Land and land improvements	15,804,641	-	-	-	-	15,804,641
Construction work in progress	63,295	-	-	-	-	63,295
Less accumulated depreciation	(41,498,349)	-	-	-	-	(41,498,349)
Net Property, Plant and Equipment	48,429,922	-	-	-	-	48,429,922
Total Noncurrent Assets	48,890,292	-	-	-	-	48,890,292
Total Assets	49,255,174	239,599	214,394	2,472,777	70,890	52,252,834
Deferred Outflows of Resources:						
Pension related	148,730	-	-	-	-	148,730
OPEB related	86,242	-	-	-	-	86,242
Total Deferred Outflows of Resources	234,972	-	-	-	-	234,972
Total Assets and Deferred Outflows of Resources	\$ 49,490,146	239,599	214,394	2,472,777	70,890	52,487,806

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	Cruise Ship Landing Tax 460	Total Port Fund
December 31, 2020						
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities						
Current Liabilities						
Accounts payable	\$ 108,167	-	-	-	-	108,167
Accrued payroll and related liabilities	45,321	-	-	-	-	45,321
Accrued leave	91,000	-	-	-	-	91,000
Accrued interest payable	10,842	-	-	-	-	10,842
General obligation bonds payable	160,000	-	-	-	-	160,000
Prepaid berth rentals and deposits	1,165,846	-	-	-	-	1,165,846
Unearned lease revenue	18,000	-	-	-	-	18,000
Interfund loan	36,255	-	-	-	-	36,255
Total Current Liabilities	1,635,431	-	-	-	-	1,635,431
Noncurrent Liabilities, net of current portion:						
Unearned lease revenue	126,000	-	-	-	-	126,000
Interfund loan	68,509	-	-	-	-	68,509
Accrued leave long term	194,564	-	-	-	-	194,564
General obligation bonds payable including bond premium	2,901,699	-	-	-	-	2,901,699
Net pension liabilities	1,707,117	-	-	-	-	1,707,117
Total Noncurrent Liabilities	4,997,889	-	-	-	-	4,997,889
Total Liabilities	6,633,320	-	-	-	-	6,633,320
Deferred Inflows of Resources:						
Pension related	33,818	-	-	-	-	33,818
OPEB related	117,605	-	-	-	-	117,605
Total Deferred Inflows of Resources	151,423	-	-	-	-	151,423
Net Position						
Net investment in capital assets	45,368,223	-	-	-	-	45,368,223
Unrestricted (deficit)	(2,662,820)	239,599	214,394	2,472,777	70,890	334,840
Total Net Position	42,705,403	239,599	214,394	2,472,777	70,890	45,703,063
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 49,490,146	239,599	214,394	2,472,777	70,890	52,487,806

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	Cruise Ship Landing Tax 460	Total Port Fund
Year Ended December 31, 2020						
Operating Revenues						
Harbor	\$ 3,293,776	76,979	-	-	-	3,370,755
Main dock	233,554	-	-	-	-	233,554
Fish dock	453,422	-	-	-	-	453,422
Deep water dock	239,926	-	-	-	-	239,926
Rents, leases and storage	617,531	-	-	-	-	617,531
Fish grinder	6,360	-	-	-	-	6,360
Total Operating Revenues	4,844,569	76,979	-	-	-	4,921,548
Operating Expenses						
Harbor	1,542,593	79,090	-	13,008	-	1,634,691
Main dock	118,735	-	-	-	-	118,735
Fish dock	531,691	-	-	-	-	531,691
Deep water dock	180,978	-	-	-	-	180,978
Fish grinder	19,027	-	-	-	-	19,027
Administration	1,146,429	-	-	-	-	1,146,429
Depreciation	2,169,002	-	-	-	-	2,169,002
Total Operating Expenses	5,708,455	79,090	-	13,008	-	5,800,553
Operating Loss	(863,886)	(2,111)	-	(13,008)	-	(879,005)
Nonoperating Revenues (Expenses)						
Investment income	37,796	-	-	-	-	37,796
Interest expense	(125,809)	-	-	-	-	(125,809)
State PERS relief	90,217	-	-	-	-	90,217
Other income	83,583	11,400	-	326	-	95,309
Cruise ship tax	-	-	-	-	70,890	70,890
Fish tax	71,970	-	-	-	-	71,970
Net Nonoperating Revenues (Expenses)	157,757	11,400	-	326	70,890	240,373
Income (Loss) Before Transfers and Capital Contributions	(706,129)	9,289	-	(12,682)	70,890	(638,632)
Transfers in (out)	(344,452)	-	21,791	325,237	-	2,576
Capital contributions	-	71,867	-	-	-	71,867
Change in Net Position	(1,050,581)	81,156	21,791	312,555	70,890	(564,189)
Beginning Net Position	43,755,984	158,443	192,603	2,160,222	-	46,267,252
Ending Net Position	\$ 42,705,403	239,599	214,394	2,472,777	70,890	45,703,063

