

CITY OF NOME, ALASKA

**Management Discussion and Analysis, Basic
Financial Statements, Required Supplementary Information,
Supplementary Information and
Compliance Section
(With Independent Auditor's Report Thereon)**

Year Ended June 30, 2022

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

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Financial Statements, Required Supplementary Information,
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CITY OF NOME, ALASKA

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Independent Auditor’s Report

Members of the City Council
City of Nome, Alaska
Nome, Alaska

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City of Nome, Alaska’s basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Port Facility Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Nome, Alaska. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Nome, Alaska, 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 unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Nome Joint Utility System have not been audited, and we were not engaged to audit the Nome Joint Utility System financial statements as part of our audit of the City of Nome, Alaska's basic financial statements. Nome Joint Utility System's financial activities are included in the City of Nome, Alaska's basic financial statements as a part of the aggregate discretely presented component unit and represent 84 percent, 93 percent, and 47 percent of the assets, net position, and revenues, respectively, of the City of Nome, Alaska's aggregate discretely presented component units.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note (15) to the financial statements, in 2022, the City implemented GASB Statement No. 87, *Leases*, which established standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement apply to financial statements of all state and local governments.

The new standard requires the City to recognize certain lease assets and liabilities for leases. It establishes a single model for lease accounting based on the underlying principle that leases are financings of the right to use an underlying asset for a period of time. Under this Statement, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the City's leasing activities. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Nome, Alaska'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 Nome, Alaska's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15, the budgetary comparison schedules on page 58, the Schedules of City's Share of Net Pension and OPEB Liabilities and Assets and Contributions for the Public Employees' Retirement System on pages 59-62, and the related notes to required supplementary information on pages 63-64, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed in the table of contents as "Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, and the Schedule of Expenditures of Federal Awards and notes to the schedule 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*; and Schedule of State Financial Assistance and related notes as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Month XX, 2023 on our consideration of City of Nome, Alaska'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 Nome, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome's internal control over financial reporting and compliance.

Anchorage, Alaska
Month XX, 2023

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

MANAGEMENT DISCUSSION AND ANALYSIS

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

City of Nome, Alaska
Management Discussion and Analysis
For the Year Ended June 30, 2022

This section of the City of Nome, Alaska's annual financial report provides a narrative overview and analysis by the City management of the financial activities of the City of Nome for the fiscal year ended June 30, 2022. It is designed to focus on significant financial issues, provide an overview of the City's financial activities, highlight changes in the City's financial position, identify material changes from the original budget, and explain any specific issues or concerns. This discussion and analysis should be read in conjunction with the City's financial statements, which follows this section.

Financial Highlights

- At June 30, 2022, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$95,992,419. Of this amount, \$7,868,580 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by 320,462, or less than 1%, from the prior fiscal year's amount. The governmental activities net position decreased by \$1,879,209 (3.1%) and the business-type activities net position increased by \$1,558,747 (4.2%).
- As of June 30, 2022, the City's governmental funds, excluding business-type activities, reported combined ending fund balances of \$16,771,474, representing a decrease of \$322,721 compared to the prior year.
- Total general revenues accounted for \$12,564,152 (66.01%) of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,469,774 (33.99%) of total revenues of \$19,033,926.
- The governmental fund balance is comprised of Non-spendable, Restricted, Committed, Assigned and Unassigned classifications. At the end of the year, unassigned fund balance for the General Fund was \$9,431,863 or 66.2% of total General Fund expenditures and transfers.
- The City's total outstanding long-term debt decreased by \$1,121,349 due to scheduled debt repayments during the year; this includes the net pension and OPEB liabilities.
- In September 2021, the City agreed to borrow funds from Wells Fargo Bank through the issuance of a Revenue Anticipation Note for \$3.8 million at .95% interest per annum to finance the purchase of diesel fuel for Nome Joint Utility System (NJUS). NJUS is obligated and makes direct payment to Wells Fargo Bank as principal and interest become due. The Note was paid over 10 equal installments and fully repaid in 2022. Subsequently in September 2022, NJUS through the City, sold a \$7,650,000 Revenue Anticipation Note to Northrim Bank to finance the 2022-2023 fuel requirements. The Note bears an annual interest of 3% and will be repaid in 10 equal installments. NJUS pledged utility revenues as security for the Note.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial status.
- *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The *Fund financial statements* include the governmental fund statements which tell how basic services, such as, City Administration, Public Safety, Public Works, etc., were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the Port and Harbor.

The financial statements include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by three sections (1) required supplementary information, (2) additional supplementary information on individual fund activity, and (3) compliance reports.

Illustration A-1			
Major Features of City of Nome'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 and public works	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 revenue, expenditures and changes in net position Statement of cash flows
Accounting basis and measurement of focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

Government-wide Financial Statements

The Government-wide financial statements are intended to provide a comprehensive look at all financial activities of the City. These statements summarize the City's overall financial condition and contain both short-term and long-term information about the City's entity-wide finances, similar to a private-sector business. Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). These statements can be located as listed on 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 most recent 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *governmental activities* of the City of Nome, which accounts for all of the City's basic services, include legislative, administrative, city clerk, police, animal control, fire, ambulance, public works, parks and recreation, swimming pool, museum, library, visitor center, education, and deferred compensation plans. The *business-type activities* of the City include the port facilities.

The Government-wide financial statements include two component units, known as Nome Public Schools and Nome Joint Utility System. Both are legally separate entities for which the City is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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 Nome, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- ***Governmental Funds:*** Most of the City's basic services are included in governmental funds. Unlike the Government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

City of Nome, Alaska
Management Discussion and Analysis, Continued

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 City's near-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 Nome, Alaska maintains several 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 the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

- *Proprietary Funds*: When the City charges customers for the services it provides – both to outside customers and to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Position and the Statement of Activities. The City maintains one type 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 an Enterprise Fund to account for its port facilities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information presenting the combining statements displaying the non-major governmental funds.

Government-Wide Financial Analysis

Statement of Net Position

Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2022, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$95,992,419, representing a net decrease of \$320,462 from the prior year. Of this amount, \$7,868,580 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

City of Nome, Alaska
Management Discussion and Analysis, Continued

By far the largest portion of the City's net position (90.26%) reflects its net investments in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	2022			
	Governmental	Business-type	Eliminations	Total
	Activities	Activities		
Current and other assets	\$ 23,159,751	1,400,902	(2,125,631)	22,435,022
Long-term and capital assets	51,718,367	45,194,326	-	96,912,693
Total assets	74,878,118	46,595,228	(2,125,631)	119,347,715
Deferred outflows of resources	916,591	142,541	-	1,059,132
Current liabilities	1,554,842	3,332,490	(2,125,631)	2,761,701
Long-term liabilities	7,416,332	4,059,665	-	11,475,997
Total liabilities	8,971,174	7,392,155	(2,125,631)	14,237,698
Deferred inflows of resources	9,245,245	931,485	-	10,176,730
Net position				
Net investment in capital assets	46,549,452	40,090,655	-	86,640,107
Restricted for E-911 surcharge	653,234	-	-	653,234
Restricted for CPV Tax	-	11,060	-	11,060
Restricted for causeway	-	819,438	-	819,438
Unrestricted	10,375,604	(2,507,024)	-	7,868,580
Total net position	57,578,290	38,414,129	-	95,992,419
Total Liab, Def Inf, Net Position	\$ 75,794,709	46,737,769	(2,125,631)	120,406,847

	2021			
	Governmental	Business-type	Eliminations	Total
	Activities	Activities		
Current and other assets	\$ 22,525,452	1,967,610	(821,036)	23,672,026
Long-term and capital assets	50,073,433	41,466,613	-	91,540,046
Total assets	72,598,885	43,434,223	(821,036)	115,212,072
Deferred outflows of resources	999,752	149,551	-	1,149,303
Current liabilities	850,906	2,235,117	(821,036)	2,264,987
Long-term liabilities	8,579,443	4,417,769	-	12,997,212
Total liabilities	9,430,349	6,652,886	(821,036)	15,262,199
Deferred inflows of resources	4,710,789	75,506	-	4,786,295
Net position				
Net investment in capital assets	48,314,215	36,972,514	-	85,286,729
Restricted for E-911 surcharge	572,421	-	-	572,421
Restricted for CPV Tax	-	11,060	-	11,060
Restricted for causeway	-	818,995	-	818,995
Unrestricted	10,570,863	(947,187)	-	9,623,676
Total net position	59,457,499	36,855,382	-	96,312,881
Total Liab, Def Inf, Net Position	\$ 73,598,637	43,583,774	(821,036)	116,361,375

City of Nome, Alaska
Management Discussion and Analysis, Continued

A small portion of the City's net position (approximately 1.5% in 2022) represents resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for commercial passenger vessel tax (CPV), causeway operations, and the E-911 surcharge program. The remaining balance of unrestricted net position of \$7,868,580 may be used to meet the government's ongoing obligation to citizens and creditors.

Statement of Activities

The following condensed table of changes in net position displays the revenues and expenses for the current and prior year.

	Change in Net Position					
	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	850,895	2,210,456	3,061,351	867,746	1,809,216	2,676,962
Operating grants and contributions	529,416	(13,595)	515,821	5,258,184	16,368	5,274,552
Capital grants and contributions	244,678	2,647,924	2,892,602	83,029	1,052,837	1,135,866
General revenues:						
Property taxes	4,325,492		4,325,492	4,318,657	-	4,318,657
Penalties and interest	90,084		90,084	77,186	-	77,186
Sales tax	6,519,157		6,519,157	5,904,993	-	5,904,993
Bed tax	185,671		185,671	118,589	-	118,589
Fines and forfeitures	1,871		1,871	1,801	-	1,801
Payment in lieu of taxes	377,097		377,097	374,736	-	374,736
Rentals and royalties	149,214		149,214	271,266	-	271,266
Investment earnings	39,397	42,781	82,178	78,640	28,573	107,213
Grants not restricted to specific programs	678,978		678,978	659,125	-	659,125
Gain on sale of assets/equipment				46,120	-	46,120
Transfer capital asset from component unit	106,156		106,156	-	-	-
Other				21	-	21
Total revenues	\$ 14,098,106	4,887,566	18,985,672	18,060,093	2,906,994	20,967,087

(continued)

City of Nome, Alaska
Management Discussion and Analysis, Continued

	Change in Net Position					
	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Expenses:						
Legislative	182,046		182,046	205,540	-	205,540
Administrative	1,070,239		1,070,239	1,431,916	-	1,431,916
Information technology	259,174		259,174	431,048	-	431,048
Planning and engineering	123,610		123,610	148,982	-	148,982
City clerk	556,690		556,690	554,060	-	554,060
Police	3,401,353		3,401,353	4,342,329	-	4,342,329
Animal control	41,093		41,093	51,874	-	51,874
EMS	720,653		720,653	933,782	-	933,782
Public works	2,558,135		2,558,135	3,752,825	-	3,752,825
Recreation center	746,576		746,576	805,671	-	805,671
Swimming pool	78,185		78,185	77,973	-	77,973
Museum	641,580		641,580	681,960	-	681,960
Library	473,756		473,756	537,020	-	537,020
Visitor center	214,258		214,258	264,318	-	264,318
Education	4,139,804		4,139,804	5,212,673	-	5,212,673
Non-departmental	750,119		750,119	3,297,448	-	3,297,448
Unallocated interest	20,044		20,044	25,470	-	25,470
Port	-	3,328,819	3,328,819	-	3,281,185	3,281,185
Total expenses	<u>15,977,315</u>	<u>3,328,819</u>	<u>19,306,134</u>	<u>22,754,889</u>	<u>3,281,185</u>	<u>26,036,074</u>
Change in net position	(1,879,209)	1,558,747	(320,462)	(4,694,796)	(374,191)	(5,068,987)
Net position, beginning of year	<u>59,457,499</u>	<u>36,855,382</u>	<u>96,312,881</u>	<u>64,152,295</u>	<u>37,229,573</u>	<u>101,381,868</u>
Net position, end of year	<u>\$ 57,578,290</u>	<u>38,414,129</u>	<u>95,992,419</u>	<u>59,457,499</u>	<u>36,855,382</u>	<u>96,312,881</u>

As reflected in the table above, the City's overall net position decreased by \$320,462 in 2022. Governmental activities in 2022 decreased the City's net position by \$1,879,209.

The primary sources of revenue from governmental activities are sales tax and property tax revenue, which amounted to \$6,519,157 and \$4,325,492 respectively, an increase of 10% in sales tax and a decrease of less than 1% in property tax, from 2021. The increase in sales tax is attributed to inflation, as well as the Alaska Remote Sellers' collection. The decrease in property tax revenue was attributed to value changes in the tax roll.

Expenses in the governmental activities decreased in 2022 by \$6,729,320 from the prior year. In 2021, expenses were much higher due to grant funding for the mitigation of the COVID-19 Pandemic (FEMA & CARES).

City of Nome, Alaska
Management Discussion and Analysis, Continued

The City's governmental activities expenses are predominately related to Public Safety (25.8%), Education (25.9%), Public Works (16%), and General Government (13.7%) or 81.4% of total governmental activities expenses.

Business-type activities in 2022 increased the City's net position by \$1,558,747 due to local, state, and federal contributions to port upgrades and improvements.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The City of Nome's governmental funds focus on near-term inflows, outflows, and balances of spendable resources available at the end of the year. Such information is useful in assessing whether the City is generating sufficient revenues in the current year to pay current-year obligations. However, it does not indicate whether there are sufficient funds available to cover long-term operations. The level of unassigned fund balance is an important indicator of the amount of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2022 the City's governmental funds reported combined ending fund balances of \$16,771,474, a decrease of \$322,721 over the prior year. Of this amount \$7,355,426 is non-spendable, restricted, committed, or assigned for specific purposes. \$9,416,048 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by \$490,205 in 2022 compared to an increase of \$1,015,940 in 2021.

The General Fund's fund balance must be able to meet unforeseen needs and emergencies, as well as future spending needs. The City's fund balance policy is to maintain unassigned fund balance in a range equal to 10% to 50% of the General Fund operating expenditures. At June 30, 2022, the unassigned fund balance of the General Fund was \$9,431,863 which is 65.03% of the total General Fund balance compared to 66.22% in 2021.