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, 2020</i>	Health Insurance	Leave Cash-out	Total
Current Assets			
Cash and investments	\$ 95,724	\$ -	\$ 95,724
Liabilities and Net Position			
Current Liabilities			
Accounts payable	1,013	-	1,013
Due to other funds	-	31,987	31,987
Total Liabilities	1,013	31,987	33,000
Net Position			
Unrestricted (deficit)	94,711	(31,987)	62,724
Total Liabilities and Net Position	\$ 95,724	\$ -	\$ 95,724

City of Homer, Alaska

Internal Service Funds

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

<i>Year Ended December 31, 2020</i>	Health Insurance	Leave Cash-out	Total
Operating Revenues			
Interfund charges	\$ 1,549,024	\$ 156,910	\$ 1,705,934
Employee health contributions	189,272	-	189,272
Total Operating Revenues	1,738,296	156,910	1,895,206
Operating Expenses			
Salaries and benefits	-	253,429	253,429
Insurance premiums	1,761,039	-	1,761,039
Administration	30,557	-	30,557
Employee incentive fees	119,348	-	119,348
Total Operating Expenses	1,910,944	253,429	2,164,373
Transfers in	858	-	858
Change in Net Position	(171,790)	(96,519)	(268,309)
Beginning Net Position	266,501	64,532	331,033
Ending Net Position	\$ 94,711	\$ (31,987)	\$ 62,724

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

<i>Year Ended December 31, 2020</i>	Health Insurance	Leave Cash-out	Total
Cash Flows from (for) Operating Activities			
Receipts from interfund services provided and employee contributions	\$ 1,738,296	\$ 156,910	\$ 1,895,206
Payments to employees	(119,348)	(253,429)	(372,777)
Payments for insurance, claims, and administration	(1,789,509)	-	(1,789,509)
Net cash flows from (for) operating activities	(170,561)	(96,519)	(267,080)
Cash Flows from (for) Noncapital Financing Activities			
Increase in due to other funds	-	31,987	31,987
Transfers in (out)	858	-	858
Net cash flows from (for) noncapital financing activities	858	31,987	32,845
Net Decrease in Cash and Investments	(169,703)	(64,532)	(234,235)
Cash and Investments, beginning	265,427	64,532	329,959
Cash and Investments, ending	\$ 95,724	\$ -	\$ 95,724
Reconciliation of Operating Income to Net Cash Flows from (for) Operating Activities			
Operating income	\$ (172,648)	\$ (96,519)	\$ (269,167)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Increase (decrease) in liabilities:			
Accounts payable	2,087	-	2,087
Net Cash Flows from (for) Operating Activities	\$ (170,561)	\$ (96,519)	\$ (267,080)

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statements of Net Position

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 95,724	\$ 265,427
Liabilities and Net Position		
Current Liabilities		
Accounts Payable	1,013	(1,074)
Net Position		
Unrestricted	94,711	266,501
Total Liabilities and Net Position	\$ 95,724	\$ 265,427

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>	2020	2019
Operating Revenues		
Interfund insurance charges	\$ 1,549,024	\$ 1,758,835
Employee health contributions	189,272	162,144
Total Operating Revenues	1,738,296	1,920,979
Operating Expenses		
Insurance premiums	1,761,039	1,613,641
Administration	30,557	27,411
Employee incentive fees	119,348	120,968
Total Operating Expenses	1,910,944	1,762,020
Operating Income	(172,648)	158,959
Transfers in	858	103,986
Change in Net Position	(171,790)	262,945
Beginning Net Position	266,501	3,556
Ending Net Position	\$ 94,711	\$ 266,501