As a measure of the General Fund's liquidity, both unassigned fund balance and total fund balance may be compared to total fund expenditures. Unassigned fund balance represents 67.62% of total General Fund expenditures at June 30, 2022 compared to 87.09% at June 30, 2021.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements.

The Port of Nome Fund's total net position was \$38,414,129 in 2022, an increase of \$1,558,747 from 2021, while the unrestricted net position is a deficit of \$2,507,024 compared to a deficit of \$947,187 in 2021.

City of Nome, Alaska
Management Discussion and Analysis, Continued

General Fund Budgetary Highlights

- General Fund expenditures exceeded revenues by \$527,778 before transfers, and after transfers between funds were accounted for, there was a net decrease in fund balance of \$490,205.
- Overall, actual revenues were \$506,138 more than budgeted while actual expenditures and transfers were \$355,621 less than budgeted, which is primarily due to a reduction in hours in certain buildings due to COVID-19, staff turnover creating vacancies, as well as encountering challenges in filling open positions.
- Actual sales tax revenue exceeded budgeted revenue by \$512,157. Usage fees were in decline, primarily due to COVID, and did not meet budgeted estimates by \$335,763. Actual Bed Tax revenues were \$25,671 greater than budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$91,134,603 net of accumulated depreciation, a increase of \$966,714 over last year. Major capital asset events during the current fiscal year included the following:

- Capital projects completed:
 - Acquisition of 2021 F-150 Truck
 - Acquisition of 20' Conveyor Tire Shredder
 - Acquisition of Morgue Casket Lift
 - Acquisition of Ambient Air Dryer for NVFD
 - Major Repair to 2012 F450 Ambulance
 - Acquisition of Rhino Post Driver
 - Mini Convention Center Renovation
 - Concrete Replacement @ NVFD
 - Acquisition of Art for the museum – paintings, block print
 - Upgrades for phone system, IT side cars
 - Port Anode Project complete
- Ongoing projects:
 - Deep water port study and design
 - Port Waste Facility feasibility study
 - Harbor Launch Ramp Repair
 - DOT/Port Road Improvements
 - Nome Recreation Center/Emergency Shelter Heater & Ventilation Upgrades
 - City Hall Heat & Ventilation Upgrades
 - Covered ice hockey rink facility
 - Nome-Beltz High School Roof

City of Nome, Alaska
Management Discussion and Analysis, Continued

	2022			2021		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	type Activities		Activities	type Activities	
Land	\$ 7,368,689	6,618,242	13,986,931	7,426,728	6,618,242	14,044,970
Tideland patent	-	736,400	736,400	-	736,400	736,400
Buildings	37,320,982	61,166	37,382,148	39,462,891	74,823	39,537,714
Small Boat Harbor	-	2,647,724	2,647,724	-	2,808,683	2,808,683
Causeway	-	3,721,704	3,721,704	-	4,436,270	4,436,270
Quarry Jetty	-	1,220,579	1,220,579	-	1,416,715	1,416,715
Cape Nome Quarry	-	3,352,291	3,352,291	-	3,508,800	3,508,800
C-cell dock/WG	-	1,766,896	1,766,896	-	1,979,626	1,979,626
Vehicles, trucks and trailers	561,524	-	561,524	637,131	-	637,131
Assets other than buildings	991,120	-	991,120	985,024	-	985,024
Other	157,846	14,776,877	14,934,723	190,876	15,329,333	15,520,209
Machinery and equipment	360,203	38,256	398,459	406,830	43,039	449,869
Right to Use Asset	24,178	-	24,178	-	-	-
Construction in progress	800,890	8,609,036	9,409,926	482,442	3,624,036	4,106,478
Total capital assets	\$ <u>47,585,432</u>	<u>43,549,171</u>	<u>91,134,603</u>	<u>49,591,922</u>	<u>40,575,967</u>	<u>90,167,889</u>

Additional information on the City's capital assets can be found in note 5 on pages 37 through 39 of this report.

Debt Administration

Long-Term Debt – At the end of the current fiscal year, the City of Nome, Alaska had total bonded debt outstanding of \$4,469,817. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans, compensated absences and landfill closure and post-closure costs and Net Pension and OPEB liability.

The following table displays the long-term debt for the current year.

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General obligation bonds, including premium	\$ 1,011,301	1,277,707	-	-	1,011,301	1,277,707
Revenue bonds	-	-	3,458,516	3,603,453	3,458,516	3,603,453
Compensated absences	515,111	445,516	-	-	515,111	445,516
Landfill post closure care costs	1,406,612	1,384,801	-	-	1,406,612	1,384,801
Landfill loan	-	-	-	-	-	-
Net pension and OPEB Liability	4,733,308	5,472,419	752,015	814,316	5,485,323	6,286,735
	\$ <u>7,666,332</u>	<u>8,580,443</u>	<u>4,210,531</u>	<u>4,417,769</u>	<u>11,876,863</u>	<u>12,998,212</u>

City of Nome, Alaska
Management Discussion and Analysis, Continued

During the current fiscal year, the City's total debt decreased by \$1,120,349 as a result of debt scheduled repayments and changes to the Net pension and OPEB liability. Additional information on the City of Nome, Alaska's long-term debt can be found in Note 6 on pages 39-41 of this report.

Economic Factors and Next Year's 2023 Budgets and Rates

- Inflation, as well as a significant increase in gas and heating oil costs were considered as part of the 2023 budget process.
- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 49.6% of total budgeted revenues. This amount was levied for the operation and maintenance activities in the General Fund, and to fund education and capital improvements not associated with the enterprise funds.
- The City continues with the expansion and construction and improvements to the port facilities.

These various factors were taken into consideration in the development of the FY 2023 budget. Major aspects of the adopted FY 2023 budget include:

- Overall revenue in the General Fund (before fund balance appropriation) is projected to increase by \$2,558,051 while overall expenditure and transfers are projected to increase by \$2,976,324. There is a fund balance appropriation of \$1,831,003 from savings to balance the budget of \$16,623,545.
- The property tax rate mill rate stayed the same at 12 mills (1 mill is approximately 392,105). This amount was levied to fund education at \$3,000,000 and to continue the increased funding for public safety.
- Sales tax rate is 5% year round. The 2% seasonal sales tax was voted down in the October 2022 election. Bed tax remains at 6%. The Port Tariff rates will be reviewed in January 2023 based on the Anchorage CPI. If necessary, additional rate changes, as well as language adjustments may take place in March/April 2023.
- Capital improvements include the purchase of an EMS used Multi-purpose hose truck, two police vehicles, a building maintenance cargo van, morgue improvements, heat and ventilation improvements at the Recreation Center and City Hall, police camera upgrades, City Hall and Senior Citizen's Center fire alarm upgrades, and the purchase of public works equipment: ice breaker, boom lift, and Bucket for 966F.

Requests for Information

This financial report is designed to provide a general overview of the City of Nome, Alaska'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 Nome
P.O. Box 281
Nome, Alaska 99762
Email: finance@nomealaska.org

BASIC FINANCIAL STATEMENTS

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

Statement of Net Position

Government-Wide Financial Statements

June 30, 2022

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility System
Assets and Deferred Inflows of Resources						
Current assets:						
Cash and investments	\$ 14,933,705	736,372	-	15,670,077	8,329,728	667,907
Receivables:						
Property taxes, net	4,756,881	-	-	4,756,881	-	-
Sales and bed taxes	771,214	-	-	771,214	-	-
Accounts receivable, net	-	179,551	-	179,551	59,519	1,245,294
State of Alaska and federal government	79,093	400,824	-	479,917	1,083,586	-
Unbilled revenues	-	-	-	-	-	607,409
Other, net	213,749	-	-	213,749	-	1,410,752
Leases	104,941	84,165	-	189,096	438,182	-
Inventory	-	-	-	-	39,430	5,389,325
Prepaid items	41,863	-	-	41,863	773,849	110,763
Internal balances	2,125,631	-	(2,125,631)	-	-	-
Due from component units:						
Nome Joint Utility System	132,674	-	-	132,674	-	-
Other assets	-	-	-	-	-	1,467,064
Noncurrent assets:						
Restricted assets:						
Cash and investments	-	819,438	-	819,438	-	-
Lease receivable	460,901	485,128	-	946,029	-	-
Long-term notes receivable, due within one year	-	-	-	-	-	-
Long-term notes receivable, due in more than one year	-	-	-	-	-	-
Capital assets:						
Not being depreciated	8,507,116	15,963,678	-	24,470,794	-	5,344,477
Net of depreciation and amortization	39,078,316	27,585,493	-	66,663,809	1,145,596	71,121,238
Investment in ARECA	-	-	-	-	-	2,087,721
Net pension and OPEB assets	3,672,034	340,589	-	4,012,623	5,136,794	-
Total assets	<u>74,878,118</u>	<u>46,595,228</u>	<u>(2,125,631)</u>	<u>119,347,715</u>	<u>17,006,684</u>	<u>89,451,950</u>
Deferred outflows of resources						
Pension and OPEB deferrals	916,591	142,541	-	1,059,132	1,243,321	129,018
Deferred charges	-	-	-	-	-	908,831
Loss on refunding bonds	-	-	-	-	-	15,227
Total assets and deferred outflows of resources	<u>\$ 75,794,709</u>	<u>46,737,769</u>	<u>(2,125,631)</u>	<u>120,406,847</u>	<u>18,250,005</u>	<u>90,505,026</u>
Liabilities and Deferred Inflows of Resources						
Current liabilities:						
Accounts payable	\$ 389,112	426,795	-	815,907	352,102	846,017
Accrued payroll	160,671	-	-	160,671	418,453	169,645
Accrued payroll liabilities	57,319	-	-	57,319	263,479	220,731
Accrued interest payable	-	46,436	-	46,436	-	60,128
Unearned revenue	673,061	-	-	673,061	651,370	-
Internal balances	-	2,125,631	(2,125,631)	-	-	-
Deposits payable	-	-	-	-	-	179,637
Prepaid lease revenue	-	582,762	-	582,762	-	-
Fuel loan payable	-	-	-	-	-	2,663,403
Lease liability	24,679	-	-	24,679	-	-
Long-term debt due within one year	281,406	150,866	-	432,272	-	894,050
Noncurrent liabilities:						
Long-term debt due in more than one year	2,136,507	3,307,650	-	5,444,157	-	9,454,715
Net pension and OPEB liabilities	4,733,308	752,015	-	5,485,323	4,368,309	415,681
Compensated absences	515,111	-	-	515,111	108,396	-
Total current and noncurrent liabilities	<u>8,971,174</u>	<u>7,392,155</u>	<u>(2,125,631)</u>	<u>14,237,698</u>	<u>6,162,109</u>	<u>14,904,007</u>
Deferred inflows of resources						
Taxes levied for a future year	4,705,267	-	-	4,705,267	-	-
Leases	552,552	552,010	-	1,104,562	433,861	-
Pension and OPEB deferrals	3,987,426	379,475	-	4,366,901	5,727,145	1,081,264
Total deferred inflows of resources	<u>9,245,245</u>	<u>931,485</u>	<u>-</u>	<u>10,176,730</u>	<u>6,161,006</u>	<u>1,081,264</u>
Total liabilities and deferred inflows of resources	<u>18,216,419</u>	<u>8,323,640</u>	<u>(2,125,631)</u>	<u>24,414,428</u>	<u>12,323,115</u>	<u>15,985,271</u>
Net Position:						
Net investment in capital assets	46,549,452	40,090,655	-	86,640,107	1,145,596	71,476,654
Restricted for general fund reserve	-	-	-	-	503,137	1,108,564
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	-	-	-	-	-	233,000
Restricted for E-911 surcharge	653,234	-	-	653,234	-	-
Restricted for causeway operations	-	819,438	-	819,438	-	-
Restricted for commercial passenger vessel tax	-	11,060	-	11,060	-	-
Restricted for scholarships and school programs	-	-	-	-	-	-
Unrestricted	10,375,604	(2,507,024)	-	7,868,580	4,278,157	1,576,037
Total net position	<u>57,578,290</u>	<u>38,414,129</u>	<u>-</u>	<u>95,992,419</u>	<u>5,926,890</u>	<u>74,519,755</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 75,794,709</u>	<u>46,737,769</u>	<u>(2,125,631)</u>	<u>120,406,847</u>	<u>18,250,005</u>	<u>90,505,026</u>

The notes to the financial statements are an integral part of this statement.

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA
Statement of Activities
Government-Wide Financial Statements
Year Ended June 30, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Nome Public Schools	Nome Joint Utility System
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
Legislative	\$ 182,046	200	(69)	-	(181,915)	-	(181,915)	-	-
Administrative	1,070,239	11,509	(20,792)	-	(1,079,522)	-	(1,079,522)	-	-
Information technology	259,174	-	(931)	-	(260,105)	-	(260,105)	-	-
Planning and engineering	123,610	58,310	(1,807)	-	(67,107)	-	(67,107)	-	-
City clerk	556,690	-	(10,585)	-	(567,275)	-	(567,275)	-	-
Police	3,401,353	102,923	(43,701)	-	(3,342,131)	-	(3,342,131)	-	-
Animal control	41,093	4,090	-	-	(37,003)	-	(37,003)	-	-
Emergency Services	720,653	107,070	48,511	-	(565,072)	-	(565,072)	-	-
Public works	2,558,135	329,805	(14,891)	50,000	(2,193,021)	-	(2,193,021)	-	-
Recreation center	746,576	200,991	(11,119)	188,695	(368,009)	-	(368,009)	-	-
Swimming pool	78,185	29,741	-	-	(48,444)	-	(48,444)	-	-
Museum	641,580	5,589	6,345	-	(629,646)	-	(629,646)	-	-
Library	473,756	667	21,986	-	(451,103)	-	(451,103)	-	-
Visitor center	214,258	-	-	-	(214,258)	-	(214,258)	-	-
Education	4,139,804	-	60,623	5,983	(4,073,198)	-	(4,073,198)	-	-
Non-departmental	750,119	-	495,646	-	(254,473)	-	(254,473)	-	-
Unallocated interest	20,044	-	-	-	(20,044)	-	(20,044)	-	-
Total governmental activities	15,977,315	850,895	529,416	244,678	(14,352,326)	-	(14,352,326)	-	-
Business-type activities:									
Port	3,328,819	2,210,456	(13,595)	2,647,924	-	1,515,966	1,515,966	-	-
Total primary government	\$ 19,306,134	3,061,351	515,821	2,892,602	(14,352,326)	1,515,966	(12,836,360)	-	-
Component Unit:									
Nome Public Schools	\$ 15,475,628	238,755	2,510,010	22,266	-	-	(12,704,597)	-	-
Nome Joint Utility System	18,637,792	13,106,728	659,824	226,339	-	-	-	(2,644,901)	-
Total component units	\$ 32,113,420	13,345,483	3,169,834	248,605	-	-	(12,704,597)	(2,644,901)	-
General revenues:									
Taxes:									
Property taxes					\$ 4,325,492	-	4,325,492	-	-
Sales taxes					6,519,157	-	6,519,157	-	-
Payments in lieu of taxes					377,097	-	377,097	-	-
Penalties and interest					90,084	-	90,084	-	-
Bed taxes					185,671	-	185,671	-	-
Fines and forfeitures					1,871	-	1,871	-	-
Grants and contributions not restricted to specific programs					678,978	-	678,978	8,889,798	-
E-rate revenue					-	-	-	794,449	-
Investment earnings					39,397	42,781	82,178	11,074	1,102
Appropriation from City of Nome					-	-	-	3,000,000	-
Rentals and royalties					149,214	-	149,214	-	-
Other					-	-	-	311,223	252,911
Capital assets transferred to the City					106,156	-	106,156	(106,156)	-
Total general revenues					12,473,117	42,781	12,515,898	12,900,388	254,013
Change in net position					(1,879,209)	1,558,747	(320,462)	195,791	(2,390,888)
Net position, beginning of year					59,457,499	36,855,382	96,312,881	5,731,099	76,910,643
Net position, end of year					\$ 57,578,290	38,414,129	95,992,419	5,926,890	74,519,755

The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA

Governmental Funds

Balance Sheet

June 30, 2022

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 13,551,949	1,381,756	14,933,705
Receivables:			
Property tax levies due in subsequent year	4,474,733	-	4,474,733
Delinquent taxes, net of \$121,949 allowance for doubtful accounts	282,148	-	282,148
Sales and bed taxes	771,214	-	771,214
State of Alaska and federal government	45,949	33,144	79,093
Other, net of \$47,950 allowance for doubtful accounts	197,505	16,244	213,749
Lease receivable	565,842	-	565,842
Prepaid items	41,863	-	41,863
Due from other funds:			
General Fund	-	2,177,746	2,177,746
Port Fund	2,125,631	-	2,125,631
Other Governmental Funds	609,110	-	609,110
Due from component units - Nome Joint Utility System	132,674	-	132,674
Total assets	\$ 22,798,618	3,608,890	26,407,508
<u>Liabilities, deferred inflows of resources, and fund balances</u>			
Liabilities:			
Accounts payable	\$ 321,844	67,268	389,112
Accrued payroll	160,671	-	160,671
Accrued payroll liabilities	57,319	-	57,319
Due to other funds:			
General Fund	-	609,110	609,110
Other Governmental Funds	2,177,746	-	2,177,746
Unearned revenue	8,583	664,478	673,061
Total liabilities	2,726,163	1,340,856	4,067,019
Deferred inflows of resources:			
Taxes levied for a future year	4,705,267	-	4,705,267
Leases	552,552	-	552,552
Unavailable revenues	311,196	-	311,196
Total deferred inflows of resources	5,569,015	-	5,569,015
Total liabilities and deferred inflows of resources	8,295,178	1,340,856	9,636,034
Fund balances:			
Non-spendable -			
Prepaid items	41,863	-	41,863
Restricted -			
E-911 surcharge	-	653,234	653,234
Committed -			
Community projects	-	106,096	106,096
Assigned:			
Debt service	-	819,852	819,852
Self insurance/ equipment replacement	1,060,126	-	1,060,126
Clara Mielke Richards estate	333,203	-	333,203
PERS	971,113	-	971,113
Landfill	2,665,272	704,667	3,369,939
Unassigned	9,431,863	(15,815)	9,416,048
Total fund balances	14,503,440	2,268,034	16,771,474
Total liabilities, deferred inflows and fund balances	\$ 22,798,618	3,608,890	26,407,508

The notes to the financial statements are an integral part of this statement.

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

Reconciliation of the Net Position Between the
Government-Wide Financial Statements and Fund Financial Statements

June 30, 2022

Amounts reported as fund balances on the governmental funds	\$	16,771,474
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds net of accumulated depreciation and amortization of \$65,019,825		47,585,432
Proportionate share of the collective net pension and OPEB liability: PERS		(4,733,308)
Proportionate share of the collective net pension and OPEB asset: PERS		3,672,034
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources: PERS		916,591
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS		(3,987,426)
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds: Property taxes		311,196
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:		
Compensated absences	\$	(515,111)
General obligation bonds		(890,000)
Premium on general obligation bonds		(121,301)
Lease liability		(24,679)
Landfill closure and post closure care costs		(1,406,612)
		<u>(2,957,703)</u>
Net position of governmental activities	\$	<u>57,578,290</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2022

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
Revenues:			
Local sources:			
Taxes:			
Property taxes	\$ 4,265,185	-	4,265,185
Sales taxes	6,519,157	-	6,519,157
Payments in lieu of taxes	377,097	-	377,097
Penalties and interest	90,084	-	90,084
Bed tax	185,671	-	185,671
Charges for services:			
Licenses and permits	70,100	102,073	172,173
Usage fees	678,722	-	678,722
Fines and forfeitures	1,871	-	1,871
Investment income	39,397	-	39,397
Rental and royalties	149,214	-	149,214
Contributions	44,871	-	44,871
Other	-	217,756	217,756
Total local sources	<u>12,421,369</u>	<u>319,829</u>	<u>12,741,198</u>
Intergovernmental:			
State of Alaska	475,999	65,583	541,582
Federal sources	523,215	605,542	1,128,757
Total intergovernmental	<u>999,214</u>	<u>671,125</u>	<u>1,670,339</u>
Total revenues	<u>13,420,583</u>	<u>990,954</u>	<u>14,411,537</u>
Expenditures:			
Current:			
Legislative	161,297	-	161,297
Administrative	1,084,868	5,269	1,090,137
Information technology	216,556	-	216,556
Planning and engineering	131,717	-	131,717
City clerk	586,885	-	586,885
Police	3,419,977	53,883	3,473,860
Animal control	40,018	-	40,018
Emergency Services	528,818	32,449	561,267
Public works	2,521,336	1,121	2,522,457
Recreation center	721,752	-	721,752
Swimming pool	66,964	-	66,964
Museum	323,111	16,324	339,435
Library	329,493	26,450	355,943
Visitor center	224,279	-	224,279
Education	3,070,597	-	3,070,597
Non-departmental	444,839	305,280	750,119
Debt service:			
Principal	23,575	235,000	258,575
Interest	1,725	49,725	51,450
Capital outlay	50,554	428,285	478,839
Total expenditures	<u>13,948,361</u>	<u>1,153,786</u>	<u>15,102,147</u>
Excess (deficiency) of revenues over expenditures	<u>(527,778)</u>	<u>(162,832)</u>	<u>(690,610)</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	299,460	20,175	319,635
Proceeds from issuance of leases	48,254	-	48,254
Transfers in	-	395,502	395,502
Transfers out	(310,141)	(85,361)	(395,502)
Net other financing sources (uses)	<u>37,573</u>	<u>330,316</u>	<u>367,889</u>
Net change in fund balance	(490,205)	167,484	(322,721)
Fund balance, beginning of year	<u>14,993,645</u>	<u>2,100,550</u>	<u>17,094,195</u>
Fund balance, ending of year	\$ <u>14,503,440</u>	<u>2,268,034</u>	<u>16,771,474</u>

The notes to the financial statements are an integral part of this statement.

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year Ended June 30, 2022

Net change in fund balance - total governmental funds		\$ (322,721)
Amounts reported for governmental activities in the statement of activities are different because:		
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:		
Change in the unfunded net pension and OPEB liabilities and assets: PERS		3,929,634
Changes in deferred inflows and outflows of resources are the result of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liability PERS		(3,689,260)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	986,743	
Depreciation and amortization expense	<u>(2,704,889)</u>	(1,718,146)
Capital assets transferred to the City by the School District did not consume current financial resources but create additional economic resources		106,156
Governmental funds only report the revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale or disposal. The net effect of transactions involving capital assets is to decrease net position:		
Cost of assets disposed	(624,749)	
Accumulated depreciation of assets disposed	<u>230,249</u>	(394,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds represents change in:		
Unavailable property tax revenues		60,307
The issuance of long-term debt and accrual of compensated absences provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:		
Principal repayments on debt	235,000	
Issuance of leases	(48,254)	
Principal payments on leases	23,575	
Amortization of bond premium	31,406	
Increase in landfill post closure costs, net	(21,811)	
Compensated absences, net	<u>(70,595)</u>	<u>149,321</u>
Change in net position of governmental activities		\$ <u>(1,879,209)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA

Port Facility Enterprise Fund

Balance Sheet

June 30, 2022

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 736,372
Accounts receivable, net of \$107,123 allowance for doubtful accounts	179,551
Lease receivable	84,155
Due from the State of Alaska and federal government	400,824
Total unrestricted current assets	<u>1,400,902</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	819,438
Lease receivable	485,128
Capital assets:	
Not being depreciated	15,963,678
Depreciated, net	27,585,493
Net pension and OPEB assets	340,589
Total non-current assets	<u>45,194,326</u>
Total assets	<u>46,595,228</u>
Deferred outflows of resources-	
Pension and OPEB deferrals	142,541
Total assets and deferred outflows of resources	<u>\$ 46,737,769</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>	
Current liabilities:	
Accounts payable	\$ 426,795
Accrued interest payable	46,436
Due to General Fund	2,125,631
Bonds payable - current portion	150,866
Total current liabilities	<u>2,749,728</u>
Non-current liabilities:	
Prepaid lease revenue	582,762
Bonds payable	3,307,650
Net pension and OPEB liabilities	752,015
Total non-current liabilities	<u>4,642,427</u>
Total liabilities	<u>7,392,155</u>
Deferred inflows of resources:	
Leases	552,010
Pension and OPEB deferrals	379,475
Total deferred inflows of resources	<u>931,485</u>
Total liabilities and deferred inflows of resources	<u>8,323,640</u>
Net position:	
Net investment in capital assets	40,090,655
Restricted for causeway debt	819,438
Restricted for commercial passenger vessel tax	11,060
Unrestricted	(2,507,024)
Total net position	<u>38,414,129</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 46,737,769</u>

The notes to the financial statements are an integral part of this statement.

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

Port Facility Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating revenues:		
Causeway facility	\$	1,288,954
Harbor facility		507,176
Industrial park facility		427,275
Bad debt		(22,527)
Other		9,578
Total operating revenues		<u>2,210,456</u>
Operating expenses:		
Direct expenses:		
Causeway facility		118,228
Harbor facility		81,224
Industrial park facility		77,725
Total direct expenses		<u>277,177</u>
General and administrative expenses:		
Other		<u>659,666</u>
Total operating expenses, excluding depreciation		<u>936,843</u>
Depreciation:		
Causeway facility		1,199,050
Harbor facility		651,662
Quarry terminal facility		352,645
Industrial park facility		46,079
Total depreciation		<u>2,249,436</u>
Total operating expenses		<u>3,186,279</u>
Operating (loss)		<u>(975,823)</u>
Non-operating income (expenses):		
Interest income		42,781
Interest expense		(142,540)
State of Alaska on-behalf payments		(13,595)
Total non-operating income (expense)		<u>(113,354)</u>
(Loss) before capital contributions		(1,089,177)
Capital contributions		<u>2,647,924</u>
Change in net position		1,558,747
Net position, beginning of year		<u>36,855,382</u>
Net position, end of year	\$	<u><u>38,414,129</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA
Port Facility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2022

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 2,176,114
Payments to employees	(554,356)
Payments to vendors	(665,206)
Net cash provided by operating activities	<u>956,552</u>
Cash flows provided (used) by noncapital financing activities:	
Internal activity - payments to/from other funds	<u>1,304,595</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(144,937)
Interest paid on debt	(144,487)
Capital contributions	2,879,154
Acquisition of capital assets	(5,222,638)
Net cash (used) by capital and related financing activities	<u>(2,632,908)</u>
Cash flows provided by investing activities:	
Interest income	<u>42,781</u>
Net change in cash and cash equivalents	(328,980)
Cash and cash equivalents, beginning of year	<u>1,884,790</u>
Cash and cash equivalents, end of year	<u>\$ 1,555,810</u>
Composed of:	
Unrestricted cash and cash equivalents	\$ 736,372
Restricted cash and cash equivalents	819,438
	<u>\$ 1,555,810</u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	\$ (975,823)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,249,436
Bad debt expense	22,527
Noncash expense - PERS on-behalf	(13,595)
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	49,908
Prepays	500
Accounts payable	(249,364)
Prepaid lease revenue	(106,777)
Net pension and OPEB assets	(268,938)
Pension and OPEB deferred outflows	7,010
Net pension and OPEB liabilities	(62,301)
Pension and OPEB deferred inflows	303,969
Net cash provided by operating activities	<u>\$ 956,552</u>

The notes to the financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies

(a) *General*

The City of Nome, Alaska, the (City) was incorporated in 1901 as a first-class city under the laws of the Territory of Alaska. The City operates under council-manager form of government and performs municipal duties allowed by Alaska Statutes and as directed by its residents.

The financial results of the recurring activities performed directly by the City (which include public safety, roads and building maintenance and improvements, swimming pool, administration, planning and zoning, public library, museum and recreation) are accounted for in the funds of the City. As discussed in the following paragraphs, the City delegates certain functions to other organizations.

(b) *Reporting Entity*

Water, sewer and electrical utility service provided to area residents is a function of the City delegated to the Nome Joint Utility System (Utility System), a legal subdivision of the City in accordance with Alaska Statute 29.43.340. The City has the authority for approval of all budgets, rates, acquisition and disposal of all real property. Ownership of the utility plant is with the Utility System. The accounts and financial transactions of the Utility System are maintained separate from those of the City and are included herein. Financial statements of the Utility System can be obtained by contacting the Utility Management at P.O. Box 70, Nome, Alaska 99762.