City of Homer, Alaska

600 - Health Insurance Internal Service Fund
Statements of Cash Flows

Year Ended December 31,	2020	2019
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided and employee contributions	\$ 1,738,296	\$ 1,920,979
Payments for insurance, claims, and administration	(1,789,509)	(1,642,180)
Payments to employees for incentive fees	(119,348)	(120,968)
Net cash flows from (for) operating activities	(170,561)	157,831
Cash Flows from (for) Noncapital Financing Activities		
Transfers in (out)	858	103,986
Net (Decrease) Increase in Cash and Investments	(169,703)	261,817
Cash and Investments, beginning	265,427	3,610
Cash and Investments, ending	\$ 95,724	\$ 265,427
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income	\$ (172,648)	\$ 158,959
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Increase (decrease) in liabilities:		
Accounts payable	2,087	(1,128)
Net Cash Flows from (for) Operating Activities	\$ (170,561)	\$ 157,831

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund

Statements of Net Position

<i>December 31,</i>	2020	2019
Current Assets		
Cash and investments	\$ -	\$ 64,532
Liabilities and Net Position		
Current Liabilities		
Due to other funds	31,987	-
Net Position		
Unrestricted (deficit)	\$ (31,987)	\$ 64,532
Total Liabilities and Net Position	\$ -	\$ 64,532

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>	2020	2019
Operating Revenues		
Interfund leave cash-out charges	\$ 156,910	\$ 129,331
Operating Expenses		
Salaries and benefits	253,429	185,403
Change in Net Position	(96,519)	(56,072)
Beginning Net Position	64,532	120,604
Ending Net Position (Deficit)	\$ (31,987)	\$ 64,532

City of Homer, Alaska

610 - Leave Cash-out Internal Service Fund
Statements of Cash Flows

<i>Year Ended December 31,</i>	2020	2019
Cash Flows from (for) Operating Activities		
Receipts from interfund services provided	\$ 156,910	\$ 129,331
Payments to employees	(253,429)	(185,403)
Net cash flows from (for) operating activities	(96,519)	(56,072)
Cash Flows from (for) Noncapital Financing Activities		
Increase in due to other funds	31,987	-
Net Increase (Decrease) in Cash and Investments	(64,532)	(56,072)
Cash and Investments, beginning	64,532	120,604
Cash and Investments, ending	\$ -	\$ 64,532
Reconciliation of Operating Income to Net Cash		
Flows from (for) Operating Activities		
Operating income (loss)	\$ (96,519)	\$ (56,072)

City of Homer, Alaska

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE				
Passed through the State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	n/a	\$ -	7,414
DEPARTMENT OF TRANSPORTATION				
Passed through the State of Alaska Department of Transportation and Public Facilities - Highway Safety Cluster - National Priority Safety Programs	20.616	405d M5X-18-01-00	-	776
DEPARTMENT OF THE TREASURY				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - Coronavirus Relief Fund	21.019	COVID-19	5,274,343	7,601,874
Passed through the Kenai Peninsula Borough - Coronavirus Relief Fund	21.019	271.95212.CAR22.43011	2,251,059	2,251,059
Total Coronavirus Relief Fund			7,525,402	9,852,933
ENVIRONMENTAL PROTECTION AGENCY				
Passed through the State of Alaska Department of Environmental Conservation - Performance Partnership Grants	66.605	ACWA-19-06	-	26,011
DEPARTMENT OF HOMELAND SECURITY				
Passed through the State of Alaska Division of Homeland Security and Emergency Management - Homeland Security Grant Program:				
2017 State Homeland Security Program	97.067	20SHSP-GY17	-	77,325
2018 State Homeland Security Program	97.067	20SHSP-GY18	-	18,282
2019 State Homeland Security Grant	97.067	20SHSP-GY19	-	238,331
Total Homeland Security Grant Program			-	333,938
Total Federal Financial Assistance			\$ 7,525,402	10,221,072

See accompanying notes to schedule of expenditures of federal awards.

City of Homer, Alaska

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Homer under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Homer, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Homer.

The City of Homer had no federally funded insurance programs or loan guarantees during the year ended December 31, 2020.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

City of Homer has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Single Audit Reports



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 the City of Homer as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Homer's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Homer's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies may exist that have not been identified.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Homer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
September 30, 2021



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

3601 C Street, Suite 600
Anchorage, AK 99503

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

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

Report on Compliance

Opinion on Compliance for Each Major Federal Program

We have audited the City of Homer's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Homer's major federal programs for the year ended December 31, 2020. The City of Homer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Homer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

BDO USA, LLP

Anchorage, Alaska
September 30, 2021

City of Homer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements 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

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ yes

X no

Significant deficiency(ies) identified?

___ yes

X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes

X no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

Agency

21.019

Coronavirus Relief Fund

Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

___ yes

X no