Public education provided to area residents is a function of the City delegated to the Nome Public Schools (City School), a legal subdivision of the City, in accordance with Alaska Statute 29.43.030. The City has the authority for approval of all budgets, rates, acquisition and disposal of all real property. Maintenance of the building improvements and equipment is with the City School. The accounts and financial transactions of the City School are maintained separate from those of the City and are included in the financial statements. Financial statements of the City School can be obtained by contacting the City School at P.O. Box 131, Nome, Alaska 99762.

In conformity with accounting principles generally accepted in the United States, the financial data of all potential component units included in the financial reporting entity meet the criteria for discrete presentation. These units included in a separate column to emphasize that they are legally separate from the City. Each potential component unit issues separate financial statements and has a June 30 year-end, except for the Utility System, which has a December 31 year-end.

Notes to Financial Statements, Continued

(c) 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 primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the total columns in the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, 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.

Deferred inflows of resources are the acquisition of fund balance/net assets by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of fund balance/net assets by the City that are applicable to a future reporting period.

Separate financial statements are provided for governmental funds and proprietary funds. The major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All other funds are presented in a single column as "other governmental funds".

(d) Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 considers revenues to be available if they are collected within 60 days 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 and claims and judgments, are recorded only when payment is due.

Notes to the Financial Statements, Continued

Taxes, charges for services, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other receipts such as licenses, permits and fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of a receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and when revenues are considered to be available and measurable, which is considered to be within 12 months of the end of the current fiscal period.

The City reports the following major governmental fund:

- *The General Fund* is the government's primary operating fund. It allows for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

- *The Port Facility Enterprise Fund* accounts for the operations of the Nome Port Facility.

Additionally, the City reports the following fund types:

- *Special Revenue Funds* – accounts for revenue sources that are legally restricted or committed to expenditure for specific purposes.
- *Debt Service Fund* – accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest
- *Capital Project Funds* – accounts for the acquisition of the capital assets or construction of major capital projects not being financed by proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. 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. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services for the causeway facility, harbor facility, and industrial park facility. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue recognition of capital contributions are based on the requirements of the expenses. Revenue recognition of capital contributions are based on the requirements of the Governmental Accounting Standards Board Codification N50 Non-exchange Transactions.

Notes to the Financial Statements, Continued

(e) Estimates

In preparing the financial statements, management of the City is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenditures/expenses for the period. Actual results could differ from those estimates.

(f) Cash and Investments

The City's investments have maturities between less than one year to five years, and are reported at fair value in the accompanying financial statements.

The City participates in the Alaska Municipal League Investment Pool (AMLIP) and invests in certificates of deposits insured by the Federal Depository Insurance Corporation (FDIC) or secured by eligible collateral held by a third party in the City's name. AMLIP is not SEC registered and is unrated. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The AMLIP manager is required to produce monthly disclosure statements to the pool. The pool has also retained an investment advisor to monitor the performance of the investment manager and to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. The pool meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity, and shadow price. There are no restrictions or limitations on withdrawals from AMLIP. As of June 30, 2022, the fair value of the investments in AMLIP approximates the amortized cost at which they are reported. The fair value of the investments in AMLIP is the same as the value of our AMLIP units. The Pool was rated a principal stability rating of AAAm by Standard & Poor's (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management by visiting www.amlip.org.

(g) Restricted Assets

Restricted assets consist of assets that must be used for the Port facilities causeway as required by bond indentures. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(h) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances" on the statement of the net position and as "advances to/from other funds" in the fund statements.

Notes to the Financial Statements, Continued

All outstanding current balances between funds are reported as "due to/from other funds" in the fund statements. These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered. On the statements of cash flows for proprietary funds, these are treated as cash and cash equivalent transactions.

All trade and property tax receivables are shown net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

(i) Capital Assets

Capital assets, which include property, buildings, vehicles and equipment are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements and proprietary fund financial statements. Capital assets are defined by the City as assets with an 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 and depreciated on a straight-line basis.

Donated capital assets or capital assets received in exchange are recorded at their estimated acquisition value at the date of donation or exchange. Interest incurred during construction is not capitalized.

All capital assets acquired or constructed for general government and school purposes are reported as expenditures in the fund that finances the asset acquisition.

Property, plant, and equipment of the City is depreciated using the straight-line method over the estimated life of the assets as follows:

	<u>Life in years</u>
Causeway	40
Infrastructure (C-Cell docks)	18-36
Improvements not buildings	5-40
Quarry jetty	40
Building	5-30
Machinery and equipment	5-10
Vehicles	3-10

(j) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave benefits. All personal leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(k) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. In the governmental fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on

Notes to the Financial Statements, Continued

debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) Pensions and Other Post-Employment Benefits (OPEB)

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

(m) Unbilled Revenue

The Utility System's billing for the sale of electrical energy and water consumption reflects metered energy and water sold through varying dates ending prior to the end of the monthly and annual accounting periods. The Utility System estimates and records the revenue earned for the sale of electrical energy and water consumption from the last billing through the end of the accounting period.

(n) Unearned Revenues

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met are recorded as unearned revenue.

(o) Prepaid Lease Revenue

The City received advanced payment on a 35-year lease of land it owns. Revenue is recognized in the Port Fund each year for the payment related to the lease, with deferral of revenue recognized as prepaid lease revenue.

(p) Fund Balances

In the Fund Financial Statements, fund balance includes five classifications for fund balance as follows:

Non-spendable Fund Balance – Amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid expenses, long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the City's Council in the form of an ordinance or resolution. Commitments may be changed or lifted by the Council taking the same formal action that imposed the constraint originally.

Notes to the Financial Statements, Continued

Assigned Fund Balance – Fund Balance comprises amounts intended to be used by the City for specific purposes: intent can be expressed by the Council or by the management, having been designated such authority. Such constraint is binding unless modified or eliminated by the Council or Management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned Fund Balance – Fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Positive unassigned amounts will be reported only in the Operating Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available, should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager reports to the Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

The City's Special Revenue Funds are used to account for administration, police, public works, library and museum programs that are restricted or committed.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Project Funds and Port Facility Enterprise Fund. Encumbrances outstanding at year end, if any, are reported in assigned fund balances since they do not constitute expenditures or liabilities. The amount of encumbrances, if significant, are disclosed in the Notes to the Basic Financial Statements as commitments.

(q) Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors. The City has restricted net position that consists of amounts restricted for causeway operations, commercial passenger vessel tax, and E-911 surcharges.
- Unrestricted – all other net position is reported in this component.

Notes to the Financial Statements, Continued

(r) Statement of Cash Flows

The City follows the Governmental Accounting Standards Board Codification P80. This statement established standards for reporting cash flows of Proprietary Funds. For purposes of the Statement of Cash Flows, the City has defined cash as the demand deposits and all investments maintained in the cash management pool, regardless of maturity period, since the various funds use the cash management pool essentially as a demand deposit account.

(s) Deferred Compensation

The City offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

(t) Retirement Plans

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS).

The City has adopted GASB Codification P20, *Accounting for Pensions by State and Local Governmental Employers* and GASB Codification P50, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pension*. GASB Codification P20 and P50 establish uniform standards for the measurement, recognition, and display of pension and postretirement health and expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of the state and local governmental employers.

(u) Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City's insurance is on a claims basis.

Coverage is as follows:

<u>Type of coverage</u>	<u>Limits of coverage</u>	<u>Deductible</u>
Property	\$1,000,000,000 including sublimits as scheduled	500,000 to 100,000
Commercial blanket bond – employee dishonesty	100,000 up to 500,000	1,000
Workers' compensation	Statutory benefits	-
General, auto, public officials' and police liability:		
Excess limits	10,250,000	10,000
Employment related practices	10,250,000	-

Notes to the Financial Statements, Continued

Claims on insurance have not exceeded coverage's in any of the last three years.

(v) Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City of Nome's investments.

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

(w) Leases

Lessee

The City is a lessee for non-cancellable leases of buildings and recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The lease liabilities are recognized with an initial, individual value of \$5,000 or more or immaterial component leases that aggregate to a total value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If a lease contains a purchase option that the City has determined is reasonably certain of being exercised, the lease asset is amortized over the estimated useful life of the underlying asset. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- a. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the current borrowing rate is used as the discount rate for leases.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease asset, liability, lease receivable, and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

Notes to the Financial Statements, Continued

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The City is a lessor for non-cancellable leases and recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- a. The City uses its current borrowing rate as the discount rate for leases.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable

(2) Property Taxes

Property taxes attach as an enforceable lien on property. Taxes are levied on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute 29.53.170, the City establishes the mill rate on or before June 15. Tax bills mailed prior to July 1 are payable in two installments on July 31 and October 31. City property tax revenues are recognized in the fiscal year in which they become collectable. At June 30, 2022 the real and personal property tax levy of \$4,705,267 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2022, property tax receivables included the following:

2022 real and personal property taxes due in fiscal year 2023	\$ 4,705,267
Real and personal property taxes currently past due	<u>403,652</u>
	5,108,919
Less:	
Estimated allowance for doubtful collections	121,504
Pre-payment of property taxes due in fiscal year 2023	<u>230,534</u>
	\$ <u>4,756,881</u>

Notes to the Financial Statements, Continued

(3) Cash and Short-Term Investments

Reconciliation to the City's June 30, 2022 financial statements follows:

Petty cash	\$	2,040
Demand deposits		8,055,486
Investments measured at amortized cost:		
Money Market		518,522
Certificate of deposit		6,365,001
AMLIP		<u>1,548,465</u>
	\$	<u>16,489,515</u>
Governmental activities	\$	14,933,705
Business-type activities		<u>1,555,810</u>
	\$	<u>16,489,515</u>

(a) *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. The City manages interest rate risk by allocating certain percentages of the portfolio over specified time period, and generally holds investments for less than five years, which minimizes the sensitivity of fair value to changes in market interest rates. The City has no formal policy that limits investment maturities relating to a specific deposit or interest rate risk.

The City of Nome's investments at June 30, 2022 consisted of non-negotiable certificates of deposit, money market funds, and investment in the Alaska Municipal League Investment Pool (AMLIP), which are all valued at amortized cost and not subject to interest rate risk.

(b) *Credit Risk*

Statutes authorize the City to invest in obligations of the United States, the State of Alaska and its political subdivisions, savings accounts, certificates of deposit, bankers' acceptances, repurchase agreements, and such other legal security instruments. The City code requires all investments to be collateralized and/or insured.

(c) *Custodial Credit Risk – Deposits*

The City maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the balance sheet as "Cash and cash equivalents" or amounts "due to/from other funds."

The City's bank accounts are insured by the Federal Depository Insurance Corporation (FDIC) to a maximum of \$250,000 per official custodian. U.S. Treasury obligations, which are held by Bank of New York in a Tri-party collateral agreement with Wells Fargo, the pledging financial institution's agent, in the City's name, collateralize the remaining bank balances.

Notes to the Financial Statements, Continued

(d) Custodial Credit Risk – Investments

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no debt securities exposed to custodial credit risk at June 30, 2022.

(e) 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’s investments in certificates of deposit, money market funds, and investment in the Alaska Municipal League Investment Pool are all valued at amortized cost and the City does not have any recurring fair value measurements at June 30, 2022.

(4) Receivables

Receivables as of year-end for the government’s individual major funds and non-major funds, and business type activities, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds	Port Facility Enterprise Fund	Total
Receivables:					
Property tax	\$ 4,878,830	-	4,878,830	-	4,878,830
Sales and bed tax	771,214	-	771,214	-	771,214
State of Alaska and Federal Government	45,949	33,144	79,093	400,824	479,917
Accounts - unrestricted	-	-	-	286,674	286,674
Lease receivable	565,842	-	565,842	569,283	1,135,125
Other	245,455	16,244	261,699	-	261,699
Gross receivables	<u>6,507,290</u>	<u>49,388</u>	<u>6,556,678</u>	<u>1,256,781</u>	<u>7,813,459</u>
Less: allowance for uncollectibles	169,899	-	169,899	107,123	277,022
Net total receivables	<u>\$ 6,337,391</u>	<u>49,388</u>	<u>6,386,779</u>	<u>1,149,658</u>	<u>7,536,437</u>

The City reports deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total	Port Facility Enterprise Fund	Total
Taxes levied for a future year – deferred inflows	\$ 4,705,267	-	4,705,267	-	4,705,267
Unavailable taxes receivable – deferred inflows	249,236	-	249,236	-	249,236
Unavailable other receivables – deferred inflows	61,960	-	61,960	-	61,960
Unavailable leases – deferred inflows	552,552	-	552,552	552,010	1,104,562
Unearned revenues	8,583	664,478	673,061	-	673,061

Notes to the Financial Statements, Continued

(5) Capital Assets

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

	Balance at July 1, 2021	Increases and transfers	Decreases and transfers	Balance at June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land - general government	\$ 6,703,528	336,461	394,500	6,645,489
Land - schools	723,200	-	-	723,200
Artwork	307,970	29,567	-	337,537
Construction in progress	482,442	318,448	-	800,890
Total	<u>8,217,140</u>	<u>684,476</u>	<u>394,500</u>	<u>8,507,116</u>
Capital assets being depreciated:				
Buildings - general government	42,322,222	37,461	-	42,359,683
Buildings - schools	50,043,910	-	-	50,043,910
Vehicles, trucks and trailers	7,146,920	123,069	157,187	7,112,802
Assets other than buildings	2,133,638	132,079	-	2,265,717
Machinery and equipment	1,340,240	47,764	8,800	1,379,204
Office machinery and equipment	933,040	17,496	64,262	886,274
Right to use asset	-	50,554	-	50,554
Total	<u>103,919,970</u>	<u>408,423</u>	<u>230,249</u>	<u>104,098,144</u>
Less accumulated depreciation and amortization:				
Buildings - general government	15,393,419	1,252,865	-	16,646,284
Buildings - schools	37,509,822	926,505	-	38,436,327
Vehicles, trucks and trailers	6,509,789	198,676	157,187	6,551,278
Assets other than buildings	1,456,584	155,550	-	1,612,134
Machinery and equipment	933,410	94,391	8,800	1,019,001
Office machinery and equipment	742,164	50,526	64,262	728,428
Right to use asset	-	26,376	-	26,376
Total	<u>62,545,188</u>	<u>2,704,889</u>	<u>230,249</u>	<u>65,019,828</u>
Total capital assets, being depreciated and amortized, net	<u>41,374,782</u>	<u>(2,296,466)</u>	<u>-</u>	<u>39,078,316</u>
Governmental activities	<u>\$ 49,591,922</u>	<u>(1,611,990)</u>	<u>394,500</u>	<u>47,585,432</u>

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

	Balance at July 1, 2021	Increases and transfers	Decreases and transfers	Balance at June 30, 2022
Business-type activities:				
Capital assets not being:				
depreciated				
Land	\$ 6,618,242	-	-	6,618,242
Tideland patent	736,400	-	-	736,400
Construction in progress	3,624,036	5,222,638	237,638	8,609,036
Total	<u>10,978,678</u>	<u>5,222,638</u>	<u>237,638</u>	<u>15,963,678</u>
Capital assets being depreciated:				
Small boat harbor	5,380,529	-	-	5,380,529
Causeway	28,582,663	-	-	28,582,663
Cape Nome Quarry	3,912,724	-	-	3,912,724
Buildings	413,928	-	-	413,928
Machinery and equipment	410,818	30,386	-	441,204
Quarry Jetty	3,831,791	-	-	3,831,791
C-Cell dock-North	1,713,000	-	-	1,713,000
C-Cell dock-South	1,704,749	-	-	1,704,749
Westgold Dock	1,496,997	-	-	1,496,997
Other	20,969,787	237,638	-	21,207,425
Total	<u>68,416,986</u>	<u>268,024</u>	<u>-</u>	<u>68,685,010</u>
Less accumulated depreciation:				
Small boat harbor	2,571,846	160,958	-	2,732,805
Causeway	24,146,393	714,566	-	24,860,959
Cape Nome Quarry	403,924	156,509	-	560,433
Buildings	339,105	13,658	-	352,762
Machinery and equipment	367,779	35,168	-	402,948
Quarry Jetty	2,415,076	196,136	-	2,611,212
C-Cell dock-North	1,370,499	61,833	-	1,432,332
C-Cell dock-South	1,405,650	51,098	-	1,456,747
Westgold Dock	158,971	99,800	-	258,771
Other	5,640,454	790,094	-	6,430,548
Total	<u>38,819,697</u>	<u>2,279,820</u>	<u>-</u>	<u>41,099,517</u>
Total capital assets, being depreciated, net	<u>29,597,289</u>	<u>(2,011,796)</u>	<u>-</u>	<u>27,585,493</u>
Business-type activities	<u>\$ 40,575,967</u>	<u>3,210,842</u>	<u>237,638</u>	<u>43,549,171</u>

* Accumulated depreciation additions for machinery and equipment include \$30,386 of transfers from Governmental Activity for fully depreciated assets.

REVISED DRAFT
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CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Depreciation and amortization expense was charged to the departments and functions of the primary government as follows:

Governmental activities:

Legislative	\$ 21,062
Administrative	12,019
Information technology	56,044
City clerk	17,335
Police	307,789
Animal control	1,075
Emergency Services	261,367
Public works	368,885
Recreation center	74,729
Swimming pool	11,221
Museum	355,876
Library	146,163
Education	1,069,207
Visitor Center	<u>2,117</u>
Total governmental activities	\$ <u>2,704,889</u>

Business-type activities:

Port	\$ <u>2,249,436</u>
Total primary government	<u>4,954,325</u>

(6) Long-Term Debt

(a) Changes in long-term debt follows:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year
Governmental activities:					
Compensated absences	\$ 444,516	642,419	571,824	515,111	-
General obligation bonds	1,125,000	-	235,000	890,000	250,000
Premium on general obligation bonds	152,707	-	31,406	121,301	31,406
Landfill closure and postclosure costs	1,384,801	42,536	20,725	1,406,612	-
Net pension and OPEB liabilities	<u>5,472,419</u>	-	739,111	<u>4,733,308</u>	-
Total governmental activities	\$ <u>8,579,443</u>	<u>684,955</u>	<u>1,598,066</u>	<u>7,666,332</u>	<u>281,406</u>
Business-type activities:					
Revenue bonds	\$ 3,603,453	-	144,937	3,458,516	150,866
Net pension and OPEB Liability	<u>814,316</u>	-	62,301	<u>752,015</u>	-
Total business - type activities	\$ <u>4,417,769</u>	<u>-</u>	<u>207,238</u>	<u>4,210,531</u>	<u>150,866</u>

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Notes to the Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City Port Facility Enterprise Fund at June 30, 2022 follows:

Year ending June 30	1986 Series A Port Revenue Bonds	
	Principal	Interest
2023	\$ 150,866	138,558
2024	157,037	132,386
2025	163,462	125,961
2026	170,149	119,274
2027	177,110	112,313
2028-2032	1,000,349	446,769
2033-2037	1,222,412	224,706
2038-2040	417,131	17,007
	<u>\$ 3,458,516</u>	<u>1,316,974</u>

The 1986 Series A Port Revenue Bond covenants require the City to establish, maintain and collect rates and charges for port services that will provide revenues each calendar year equal to at least 1.5 times the amount required each such calendar year to pay the principal and interest on these bonds and all port revenue bonds which may have an equal lien on the revenues of the port facility or moneys in the Port Facilities Revenue Fund, after necessary port operating and maintenance expenses have been paid but before depreciation. The covenants also required the establishment of certain accounts and funds to facilitate the repayment of this bond.

In early 2009, the City accepted NOAA's last offer, which includes repayment of the loan principal beginning January 1, 2009 at 4.05% for 30 years, with interest being deferred for the first 5 years and partially deferred for the second 5 years.

The 1986 Series A Port Revenue Bond covenants require the City to establish and maintain a reserve account from funds collected in the Port Facility Revenue Fund.

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CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City's government activities at June 30, 2022 follows:

Year ending June 30	2012		2015	
	School G.O. Bonds		School G.O. Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 140,000	10,000	110,000	28,250
2024	130,000	3,250	120,000	22,500
2025	-	-	120,000	16,500
2026	-	-	125,000	10,375
2027	-	-	45,000	6,125
2028-2029	-	-	100,000	5,000
	\$ 270,000	13,250	620,000	88,750

Year ending June 30	Total		
	Principal	Interest	Total
	2023	\$ 250,000	38,250
2024	250,000	25,750	275,750
2025	120,000	16,500	136,500
2026	125,000	10,375	135,375
2027	45,000	6,125	51,125
2028-2029	100,000	5,000	105,000
	\$ 890,000	102,000	992,000

In May 2012, the City issued \$1,180,000 of 2012 Series A General Obligation Refunding Bonds to advance refund \$1,245,000 of principal for the outstanding general obligation bonds, 2004 Series B. The bond was issued with a premium of \$201,256. For the year ended June 30, 2022, the City amortized \$16,772, leaving \$33,536 in unamortized premiums. The \$1,245,000 of 2004 Series B bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The bonds have been fully refunded.

In February 2015, the City issued \$750,000 of 2015 Series one General Obligation Refunding Bonds to advance refund \$815,000 of principal for the outstanding general obligation bonds, 2006 Series A. The bond was issued with a premium of \$114,399. The City also issued 2015 Series One General Obligation Refunding Bonds to advance refund \$400,000 of principal for the outstanding general obligation bonds, 2009-2. The bond was issued with a premium of \$75,801. For the year ended June 30, 2022 the City amortized \$8,803 and \$5,831 leaving \$52,781 and \$34,984, respectively, of unamortized premiums. The \$815,000 of 2006 Series A bonds and the \$400,000 of 2009-2 bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The bonds have been fully refunded.

Utility System Bond Ordinance Requirements

The Utility System is required to comply with various requirements established by the bond ordinance relating to each of the issues, including periodic payments to the trustees to cover principal and interest payments due the next year (bond redemption reserves).

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Notes to the Financial Statements, Continued

(7) **Leases**

- (a) Lease Receivable: The City has entered into agreements to lease property to third parties. The leases range in term from nine to twenty-two years. The City received approximately \$234,590 in lease payments for the year ended June 30, 2022. The lease receivable at June 30, 2022 was \$1,135,125. The City has deferred inflows of resources associated with the leases that will be recognized as revenue over the lease term. At June 30, 2022 the deferred inflows of resources was \$1,104,562.
- (b) Lease Liability: The City has entered into a lease for the use of a building. The City is required to make principal and interest payments for this lease in the amount of \$27,600 for the year ended June 30, 2022. The City uses an interest rate of 5% for its lease calculations. The lease is amortized over the lease term. The value of the lease liability at June 30, 2022 was \$24,679. The accumulated amortization at June 30, 2022 was \$26,376.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 24,679	621	25,300

(8) **Interfund Receivables, Payables and Transfers**

(a) **Interfund Receivables and Payables**

A summary of interfund receivables and payables at June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 609,110
General Fund	Port Facility Enterprise Fund	2,125,631
Other Governmental Funds	General Fund	2,177,746
Total primary government		\$ <u>4,912,487</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

(b) **Interfund Transfers**

A summary of interfund transfers in and out of June 30, 2022 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		
	General Fund	Other Governmental Funds	Total
Other Governmental Funds	\$ 310,141	85,361	395,502

Notes to the Financial Statements, Continued

There were transfers from the General Fund to the Debt Service Fund to cover scheduled bond payments, the School Renovation and Repairs Fund to cover capital expenditures, the NPS 18-Plex Fund to cover capital expenditures, the Equipment and Upgrades Fund to cover capital expenditures, and the Art Acquisition Fund to cover operating expenditures. There was a transfer from the NSEDC Community Benefits Share Fund to the Equipment and Upgrades Fund to cover capital outlays.

(9) Employee Retirement Systems and Plans

The City follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition, and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan, PERS also administers other post-employment benefit (OPEB) plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB):	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefit OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefit OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC):	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Notes to the Financial Statements, Continued

Other Postemployment Benefit Plans (OPEB)*Occupational Death and Disability Plan (ODD)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. For the year ended June 30, 2022 the employer contribution rate is 0.31%.

Membership in the plan consisted of the following at June 30, 2021 (latest available report):

Membership	PERS
Active plan members	24,481
Participating employers	151

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the year ended June 30, 2021 (latest available information) employer contributions were 7.43% of annual payroll. Membership in the plan consisted of the following at June 30, 2021 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	36,704
Inactive plan members entitled to but not yet receiving benefits	5,112
Inactive plan members not entitled to benefits	10,366
Active plan members	10,066
Total plan membership	<u>62,248</u>

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. For the year ended June 30, 2022 employer contributions were 1.07%. Membership in the plan consists of the following at June 30, 2021 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	67
Inactive plan members entitled to but not yet receiving benefits	2,082
Inactive plan members not entitled to benefits	16,249
Active plan members	24,481
Total plan membership	<u>42,879</u>

Notes to the Financial Statements, Continued

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2021 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	113
Inactive plan members entitled to but not yet receiving benefits	2,082
Inactive plan members not entitled to benefits	16,249
Active plan members	24,481
Total plan membership	42,925

Investments

The Board is the investment oversight authority of the system’s investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board’s invested assets is pursuant to AS 37.10.210.390.

State of Alaska Department of Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board’s fiduciary responsibility.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense, for the year ended June 30, 2021 (latest available report) for the DB Plan for PERS is 29.77%, for the ARHCT plan is 30.00%, for the ODD Plan is 29.55%, and for the RMP is 29.54%.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

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Notes to the Financial Statements, Continued

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below for the PERS plan:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	6.63%
Global Equity (non-U.S.)	5.41%
Aggregate Bonds	0.76%
Opportunistic	4.39%
Real Assets	3.16%
Private Equity	9.29%
Cash Equivalents	0.13%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities and assets is 7.38%, which represents a decrease of 0.00% since the prior measurement period. The projection of the cash flows used to determine the discount rate assumes that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the net pension and OPEB plans fiduciary net pension and OPEB liabilities and assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities and assets. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefits not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.18% as of June 30, 2021.

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 actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to the salary floor, and other termination costs as described below. This rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

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.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses a 7.38% discount rate.

Employer Contribution rates for the year ended June 30, 2022 are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
PERS:			
Pension	15.54%	21.27%	8.11%
OPEB	6.46%	8.84%	0%
Total PERS contribution rates	<u>22.00%</u>	<u>30.11%</u>	<u>8.11%</u>

Termination Costs: If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2022 the past service rate for PERS is 18.31%.

Actuarial Assumptions: The total pension and OPEB liabilities on June 30, 2021 (latest available) were determined by an actuarial valuation as of June 30, 2019 which was rolled forward to the measurement date June 30, 2021. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017.

Investment return / discount rate	7.38% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 2.5% per year Productivity – 0.25% per year
Payroll growth	2.75% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 2.5% annually.
Mortality (Pre-termination)	Based upon 2013-2017 actual mortality experience, 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Mortality (Post-termination)	Mortality rates based upon the 2013-2017 actual experience. 91% of male and 96% of female rates of RP-2014 health annuitant table with MP-2017 generational improvement.
Total turnover	Based upon the 2013-2017 actual withdrawal experience.
Disability	Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others.
Disability	Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others.
Retirement	Retirement rates based upon the 2013-2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date.
Marriage and age difference	Males are assumed to be three years older than their wives. Females are assumed to be two years younger than their husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drugs: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%.

As a result of the latest experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. In addition to the changes in assumptions resulting from the experience study, the following assumption changes related to the ARHCT plan have been made since the prior valuation:

1. Per capita claims costs were updated to reflect recent experience.
2. Normal cost for administrative expenses were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect the repeal of the Cadillac Tax.

Notes to the Financial Statements, Continued

The changes of assumptions from the latest experience study created substantial deferred outflows of resources attributable to the City, as well as an OPEB benefit recognized by the City for the State's proportionate share of OPEB plan expense attributable to the City. In some instances the reduction of revenues and expenses reported for the State's proportionate share of OPEB plan expense attributable to the City creates a net negative Pension/OPEB expense (net pension/OPEB benefit) which results in negative operating grants and contributions for certain functions reported on the Statement of Activities.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at: <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For Tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 150 employers participating in PERS defined benefit plan and 151 participating in PERS defined contribution and OPEB plans.

The DB Plan's membership consisted of the following at June 30, 2021 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	36,704
Inactive plan members entitled to but not receiving benefits	5,112
Inactive members not entitled to benefits	10,366
Active plan members	<u>10,066</u>
Total DB plan membership	<u>62,248</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for peace officers/firefighters members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006, and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, 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 (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Employee Contribution Rate. The City's PERS active members are required to contribute 6.75%.

Employer contributions for the year ended June 30, 2022, were:

Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$ 564,034	104,777	668,811

Public Employees Retirement Plans

For the year ended June 30, 2022 the State of Alaska contributed \$345,492 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2021 to a total of (\$174,854), to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

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Notes to the Financial Statements, Continued

Pension and OPEB Liabilities and Assets, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2022, the City reported liabilities and assets that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities (assets), the related State support, and the total portion of the net pension and OPEB liabilities (assets) that were associated with the City were as follows:

Defined Benefit:	<u>Pension</u>
City's proportionate share of the net pension liability	\$ 5,485,323
State's proportionate share of the net pension liability	<u>743,512</u>
Total	<u>\$ 6,228,835</u>
	<u>OPEB</u>
City's proportionate share of the ARHCT OPEB (asset)	\$ (3,849,775)
State's proportionate share of the ARHCT OPEB (asset)	<u>(507,030)</u>
Total	<u>\$ (4,356,805)</u>
City's proportionate share of the ODD OPEB (asset)	<u>\$ (107,378)</u>
City's proportionate share of the RMP OPEB (asset)	<u>\$ (55,470)</u>
Total City's share of net pension and OPEB liabilities and assets	<u>\$ 1,472,700</u>

The net pension and OPEB liabilities and assets were measured as of June 30, 2021, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities and assets were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities and assets were based on the present value of contributions for FY2023 through FY2039, as determined by projections based on the June 30, 2021 valuation.

The City's proportionate share and changes in the pension and OPEB liabilities and assets were as follows:

	June 30, 2020 Measurement	June 30, 2021 Measurement	Change
Pension	0.10628%	0.14952%	0.04324%
OPEB:			
ARHCT	0.10630%	0.15007%	0.04377%
ODD	0.26399%	0.24364%	(0.02035%)
RMP	0.21242%	0.20665%	(0.00577%)

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Based on the measurement date of June 30, 2021, the City recognized pension and OPEB expense of \$1,816,873 and (\$1,583,355), respectively, for the year ended June 30, 2022. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	(24,301)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,163,123)
Changes in proportion and differences between City contributions and proportionate share of contributions	363,089	-
City contributions subsequent to the measurement date	564,034	-
Total	\$ <u>927,123</u>	<u>(2,187,424)</u>

	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(40,429)
Changes of assumptions	-	(145,483)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,801,489)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(52,086)
City contributions subsequent to the measurement date	54,445	-
Total	\$ <u>54,445</u>	<u>(2,039,487)</u>

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(29,328)
Changes of assumptions	-	(816)
Net difference between projected and actual earnings on OPEB plan investments	-	(17,218)
Changes in proportion and differences between City contributions and proportionate share of contributions	3,961	(5,631)
City contributions subsequent to the measurement date	14,071	-
Total	\$ <u>18,032</u>	<u>(52,993)</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,124	(2,638)
Changes of assumptions	17,241	(32,966)
Net difference between projected and actual earnings on OPEB plan investments	-	(49,625)
Changes in proportion and differences between City contributions and proportionate share of contributions	1,906	(1,768)
City contributions subsequent to the measurement date	36,261	-
Total	\$ 59,532	(86,997)

\$564,034 and \$104,777 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities and as an increase to the net pension and OPEB assets in the year ended June 30, 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2022	\$ (163,892)	(660,031)	(9,565)	(13,641)
2023	(495,487)	(414,877)	(9,553)	(13,663)
2024	(535,980)	(445,491)	(9,734)	(14,164)
2025	(628,976)	(519,088)	(10,308)	(15,745)
2026	-	-	(5,509)	(1,840)
Thereafter	-	-	(4,363)	(4,673)
Total	\$ (1,824,355)	(2,039,487)	(49,032)	(63,726)

For the year ended June 30, 2022, the City recognized \$1,807,942 and (\$88,394) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Sensitivity of the Net Pension and OPEB Liabilities and Assets to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities and assets of the plan calculated using the discount rate of 7.38%, as well as what the Plans' net pension and OPEB liabilities and assets would be if they 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:

	1% Decrease (6.38%)	Current Rate (7.38%)	1% Increase (8.38%)
Net pension liability	\$ 8,124,527	5,485,323	3,268,053
Net OPEB ARHCT (asset)	\$ (2,517,695)	(3,849,775)	(4,955,968)
Net OPEB ODD (asset)	\$ (102,820)	(107,378)	(111,008)
Net OPEB RMP liability (asset)	\$ 36,204	(55,470)	(124,711)

Notes to the Financial Statements, Continued

Sensitivity of the City's proportionate share of the Net OPEB liability and assets to changes in the healthcare cost trend rates. The following present the City's proportionate share of the net OPEB liability (asset), as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB ARHCT (asset)	\$ (5,085,462)	(3,849,775)	(2,358,623)
Net OPEB ODD (asset)	\$ NA	(107,378)	NA
Net OPEB RMP liability (asset)	\$ (134,623)	(55,470)	52,381

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. Cities and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.07% for the retiree medical plan (DB), 0.31% and 0.68% (peace officers) for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Additionally, there is a defined benefit unfunded liability (DBUL) amount levied against the DC plan and allocated to the DB Plan's pension and OPEB contribution.

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

The City contributed \$262,183 for the year ended June 30, 2022, which included forfeitures of \$21,134 which have been applied as employer contributions.

(10) Landfill Closure and Post Closure Costs

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as a long-term liability at June 30, 2022, based on the landfill capacities used as of that date. The \$1,406,612 amount reported to date is based on the use of 59.17% of the Center Creek Landfill prior to closure, 100% of the Center Creek Monofill, and 100% of the Beam Road Landfill. Total estimated costs of closure and post closure for these landfills total \$2,453,971 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post closure costs in 2007. The City closed the old landfill and opened the new landfill in September 1996. Actual costs may change due to inflation, deflation, changes in technology, or changes in laws and regulations.

Notes to the Financial Statements, Continued

State and Federal regulations (18 AAC 60.398 and 40 CFR 258.74, respectively) require the City to provide financial assurances for future closure and post closure costs. There are a number of allowable mechanisms available. The City uses the local government financial test assurance mechanism to be in compliance with regulations. Future inflation costs and additional costs that might arise from changes in closure and post closure requirements are covered by charges to future landfill users, taxpayers, or both.

(11) Litigation

The City, in normal course of its activities, is involved in various claims and litigation. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the financial statements of the City. The City may have insurance coverage for these matters.

(12) Contingent Liabilities

The City receives numerous grants, which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, would not be material.

(13) Subsequent Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 94 *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 96 *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 99 *Omnibus 2022*. Multiple effective dates.
- GASB 100 *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. Effective for fiscal years beginning after June 15, 2023. Multiple effective dates.
- GASB 101 *Compensated Absences*. Effective for fiscal years beginning after December 15, 2023.

Statement 94 is not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 96 will improve financial reporting by establishing a definition for Subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Notes to the Financial Statements, Continued

GASB Statement No. 99 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

GASB Statement No. 101 unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

(14) Related Parties

The City received payments for landfill fees, PILT and Smartnet renewal in the amount of \$422,402, and had receivable at year end of \$165,313 from Nome Joint Utility. During the year the city made a required contribution of \$3,000,000 to Nome Public Schools. The City also made payments to multiple companies owned by City Council members during the normal course of business totaling \$127,066.

(15) New Accounting Pronouncement

In 2022, the City implemented GASB Statement No. 87, Leases, which established standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement apply to financial statements of all state and local governments.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

The new standard requires the City to recognize certain lease assets and liabilities for leases. It establishes a single model for lease accounting based on the underlying principle that leases are financings of the right to use an underlying asset for a period of time. Under this Statement, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the City's leasing activities.

As a result of adopting this new accounting pronouncement, there were no changes in beginning of year net position or fund balance. The City recognized the following amounts in financial statements with regard to leases:

Statement of Net Position:	<u>Governmental Activities</u>
Capital assets	\$ 50,554
Accumulated amortization	26,376
Lease liabilities	24,679
Lease receivable	565,842
Deferred inflow of resources	552,552
Balance Sheet - Governmental Funds:	<u>General Fund</u>
Lease receivable	\$ 565,842
Deferred inflow of resources	552,552
Statement of Net Position:	<u>Business-type Activities</u>
Lease receivable	\$ 569,283
Long-term debt – leases	552,010
Balance Sheet- Enterprise Funds:	<u>Port Facility Fund</u>
Lease receivable	\$ 569,283
Lease liability	552,010

**REQUIRED SUPPLEMENTARY
INFORMATION**

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Original and Final
Budgeted Amounts and Actual

Year Ended June 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes:			
Property taxes	\$ 4,310,091	4,265,185	(44,906)
Sales taxes	6,007,000	6,519,157	512,157
Payments in lieu of taxes	372,844	377,097	4,253
Penalties and interest	85,250	90,084	4,834
Bed tax	160,000	185,671	25,671
Charges for services:			
Licenses and permits	83,545	70,100	(13,445)
Usage fees	1,014,485	678,722	(335,763)
Fines and forfeitures	4,625	1,871	(2,754)
Investment income	8,250	39,397	31,147
Rental and royalties	168,032	149,214	(18,818)
Contributions	54,100	44,871	(9,229)
Total local sources	<u>12,268,222</u>	<u>12,421,369</u>	<u>153,147</u>
Intergovernmental:			
State of Alaska	123,008	475,999	352,991
Federal sources	523,215	523,215	-
Total revenues	<u>12,914,445</u>	<u>13,420,583</u>	<u>506,138</u>
Expenditures:			
Current:			
Legislative	163,356	161,297	2,059
Administrative	1,089,683	1,084,868	4,815
Information technology	282,925	216,556	66,369
Planning and engineering	161,321	131,717	29,604
City clerk	611,656	586,885	24,771
Police	3,312,354	3,419,977	(107,623)
Animal control	43,894	40,018	3,876
Emergency Services	593,364	528,818	64,546
Public works	2,475,176	2,521,336	(46,160)
Recreation center	760,106	721,752	38,354
Swimming pool	92,922	66,964	25,958
Museum	334,380	323,111	11,269
Library	331,948	329,493	2,455
Visitor center	230,258	224,279	5,979
Education	3,070,147	3,070,597	(450)
Non-departmental	448,872	444,839	4,033
Debt service:			
Principal	-	23,575	(23,575)
Interest	-	1,725	(1,725)
Capital outlay	-	50,554	(50,554)
Total expenditures	<u>14,002,362</u>	<u>13,948,361</u>	<u>54,001</u>
Excess of revenues over expenditures	(1,087,917)	(527,778)	560,139
Other financing sources (uses):			
Proceeds from sale of capital assets	299,460	299,460	-
Proceeds from issuance of leases	-	48,254	48,254
Transfers out	(611,761)	(310,141)	301,620
Net other financing sources (uses)	<u>(312,301)</u>	<u>37,573</u>	<u>349,874</u>
Net change in fund balance	<u>\$ (1,400,218)</u>	<u>(490,205)</u>	<u>910,013</u>
Fund balance, beginning of year		14,993,645	
Fund balance, ending of year		<u>\$ 14,503,440</u>	

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Schedule of City's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS)

June 30, 2022

Year	City's Proportion of the Net Pension Liability		City's Proportionate Share of the Net Pension Liability		State of Alaska Proportionate Share of the Net Pension Liability		Total Net Pension Liability		City's Covered Payroll		City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	
2015	0.0713%	\$ 3,324,880	\$ 3,063,690	\$ 6,388,570	\$ 4,256,768	\$ 78.11%	62.37%						
2016	0.1062%	\$ 5,152,410	\$ 138,151	\$ 5,290,561	\$ 3,091,332	\$ 166.67%	63.96%						
2017	0.1269%	\$ 7,091,710	\$ 893,136	\$ 7,984,846	\$ 3,016,750	\$ 235.08%	59.55%						
2018	0.1051%	\$ 5,432,839	\$ 2,023,811	\$ 7,456,650	\$ 3,057,182	\$ 177.74%	63.37%						
2019	0.1127%	\$ 5,599,916	\$ 1,619,291	\$ 7,219,207	\$ 3,169,595	\$ 176.68%	65.19%						
2020	0.1055%	\$ 5,775,101	\$ 2,292,576	\$ 8,067,677	\$ 3,130,982	\$ 184.45%	63.42%						
2021	0.1063%	\$ 6,271,667	\$ 2,595,580	\$ 8,867,247	\$ 3,666,977	\$ 171.03%	61.61%						
2022	0.1495%	\$ 5,485,323	\$ 743,512	\$ 6,228,835	\$ 3,956,041	\$ 138.66%	74.46%						

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Schedule of City's Proportionate Share of the Net OPEB Liability (Asset)

Public Employees' Retirement System (PERS)

June 30, 2022

Year	City's Proportion of the Net OPEB Liability (Asset)		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 Payroll		City's Proportionate Share of the Net OPEB Liability as a Percentage of the Total OPEB Liability (Asset)		Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	
	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of the Total OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability as a Percentage of the Total OPEB Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
Alaska Retiree Healthcare Trust Plan (ARHCT):														
2018	0.1051%	\$ 887,886	\$ 331,346	\$ 1,219,232	\$ 331,346	\$ 331,346	\$ 1,219,232	\$ 3,057,182	\$ 3,057,182	29.04%	29.04%	89.68%	89.68%	
2019	0.1126%	\$ 1,155,990	\$ 335,315	\$ 1,491,305	\$ 335,315	\$ 335,315	\$ 1,491,305	\$ 3,169,595	\$ 3,169,595	36.47%	36.47%	88.12%	88.12%	
2020	0.1054%	\$ 156,336	\$ 62,178	\$ 218,514	\$ 62,178	\$ 62,178	\$ 218,514	\$ 3,130,982	\$ 3,130,982	4.99%	4.99%	98.13%	98.13%	
2021	0.1063%	\$ (481,197)	\$ (199,957)	\$ (681,154)	\$ (199,957)	\$ (199,957)	\$ (681,154)	\$ 3,666,977	\$ 3,666,977	-13.12%	-13.12%	106.15%	106.15%	
2022	0.1501%	\$ (3,849,775)	\$ (507,030)	\$ (4,356,805)	\$ (507,030)	\$ (507,030)	\$ (4,356,805)	\$ 3,956,041	\$ 3,956,041	-97.31%	-97.31%	135.54%	135.54%	
Occupational Death and Disability (ODD):														
2018	0.2018%	\$ (28,631)	\$ -	\$ (28,631)	\$ -	\$ -	\$ (28,631)	\$ 3,057,182	\$ 3,057,182	-0.94%	-0.94%	212.97%	212.97%	
2019	0.2141%	\$ (41,590)	\$ -	\$ (41,590)	\$ -	\$ -	\$ (41,590)	\$ 3,169,595	\$ 3,169,595	-1.31%	-1.31%	270.62%	270.62%	
2020	0.2409%	\$ (58,407)	\$ -	\$ (58,407)	\$ -	\$ -	\$ (58,407)	\$ 3,130,982	\$ 3,130,982	-1.87%	-1.87%	297.43%	297.43%	
2021	0.2640%	\$ (71,965)	\$ -	\$ (71,965)	\$ -	\$ -	\$ (71,965)	\$ 3,666,977	\$ 3,666,977	-1.96%	-1.96%	283.80%	283.80%	
2022	0.2436%	\$ (107,378)	\$ -	\$ (107,378)	\$ -	\$ -	\$ (107,378)	\$ 3,956,041	\$ 3,956,041	-2.71%	-2.71%	374.22%	374.22%	
Retiree Medical Plan (RMP):														
2018	0.1303%	\$ 10,523	\$ -	\$ 10,523	\$ -	\$ -	\$ 10,523	\$ 891,245	\$ 891,245	1.18%	1.18%	93.98%	93.98%	
2019	0.2141%	\$ 27,249	\$ -	\$ 27,249	\$ -	\$ -	\$ 27,249	\$ 603,292	\$ 603,292	4.52%	4.52%	88.71%	88.71%	
2020	0.1997%	\$ 47,783	\$ -	\$ 47,783	\$ -	\$ -	\$ 47,783	\$ 452,109	\$ 452,109	10.57%	10.57%	83.17%	83.17%	
2021	0.2124%	\$ 15,068	\$ -	\$ 15,068	\$ -	\$ -	\$ 15,068	\$ 1,011,932	\$ 1,011,932	1.49%	1.49%	92.23%	92.23%	
2022	0.2067%	\$ (55,470)	\$ -	\$ (55,470)	\$ -	\$ -	\$ (55,470)	\$ 1,085,723	\$ 1,085,723	-5.11%	-5.11%	115.10%	115.10%	

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA
 Schedule of City's Contributions (Pensions)
 Public Employees' Retirement System (PERS)

June 30, 2022

Year	Contributions		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
2015	\$ 284,388	\$ (284,388)	\$ -	\$ 3,091,332	9.20%
2016	\$ 276,563	\$ (276,563)	\$ -	\$ 3,016,750	9.17%
2017	\$ 320,169	\$ (320,169)	\$ -	\$ 3,057,182	10.47%
2018	\$ 368,291	\$ (368,291)	\$ -	\$ 3,169,595	11.62%
2019	\$ 357,431	\$ (353,150)	\$ 4,281	\$ 3,130,982	11.42%
2020	\$ 381,045	\$ (382,442)	\$ (1,397)	\$ 3,666,977	10.39%
2021	\$ 508,632	\$ (510,166)	\$ (1,534)	\$ 3,956,041	12.86%
2022	\$ 564,034	\$ (564,034)	\$ -	\$ 4,231,791	13.33%

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Schedule of City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2022

Year	Contractually Required Contribution		Contributions Relative to the Contractually Required Contribution		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contributions	Contractually Required Contribution	Contributions			
Alaska Retiree Healthcare Trust Plan (ARHCT):							
2018	\$ 104,974	\$ 104,974	(\$ 104,974)	\$ -	\$ -	3,169,595	3.31%
2019	\$ 129,124	\$ 129,124	(\$ 129,124)	\$ -	\$ -	3,130,982	4.12%
2020	\$ 152,200	\$ 152,200	(\$ 152,200)	\$ -	\$ -	3,666,977	4.15%
2021	\$ 69,955	\$ 69,955	(\$ 69,955)	\$ -	\$ -	3,956,041	1.77%
2022	\$ 54,445	\$ 54,445	(\$ 54,445)	\$ -	\$ -	4,231,791	1.29%
Occupational Death and Disability (ODD):							
2018	\$ 5,344	\$ 5,344	(\$ 5,344)	\$ -	\$ -	3,169,595	0.17%
2019	\$ 9,836	\$ 9,836	(\$ 9,836)	\$ -	\$ -	3,130,982	0.31%
2020	\$ 11,577	\$ 11,577	(\$ 11,577)	\$ -	\$ -	3,666,977	0.32%
2021	\$ 12,995	\$ 12,995	(\$ 12,995)	\$ -	\$ -	3,956,041	0.33%
2022	\$ 14,071	\$ 14,071	(\$ 14,071)	\$ -	\$ -	4,231,791	0.33%
Retiree Medical Plan (RMP):							
2018	\$ 24,963	\$ 24,963	(\$ 24,963)	\$ -	\$ -	603,292	4.14%
2019	\$ 23,439	\$ 23,439	(\$ 23,439)	\$ -	\$ -	452,109	5.18%
2020	\$ 37,891	\$ 37,891	(\$ 37,891)	\$ -	\$ -	1,011,932	3.74%
2021	\$ 38,354	\$ 38,354	(\$ 38,354)	\$ -	\$ -	1,085,723	3.53%
2022	\$ 36,261	\$ 36,261	(\$ 36,261)	\$ -	\$ -	1,191,741	3.04%

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Notes to Required Supplementary Information

June 30, 2022

1. General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Budgetary Accounting

The Nome Common Council (Council) is required to review or enact through the passage of a resolution or ordinance the budgets for the City, School City and Utility System prior to each entity's fiscal year-end, June 30 for the City and School City and December 31 for the Utility System. The City's operating budget is prepared by the City Manager in the spring proceeding the fiscal year to which it relates and is submitted to the Council for enactment. The operating budget includes proposed expenditures and the proposed means of financing them. The School City's budget is prepared by the Superintendent of Schools in the spring proceeding the fiscal year to which it relates. It is submitted to the Nome City School Board for review and approval and then to the Council for purposes of passing the resolution setting the contribution for the fiscal year. The Utility System's operating budget is prepared by the Utility System manager in the fall preceding the fiscal year to which it relates. It is submitted to the Nome Joint Utility System Board for review and approval and then to the Council for passage.

The City Manager, the Nome City School Board and the Nome Joint Utility System Board are authorized to transfer budgeted amounts within any fund or department; however, any revisions that alter the total expenditures of any fund or department must be approved by the Council. Formal budgetary integration is employed as a management control device during the year for the City's and School City's General Fund, Special Revenue Funds and the City's Capital Projects Funds and Port Facility Enterprise Fund. All budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America, and all lapse at year-end except for budgets related to the Debt Service Fund, Capital Projects Funds and Special Revenue Funds. Budgeted amounts are presented as originally adopted or as amended by the Council for the General Fund and are prepared on the modified accrual basis of accounting.

The following had expenditures in excess of appropriations in the General Fund for the year ended June 30, 2022:

Police	107,623
Public Works	46,160
Education	450
Debt Service	25,300
Capital Outlay	50,554

Excess expenditures in General Fund were funded by available revenue and fund balance.

2. Public Employees' Retirement System

Schedule of District's Proportionate Share of Net Pension and OPEB Liability (Asset)

The table is presented based on the Plan measurement date which is one year prior to fiscal year end for all years presented.

Changes in Methods Since the Prior Valuation – June 30, 2020 to June 30, 2021:

There were no changes in actuarial methods since the prior valuation.

Changes in Assumptions Since the Prior Valuation – June 30, 2020 to June 30, 2021:

- Pension - Healthcare claim costs are updated annually. Retired member contributions were updated to reflect the 5% decrease from CY20 to CY21. The amounts included in the normal cost for administrative expenses were changed from \$7,223,000 to \$7,625,000 for pension, and from \$4,934,000 to \$5,531,000 for healthcare (based on the most recent two years of actual administrative expenses paid from plan assets). There were no other changes in actuarial assumptions since the prior valuation.
- OPEB ODD and RMP- Healthcare claim costs are updated annually. The amounts included in the normal cost for administrative expenses were changed from \$1,000 to \$16,000 for occupational death and disability, and from \$20,000 to \$24,000 for retiree medical (based on the most recent two years of actual administrative expenses paid from plan assets). There were no other changes in actuarial assumptions since the prior valuation.

Changes in Benefit Provisions Since the Prior Valuation – June 30, 2020 to June 30, 2021:

There were no changes in benefit provisions since the prior valuation.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the District will present only those years for which information is available.

Schedule of District Contributions (Pension) and (OPEB)

The table valuation date is June 30, 2020 which was rolled forward to June 30, 2021. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

SUPPLEMENTARY INFORMATION

CITY OF NOME, ALASKA
Other Governmental Funds
Combining Balance Sheet

June 30, 2022

	Special Revenue Funds										Total	
	E-911 Surcharge	State of Alaska DHSS	NPD SART	NSEDC Community Benefits Share	State Homeland Security	Institute of Museum and Library Services Grant	NSEDC Community Employment Program	Public Library Assistance	FEMA Pandemic	Art Acquisition		
Assets												
Cash and short-term investments	\$ -	-	-	-	-	-	-	-	-	-	-	-
Receivables:												
Federal	-	15,174	5,284	-	8,505	-	-	-	-	3,596	-	32,559
State of Alaska	-	-	-	-	-	-	-	-	-	-	-	-
Other	12,981	-	-	-	-	1,112	-	-	-	-	-	14,093
Due from other funds	640,253	-	-	162,617	-	1,500	-	-	-	1,581	-	806,166
Total assets	\$ 653,234	\$ 15,174	\$ 5,284	\$ 162,617	\$ 8,505	\$ 1,500	\$ 1,112	\$ 215	\$ -	\$ 5,177	\$ -	\$ 852,818
Liabilities and Fund Balances												
Liabilities:												
Accounts payable	\$ -	-	1,032	56,521	-	-	-	215	-	5,177	-	62,945
Unearned revenue	-	-	-	-	-	1,500	-	-	-	-	-	1,500
Due to other funds	-	15,174	4,252	-	8,505	-	1,112	-	15,815	-	-	44,858
Total liabilities	\$ -	\$ 15,174	\$ 5,284	\$ 56,521	\$ 8,505	\$ 1,500	\$ 1,112	\$ 215	\$ 15,815	\$ 5,177	\$ -	\$ 109,303
Fund balances:												
Restricted -												
E-911 surcharge	653,234	-	-	-	-	-	-	-	-	-	-	653,234
Committed -												
Community projects	-	-	-	106,096	-	-	-	-	-	-	-	106,096
Assigned:												
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Landfill	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(15,815)	-	-	(15,815)
Total fund balances	\$ 653,234	\$ 15,174	\$ 5,284	\$ 106,096	\$ 8,505	\$ 1,500	\$ 1,112	\$ 215	\$ (15,815)	\$ 5,177	\$ -	\$ 852,818

(Continued)

CITY OF NOME, ALASKA
Other Governmental Funds

Combining Balance Sheet, Continued

	Capital Project Funds							Total Other Governmental Funds
	Debt Service Fund	Landfill	NPS 18-Plex	American Rescue Plan	Equipment and Upgrades	School Renovation and Repairs	Total	
Assets								
Cash and short-term investments	\$ 1,381,756	-	-	-	-	-	-	1,381,756
Receivables:								
Federal	-	-	-	-	-	-	-	32,559
State of Alaska	585	-	-	-	-	-	-	585
Other	-	-	388	-	-	1,763	2,151	16,244
Due from other funds	-	704,667	30	662,978	3,905	-	1,371,580	2,177,746
Total assets	\$ 1,382,341	704,667	418	662,978	3,905	1,763	1,373,731	3,608,890
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	-	-	418	-	3,905	-	4,323	67,268
Unearned revenue	-	-	-	662,978	-	-	662,978	664,478
Due to other funds	562,489	-	-	-	-	1,763	1,763	609,110
Total liabilities	562,489	-	418	662,978	3,905	1,763	669,064	1,340,856
Fund Balances:								
Restricted -								
E-911 surcharge	-	-	-	-	-	-	-	653,234
Committed -								
Community projects	-	-	-	-	-	-	-	106,096
Assigned:								
Debt service	819,852	-	-	-	-	-	-	819,852
Landfill	-	704,667	-	-	-	-	704,667	704,667
Unassigned	-	-	-	-	-	-	-	(15,815)
Total fund balances	819,852	704,667	-	-	-	-	704,667	2,268,034
	\$ 1,382,341	704,667	418	662,978	3,905	1,763	1,373,731	3,608,890

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CITY OF NOME, ALASKA
Other Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2022

	Special Revenue Funds							NSEDC Community Benefits Share
	E-911 Surcharge	State of Alaska DHSS	CARES Act	State Homeland Security	National Park Service	NPD SART		
Revenues:								
Local sources:								
Charges for services	\$ 102,073	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	200,000
Intergovernmental:								
State of Alaska	-	137,189	-	14,571	443	11,476	-	-
Federal sources	-	-	185,095	-	-	-	-	-
Total revenues	102,073	137,189	185,095	14,571	443	11,476	-	200,000
Expenditures:								
Current:								
Administrative	-	-	2,093	-	-	-	-	-
Police	21,260	-	15,081	6,066	-	11,476	-	-
Emergency services	-	-	23,944	8,505	-	-	-	-
Public works	-	-	1,121	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Non-departmental	-	137,189	142,856	-	443	-	-	24,792
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	21,260	137,189	185,095	14,571	443	11,476	-	24,792
Excess (deficiency) of revenues over expenditures	80,813	-	-	-	-	-	-	175,208
Other financing sources (uses):								
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(85,361)
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(85,361)
Net change in fund balances	80,813	-	-	-	-	-	-	89,847
Fund balances, beginning of year	572,421	-	-	-	-	-	-	16,249
Fund balances, end of year	653,234	-	-	-	-	-	-	106,096

(Continued)

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

CITY OF NOME, ALASKA
Other Governmental Funds

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

	Special Revenue Funds							Total	Debt Service Fund
	Art Acquisition	NSEDC Community Employment Program	Public Library Assistance	FEMA Pandemic	Institute of Museum and Library Services Grant				
Revenues:									
Local sources:									
Charges for services	\$ -	-	-	-	-	-	102,073	-	-
Other	6,800	4,973	-	-	-	-	211,773	-	-
Intergovernmental:									
State of Alaska	-	-	7,000	-	-	-	7,000	58,583	-
Federal sources	3,596	-	5,977	-	8,500	-	366,847	-	-
Total revenues	10,396	4,973	12,977	-	8,500	-	687,693	58,583	-
Expenditures:									
Current:									
Administrative	-	-	-	3,176	-	-	5,269	-	-
Police	-	-	-	-	-	-	53,883	-	-
Emergency services	-	-	-	-	-	-	32,449	-	-
Public works	-	-	-	-	-	-	1,121	-	-
Museum	16,324	-	-	-	-	-	16,324	-	-
Library	-	4,973	12,977	-	8,500	-	26,450	-	-
Non-departmental	-	-	-	-	-	-	305,280	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	235,000	-
Interest	-	-	-	-	-	-	-	49,725	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	16,324	4,973	12,977	3,176	8,500	-	440,776	284,725	-
Excess (deficiency) of revenues over expenditures	(5,928)	-	-	(3,176)	-	-	246,917	(226,142)	-
Other financing sources (uses):									
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(85,361)	-	-
Transfers in	5,928	-	-	-	-	-	5,928	226,142	-
Total other financing sources (uses)	5,928	-	-	-	-	-	(79,433)	226,142	-
Net change in fund balances	-	-	-	(3,176)	-	-	167,484	-	-
Fund balances, beginning of year	-	-	-	(12,639)	-	-	576,031	819,852	-
Fund balances, end of year	-	-	-	(15,815)	-	-	743,515	819,852	-

(Continued)

CITY OF NOME, ALASKA

Other Governmental Funds

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

	Capital Project Funds							Total Other Governmental Funds
	Landfill	School Renovation and Repairs	NPS 18-Plex	Nome Eskimo Roads	American Rescue Plan	Equipment and Upgrades	Total	
Revenues:								
Local sources:								
Charges for services	-	-	-	-	-	-	-	102,073
Other	-	5,595	388	-	-	-	5,983	217,756
Intergovernmental:								
State of Alaska	-	-	-	-	-	-	-	65,583
Federal sources	-	-	-	50,000	188,695	-	238,695	605,542
Total revenues	-	5,595	388	50,000	188,695	-	244,678	990,954
Expenditures:								
Current:								
Administrative	-	-	-	-	-	-	-	5,269
Police	-	-	-	-	-	-	-	53,883
Emergency services	-	-	-	-	-	-	-	32,449
Public works	-	-	-	-	-	-	-	1,121
Museum	-	-	-	-	-	-	-	16,324
Library	-	-	-	-	-	-	-	26,450
Non-departmental	-	-	-	-	-	-	-	305,280
Debt service:								
Principal	-	-	-	-	-	-	-	235,000
Interest	-	-	-	-	-	-	-	49,725
Capital outlay	-	5,595	792	50,000	188,695	183,203	428,285	428,285
Total expenditures	-	5,595	792	50,000	188,695	183,203	428,285	1,153,786
Excess (deficiency) of revenues over expenditures	-	-	(404)	-	-	(183,203)	(183,607)	(162,832)
Other financing sources (uses):								
Proceeds on sale of capital assets	-	-	-	-	-	20,175	20,175	20,175
Transfers out	-	-	-	-	-	-	-	(85,361)
Transfers in	-	-	404	-	-	163,028	163,432	395,502
Total other financing sources (uses)	-	-	404	-	-	183,203	183,607	330,316
Net change in fund balances	-	-	-	-	-	-	-	167,484
Fund balances, beginning of year	704,667	-	-	-	-	-	704,667	2,100,550
Fund balances, end of year	704,667	-	-	-	-	-	704,667	2,268,034

CITY OF NOME, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grant Title	Pass Through/ Grant Number	Federal Assistance Listing Number	Total Grant Award	Federal Expenditures
U.S. Department of the Interior:				
Direct -				
Cultural Resource Management	P16AC00333	15.946	\$ 28,000	443
Passed through the State of Alaska, Department of Commerce, Community, and Economic Development -				
Payment in lieu of taxes	None	15.226	523,215	523,215
Passed through Nome Eskimo Community -				
Tribal Transportation Program	MOA	15.033	50,000	50,000
Total U.S. Department of the Interior			601,215	573,658
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety:				
SART	None	16.588	11,476	11,476
U.S. Department of Health and Human Services -				
Passed through State of Alaska, Department of Health and Social Services -				
COVID-19 Emergency Operations Center	C0621-570-Q	93.323	171,050	137,189
U.S. Department of the Treasury -				
Passed through State of Alaska, Department of Commerce, Community, and Economic Development:				
COVID-19 Coronavirus Relief Fund	20-CRF-146	21.019	5,679,072	185,095
COVID-19 ARPA	AK0090	21.027	1,700,834	188,695
Total U.S. Department of Treasury			7,379,906	373,790
U.S. Department of Homeland Security -				
Passed through the State of Alaska, Division of Homeland Security and Emergency Management -				
COVID-19 Pandemic Response	EMW-2020-SS-00012-S01	97.067	46,176	14,571
U.S. Department of Commerce -				
Direct -				
Nome Inner Harbor Launch Ramp Repair	07-01-07499	11.300	2,276,467	1,686,410
U.S. Department of Museum and Library Services -				
Passed through the State of Alaska, Department of Education and Early Development -				
COVID-19 Public Access Internet Devices	LS-250194-OLS-21	45.310	5,977	5,977
Passed through Nome Eskimo Community:				
Native American and Native Hawaiian Library Services	NAB-250352-OLS-21	45.311	10,000	8,500
National Leadership Grant	CAGML-248165-OMLS-21	45.312	119,267	3,596
Total U.S. Department of Museum and Library Services			135,244	18,073
Total expenditures of federal awards			\$ 10,621,534	2,815,167
Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1:				
Above expenditures, per schedule			\$ 2,815,167	
Less: Capital Contributions, Port Facility Enterprise Fund			(1,686,410)	
Total Federal sources revenue Exhibit D-1			\$ 1,128,757	

See accompanying notes to the schedule.

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1. General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2022. The information in this 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 the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

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. The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Reporting Entity

The City, for purpose of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB Codification, Section 2100, *The Financial Reporting Entity*. It does not include the component units of the City: The Nome Public Schools and the Nome Joint Utility System. These component units also receive Federal assistance, but separately satisfy the audit requirements of the Uniform Guidance, if applicable.

Note 4. Subrecipients

No federal funds were passed through to subrecipients.

CITY OF NOME, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2022

<u>Grant Title</u>	<u>Pass Through/ Grant Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
Department of Commerce, Community and Economic Development:			
* Support for Design of Arctic Deep Draft Port	19-DC-008	\$ 1,600,000	834,699
Arctic Deep Draft Port Design	17-DC-005	<u>1,600,000</u>	<u>29,444</u>
Total Department of Commerce, Community and Economic Development		<u>3,200,000</u>	<u>864,143</u>
Department of Education and Early Development:			
Debt Reimbursement	None	58,583	58,583
OWL Internet - Library	OWL1774601	2,040	2,040
Public Library Assistance	PLA-22-NOME-LARIVIERE	<u>7,000</u>	<u>7,000</u>
Total Department of Education and Early Development		<u>67,623</u>	<u>67,623</u>
Total State Financial Assistance		<u>\$ 3,267,623</u>	<u>931,766</u>
Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1:			
Above expenditures, per schedule		\$ 931,766	
Add: Community revenue sharing		121,290	
Add: General Fund PERS on behalf funding		318,635	
Add: Motor Vehicle Tax		34,034	
Less: Capital Contributions, Port Facility Enterprise Fund		<u>(864,143)</u>	
Total State of Alaska revenue Exhibit D-1		<u>\$ 541,582</u>	

See accompanying notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2022

Note 1. General

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City under programs of the State of Alaska for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirement of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

The accompanying Schedule of State Financial Assistance is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

Note 3. Reporting Entity

The City, for purposes of the Schedule of State Financial Assistance, includes all the funds of the primary government as defined by GASB Codification, Section 2100, *The Financial Reporting Entity*. It does not include the component units of the City: the Nome Public Schools and the Nome Joint Utility System. These component units also receive state financial assistance, but separately satisfy the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, if applicable.

Note 4. Subrecipients

No State funds were passed through to subrecipients.

Note 5. Major Programs

* Denotes a major program for compliance audit purposes.

COMPLIANCE REPORTS

REVISED DRAFT
FOR DISCUSSION PURPOSES ONLY

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

Independent Auditor's Report

Members of the City Council
City of Nome, Alaska
Nome, 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, the Nome Public Schools discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2022 and the related notes to the financial statements which collectively comprise the City of Nome, Alaska's basic financial statements, and have issued our report thereon dated Month XX, 2022. The financial statements of the Nome Joint Utility System have not been audited, and we were not engaged to audit the Nome Joint Utility System financial statements as part of our audit of the City of Nome, Alaska's basic financial statements and our report disclaims an opinion on the aggregate discretely presented component units.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Nome, Alaska'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 City of Nome, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nome, Alaska'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 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.

Members of the City Council
City of Nome, Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Anchorage, Alaska
Month XX, 2023

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Members of the City Council
City of Nome, Alaska
Nome, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements identified as subject to an audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2022. City of Nome, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which expended \$2,746,246 and \$0, respectively, in federal awards which are not included in City of Nome, Alaska's Schedule of Expenditures of Federal Awards for the year ended June 30, 2022. Our audit, described below, did not include the operations of Nome Public Schools because the organizational unit was subjected to a separate audit performed in accordance with the Uniform Guidance, and Nome Joint Utility System because the organizational unit engaged other auditors to perform an audit.

In our opinion, City of Nome, Alaska 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 City of Nome, Alaska and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Nome, Alaska's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Nome, Alaska's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Nome, Alaska'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 City of Nome, Alaska's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on City of Nome, Alaska's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. City of Nome, Alaska's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-001, to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on City of Nome, Alaska's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Nome, Alaska's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Members of the City Council
City of Nome, Alaska

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.

Anchorage, Alaska
Month XX, 2022

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

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

Is a going concern emphasis-of-matter paragraph included in the audit report? Yes X No

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 programs (2 CFR 200.516 (a)(1)):
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? Yes X No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516(a)(3) or (4)? Yes X No

Identification of major programs:

ALN Number(s)/Cluster
11.300

Name of Federal Program or Cluster
Investments for Public Works and
Economic Development Facilities

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

The City of Nome, Alaska did not have any findings that related to the financial statements.

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001: Late Reporting and Noncompliance with Reporting Requirements:

Federal Agency: **U.S. Department of Commerce**
Federal Program: **11.300 Investments for Public Works and Economic Development Facilities**
Grant Number: **07-01-07499**
Award Year: **2022**
Type of Finding: **Significant Deficiency/Noncompliance**
Opinion: **Unmodified**

Condition: The City did not adhere to the Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months plus any extensions after the end of the audit period, (i.e. the FAC Report was not submitted timely.)

Criteria: The Uniform Guidance requires that the reporting package be submitted within the earlier of nine months, plus any extensions, after year end or 30 days after the report issuance in accordance with the provisions of 2 CFR part 200, subpart F, section 200.512.

Context: The FAC report was not submitted within the required time period.

Cause: Due to delays in the audit of Nome Joint Utilities (Component Unit) the City was unable to complete the audit within the required reporting timeline.

Effect: The City is not in compliance with Uniform Guidance reporting requirements.

Questioned Costs: None.

Recommendation: Nome Joint Utilities should complete their audit in a more timely manner so the City can comply with their reporting requirements.

Management Response: Management concurs with this finding. See Corrective Action Plan.

Report on Compliance for Each Major State Program and on Internal Control over Compliance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits

Independent Auditor's Report

Members of the City Council
City of Nome, Alaska
Nome, Alaska

Report on Compliance for Each Major State Program

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements identified as subject to audit in the *State of Alaska Audit Guide and Compliance Supplement* that could have a direct and material effect on each of the City of Nome, Alaska's major state programs for the year ended June 30, 2022. The City of Nome, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which expended \$9,365,843 and \$0, respectively in state awards which are not included in City of Nome, Alaska's Schedule of state Financial Assistance for the year ended June 30, 2022. Our audit, described below, did not include the operations of Nome Public Schools because the organizational unit was subjected to a separate audit performed in accordance with the *State of Alaska Audit Guide and Compliance Supplement* and the Nome Joint Utility System because the organizational unit engaged other auditors to perform an audit.

In our opinion, City of Nome, Alaska 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 state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements in the State of Alaska Audit Guide. Our responsibilities under those standards and the State of Alaska Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

Members of the City Council
City of Nome, Alaska

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Nome, Alaska'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 State of Alaska Audit Guide requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Nome, Alaska's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of Alaska Audit Guide, 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 City of Nome, Alaska's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Nome, Alaska'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 State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness of City of Nome, Alaska's internal control over compliance. Accordingly, no such opinion is expressed.

Members of the City Council
City of Nome, Alaska

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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Anchorage, Alaska
Month XX, 2022

CITY OF NOME, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

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

State Financial Assistance

Internal control over major 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 programs:

Unmodified

Section II – Financial Statement Findings

The City of Nome, Alaska did not have any findings that related to the financial statements.

Section III – State Award Findings and Questioned Costs

The City of Nome, Alaska did not have any findings that related to state awards.

CLIENT LETTERHEAD

Corrective Action Plan

June 30, 2022

Federal Award Findings

Finding 2022-001

Late Reporting and Noncompliance with Reporting Requirements

Name of Contact Person: Nickie Crowe, Finance Director

Corrective Action Plan: The City of Nome will communicate with Nome Joint Utility System (NJUS) by July 1 of each year requesting their confirmation on the schedule for the completion of JNUS' audited financial statements not later than November 30. The City of Nome and NJUS will communicate monthly on the status of the NJUS Audited Financials until the target date of November 30 of each year is met. If NJUS fails to communicate, the Nome Common Council will be notified immediately so that new action can be taken to ensure the City of Nome is compliant on future audits.

Proposed Completion Date: November 30, 2023